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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from to

Commission file number 001-36614

**Alibaba Group Holding Limited**

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

c/o Alibaba Group Services Limited  
26/F Tower One, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

(Address of principal executive offices)

Timothy A. Steinert, Esq., General Counsel and Secretary  
Telephone: +852-2215-5100  
Facsimile: +852-2215-5200  
Alibaba Group Holding Limited  
c/o Alibaba Group Services Limited  
26/F Tower One, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, par value US\$0.000025 per share American Depositary Shares, each representing one Ordinary Share	BABA	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 2,587,059,572 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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## CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless the context otherwise requires, references in this annual report on Form 20-F to:

- "ADSs" are to the American depositary shares, each of which represents one ordinary share;
- "Alipay" are to Alipay.com Co., Ltd., a company with which we have a long-term contractual relationship and which is a wholly-owned subsidiary of Ant Financial or, where the context requires, its predecessor entities. Although we have agreed to acquire a 33% equity interest in Ant Financial, we do not and, upon completion of our acquisition of the equity interest, will not have any control over either Ant Financial or Alipay;
- "Altaba" are to Altaba Inc. (formerly known as Yahoo! Inc.), Altaba Holdings Hong Kong Limited (formerly known as Yahoo! Hong Kong Holdings Limited) and Altaba HK MC Limited, collectively;
- "annual active consumers" are to user accounts that had one or more confirmed orders on the relevant platforms during the previous twelve months, regardless of whether or not the buyer and seller settle the transaction;
- "annual active users" for Ant Financial are to user accounts that used one or more services provided by Ant Financial and its investees, such as payment, wealth management, financing, insurance and credit system, during the previous twelve months;
- "Ant Financial" are to Ant Small and Micro Financial Services Group Co., Ltd., a company organized under the laws of the PRC (in which we have agreed to acquire a 33% equity interest, subject to regulatory approvals and customary closing conditions) and, as the context requires, its consolidated subsidiaries;
- "Cainiao Network" are to Cainiao Smart Logistics Network Limited, a company incorporated under the laws of the Cayman Islands;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- "China retail marketplaces" are to Taobao Marketplace and Tmall, collectively;
- "GMV" are to the value of confirmed orders of products and services on our marketplaces, regardless of how, or whether, the buyer and seller settle the transaction. Unless otherwise stated, GMV in reference to our marketplaces includes only GMV transacted on our China retail marketplaces. Our calculation of GMV for our China retail marketplaces includes shipping charges paid by buyers to sellers. As a prudential matter aimed at eliminating any influence on our GMV of potentially fraudulent transactions, we exclude from our calculation of GMV transactions in certain product categories over certain amounts and transactions by buyers in certain product categories over a certain amount per day;
- "HK\$" and "Hong Kong dollars" are to the legal currency of the Hong Kong Special Administrative Region of the People's Republic of China;
- "mobile MAUs" in a given month are to the number of unique mobile devices that were used to visit or access certain of our mobile apps at least once during that month;
- "orders" are to each confirmed order from a transaction between a buyer and a seller for products and services on the relevant platform, even if these orders include multiple items, during the specified period, whether or not the transaction is settled;
- "RMB" and "Renminbi" are to the legal currency of China;
- "SMEs" are to small and medium-sized enterprises;
- "SoftBank" are to SoftBank Group Corp. (formerly known as SoftBank Corp. before July 2, 2015), SBBM Corporation, West Raptor Holdings, LLC and Skywalk Finance GK, collectively;

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- "variable interest entities" or "VIEs" are to our variable interest entities that are 100% owned by PRC citizens or by PRC entities owned by PRC citizens, where applicable, that hold the Internet content provider licenses, or ICP licenses, or other business operation licenses or approvals, and generally operate the various websites and mobile apps for our Internet businesses or other businesses in which foreign investment is restricted or prohibited, and are consolidated into our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries;
- "we," "us," "our company" and "our" are to Alibaba Group Holding Limited and its consolidated subsidiaries and its affiliated consolidated entities, including our variable interest entities and their subsidiaries;
- "wholesale marketplaces" are to 1688.com and Alibaba.com, collectively; and
- "US\$," "dollars" and "U.S. dollars" are to the legal currency of the United States.

Our reporting currency is the Renminbi. This annual report contains translations of Renminbi and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of Renminbi and Hong Kong dollars into U.S. dollars and from U.S. dollars into Renminbi in this annual report were made at a rate of RMB6.7112 to US\$1.00 and HK\$7.8498 to US\$1.00, the respective exchange rates on March 29, 2019 set forth in the H.10 statistical release of the Federal Reserve Board. We make no representation that any Renminbi, Hong Kong dollar or U.S. dollar amounts referred to in this annual report could have been, or could be, converted into U.S. dollars, Renminbi or Hong Kong dollars, as the case may be, at any particular rate or at all. On May 31, 2019, the noon buying rate for Renminbi and Hong Kong dollars was RMB6.9027 to US\$1.00 and HK\$7.8387 to US\$1.00, respectively.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us, our industries and the regulatory environment in which we and companies integral to our digital economy operate. These forward-looking statements are made under the "safe harbor" provision under Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our growth strategies;
- our future business development, results of operations and financial condition;
- trends in commerce, the overall technology and the other industries in which we operate, both in China and globally;
- competition in our industries;
- fluctuations in general economic and business conditions in China and globally;
- expected changes in our revenues and certain cost and expense items and our operating margins;
- the completion of our investment transactions, including our subscription for an equity interest in Ant Financial, and regulatory approvals and other conditions that must be met in order to complete investment transactions;
- the completion of the process of enhancing the structure of our material variable interest entities and certain other variable interest entities, or the VIE Structure Enhancement;
- international trade policies, protectionist policies and other policies that could place restrictions on economic and commercial activity;
- the regulatory environment in which we and companies integral to our digital economy operate; and
- assumptions underlying or related to any of the foregoing.

The global and China Internet, retail, wholesale, online and mobile commerce, cloud computing, and digital media and entertainment industries or markets may not grow at the rates projected by market data, or at all. The failure of these industries or markets to grow at the projected rates may have a material adverse effect on our business, financial condition and results of operations and the market price of our ADSs. If any one or more of the assumptions underlying the industry or market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we have referred to in this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

**PART I**

**ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3 KEY INFORMATION**

**A. Selected Financial Data**

The selected consolidated statements of operations data for the years ended March 31, 2017, 2018 and 2019, and the selected consolidated balance sheet data as of March 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated statements of operations data for the years ended March 31, 2015 and 2016 and the selected consolidated balance sheet data as of March 31, 2015, 2016 and 2017 have been derived from our audited consolidated financial statements not included in this annual report. Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

The following selected consolidated financial data for the periods and as of the dates indicated are qualified by reference to and should be read in conjunction with our audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects," both of which are included elsewhere in this annual report.

Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

**Consolidated Statements of Operations Data:**

	Year ended March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except per share data)					
Revenue	76,204	101,143	158,273	250,266	376,844	56,152
Cost of revenue	(23,834)	(34,355)	(59,483)	(107,044)	(206,929)	(30,833)
Product development expenses	(10,658)	(13,788)	(17,060)	(22,754)	(37,435)	(5,578)
Sales and marketing expenses	(8,513)	(11,307)	(16,314)	(27,299)	(39,780)	(5,928)
General and administrative expenses	(7,800)	(9,205)	(12,239)	(16,241)	(24,889)	(3,708)
Amortization of intangible assets	(2,089)	(2,931)	(5,122)	(7,120)	(10,727)	(1,599)
Impairment of goodwill	(175)	(455)	—	(494)	—	—
Income from operations	23,135	29,102	48,055	69,314	57,084	8,506
Interest and investment income, net	9,455	52,254	8,559	30,495	44,106	6,572
Interest expense	(2,750)	(1,946)	(2,671)	(3,566)	(5,190)	(773)
Other income, net	2,486	2,058	6,086	4,160	221	32
Income before income tax and share of results of equity investees	32,326	81,468	60,029	100,403	96,221	14,337
Income tax expenses	(6,416)	(8,449)	(13,776)	(18,199)	(16,553)	(2,466)
Share of results of equity investees	(1,590)	(1,730)	(5,027)	(20,792)	566	84
Net income	24,320	71,289	41,226	61,412	80,234	11,955
Net (income) loss attributable to noncontrolling interests	(59)	171	2,449	2,681	7,652	1,140
Net income attributable to Alibaba Group Holding Limited	24,261	71,460	43,675	64,093	87,886	13,095
Accretion of convertible preference shares <sup>(1)</sup> and mezzanine equity	(15)	—	—	(108)	(286)	(42)
Dividends accrued on convertible preference shares <sup>(1)</sup>	(97)	—	—	—	—	—
Net income attributable to ordinary shareholders	24,149	71,460	43,675	63,985	87,600	13,053
<b>Earnings per share/ADS attributable to ordinary shareholders:</b>						
Basic	10.33	29.07	17.52	25.06	33.95	5.06
Diluted	9.70	27.89	16.97	24.51	33.38	4.97
<b>Weighted average number of shares used in computing earnings per share:</b>						
Basic	2,337	2,458	2,493	2,553	2,580	
Diluted	2,500	2,562	2,573	2,610	2,623	
<b>Supplemental information: <sup>(2)</sup></b>						
Adjusted EBITDA	40,753	52,340	74,456	105,792	121,943	18,170
Adjusted EBITA	38,427	48,570	69,172	97,003	106,981	15,941
Marketplace-based core commerce adjusted EBITA	N/A	N/A	N/A	122,883	161,589	24,078
Non-GAAP net income	34,876	42,791	57,871	83,214	93,407	13,918
Non-GAAP diluted EPS	13.93	16.77	23.44	32.86	38.40	5.72
Free cash flow	48,921	51,279	71,318	99,996	104,478	15,568

(1) Upon the completion of our initial public offering in September 2014, all of our then outstanding convertible preference shares were converted into ordinary shares.

(2) See "Non-GAAP Measures" below.

## Non-GAAP Measures

We use adjusted EBITDA, adjusted EBITA, marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted EPS and free cash flow, each a non-GAAP financial measure, in evaluating our operating results and for financial and operational decision-making purposes.

We believe that adjusted EBITDA, adjusted EBITA, marketplace-based core commerce adjusted EBITA, non-GAAP net income and non-GAAP diluted EPS help identify underlying trends in our business that could otherwise be distorted by the effect of certain income or expenses that we include in income from operations, net income and diluted EPS. We believe that these non-GAAP measures provide useful information about our core operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic corporate transactions, including investing in our new business initiatives, making strategic investments and acquisitions and strengthening our balance sheet.

Adjusted EBITDA, adjusted EBITA, marketplace-based core commerce EBITA, non-GAAP net income, non-GAAP diluted EPS and free cash flow should not be considered in isolation or construed as an alternative to income from operations, core-commerce EBITA, net income, diluted EPS, cash flows or any other measure of performance or as an indicator of our operating performance. These non-GAAP financial measures presented here do not have standardized meanings prescribed by U.S. GAAP and may not be comparable to similarly-titled measures presented by other companies. Other companies may calculate similarly-titled measures differently, limiting their usefulness as comparative measures to our data.

Adjusted EBITDA represents net income before (i) interest and investment income, net, interest expense, other income, net, income tax expenses and share of results of equity investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization, depreciation, impairment of goodwill and (iii) settlement of a U.S. federal class action lawsuit, which we do not believe are reflective of our core operating performance during the periods presented.

Adjusted EBITA represents net income before (i) interest and investment income, net, interest expense, other income, net, income tax expenses and share of results of equity investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization and impairment of goodwill and (iii) settlement of a U.S. federal class action lawsuit, which we do not believe are reflective of our core operating performance during the periods presented.

Marketplace-based core commerce adjusted EBITA represents EBITA for core commerce excluding the effects of (i) local consumer services, (ii) Lazada, (iii) New Retail and direct import and (iv) Cainiao Network.

Non-GAAP net income represents net income before share-based compensation expense, amortization, impairment of goodwill and investments, gain on deemed disposals/disposals/reevaluation of investments, settlement of a U.S. federal class action lawsuit, amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial, immediate recognition of unamortized professional fees and upfront fees upon early repayment/termination of bank borrowings, the expenses relating to the sale of shares by existing shareholders in our initial public offering and others, as adjusted for the tax effects on non-GAAP adjustments.

Non-GAAP diluted EPS represents non-GAAP net income attributable to ordinary shareholders divided by the weighted average number of shares outstanding during the periods on a diluted basis, including accounting for the effects of the assumed conversion of convertible preference shares prior to our initial public offering in September 2014.

Free cash flow represents net cash provided by operating activities as presented in our consolidated cash flow statement less purchases of property and equipment (excluding acquisition of land use rights and construction in

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progress relating to office campus), licensed copyrights and other intangible assets, and adjusted for changes in loan receivables relating to micro loans of our SME loan business (which we transferred to Ant Financial in February 2015) and others. We present the adjustment for changes in loan receivables because these receivables are reflected under cash flows from operating activities, whereas the secured borrowings and other bank borrowings used to finance them are reflected under cash flows from financing activities, and accordingly, the adjustment is made to show cash flows from operating activities net of the effect of changes in loan receivables.

The following table sets forth a reconciliation of our net income to adjusted EBITA and adjusted EBITDA for the periods indicated:

	Year ended March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Net income	24,320	71,289	41,226	61,412	80,234	11,955
Less: Interest and investment income, net	(9,455)	(52,254)	(8,559)	(30,495)	(44,106)	(6,572)
Add: Interest expense	2,750	1,946	2,671	3,566	5,190	773
Less: Other income, net	(2,486)	(2,058)	(6,086)	(4,160)	(221)	(32)
Add: Income tax expenses	6,416	8,449	13,776	18,199	16,553	2,466
Add: Share of results of equity investees	1,590	1,730	5,027	20,792	(566)	(84)
Income from operations	23,135	29,102	48,055	69,314	57,084	8,506
Add: Share-based compensation expense	13,028	16,082	15,995	20,075	37,491	5,586
Add: Amortization of intangible assets	2,089	2,931	5,122	7,120	10,727	1,599
Add: Impairment of goodwill	175	455	—	494	—	—
Add: Settlement of U.S. federal class action lawsuit <sup>(1)</sup>	—	—	—	—	1,679	250
Adjusted EBITA	38,427	48,570	69,172	97,003	106,981	15,941
Add: Depreciation and amortization of property and equipment and land use rights	2,326	3,770	5,284	8,789	14,962	2,229
Adjusted EBITDA	40,753	52,340	74,456	105,792	121,943	18,170

(1) For a description of the relevant federal class action lawsuit and settlement, see "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings."

The following table sets forth a reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA for the periods indicated:

	Year ended March 31,		
	2018	2019	
	RMB	RMB	US\$
	(in millions)		
Adjusted EBITA for core commerce	114,100	136,167	20,290
Less: Effects of local consumer services, Lazada, New Retail and direct import and Cainiao Network	8,783	25,422	3,788
Marketplace-based core commerce adjusted EBITA	122,883	161,589	24,078

The following table sets forth a reconciliation of our net income to non-GAAP net income for the periods indicated:

	Year ended March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Net income	24,320	71,289	41,226	61,412	80,234	11,955
Add: Share-based compensation expense	13,028	16,082	15,995	20,075	37,491	5,586
Add: Amortization of intangible assets	2,089	2,931	5,122	7,120	10,727	1,599
Add: Impairment of goodwill and investments	1,032	2,319	2,542	20,463	11,360	1,693
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(6,715)	(50,435)	(7,346)	(25,945)	(47,525)	(7,081)
Add: Settlement of U.S. federal class action lawsuit <sup>(1)</sup>	—	—	—	—	1,679	250
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	166	264	264	264	264	39
Add: Immediate recognition of unamortized professional fees and upfront fees upon early repayment/termination of bank borrowings	830	—	—	92	—	—
Add: Expenses relating to the sale of shares by existing shareholders at initial public offering	231	—	—	—	—	—
Adjusted for tax effects on non-GAAP adjustments <sup>(2)</sup>	(105)	341	68	(267)	(823)	(123)
Non-GAAP net income	<u>34,876</u>	<u>42,791</u>	<u>57,871</u>	<u>83,214</u>	<u>93,407</u>	<u>13,918</u>

(1) For a description of the relevant federal class action lawsuit and settlement, see "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings."

(2) Tax effects on non-GAAP adjustments are comprised of tax provisions on the amortization of intangible assets and certain investment gains, as well as tax benefits from share-based awards.

The following table sets forth a reconciliation of our diluted EPS to non-GAAP diluted EPS for the periods indicated:

	Year ended March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Net income attributable to ordinary shareholders	24,149	71,460	43,675	63,985	87,600	13,053
Add: Reversal of accretion upon assumed conversion of convertible preference shares	15	—	—	—	—	—
Add: Dividend eliminated upon assumed conversion of convertible preference shares	97	—	—	—	—	—
Less: Dilution effect on earnings arising from share-based awards operated by a subsidiary and equity investees	—	—	(11)	(21)	(42)	(6)
Net income attributable to ordinary shareholders for computing diluted EPS	24,261	71,460	43,664	63,964	87,558	13,047
Add: Non-GAAP adjustments to net income <sup>(1)</sup>	10,556	(28,498)	16,645	21,802	13,173	1,963
Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted EPS	<u>34,817</u>	<u>42,962</u>	<u>60,309</u>	<u>85,766</u>	<u>100,731</u>	<u>15,010</u>
Weighted average number of shares on a diluted basis	2,500	2,562	2,573	2,610	2,623	
Diluted EPS <sup>(2)</sup>	9.70	27.89	16.97	24.51	33.38	4.97
Add: Non-GAAP adjustments to net income per share <sup>(3)</sup>	4.23	(11.12)	6.47	8.35	5.02	0.75
Non-GAAP diluted EPS <sup>(4)</sup>	<u>13.93</u>	<u>16.77</u>	<u>23.44</u>	<u>32.86</u>	<u>38.40</u>	<u>5.72</u>

(1) See the table above regarding the reconciliation of net income to non-GAAP net income for more information of these non-GAAP adjustments.

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- (2) Diluted EPS is derived from net income attributable to ordinary shareholders for computing diluted EPS divided by weighted average number of shares on a diluted basis.
- (3) Non-GAAP adjustments to net income per share is derived from non-GAAP adjustments to net income divided by weighted average number of shares on a diluted basis.
- (4) Non-GAAP diluted EPS is derived from non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted EPS divided by weighted average number of shares on a diluted basis.

The following table sets forth a reconciliation of net cash provided by operating activities to free cash flow for the periods indicated:

	Year ended March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Net cash provided by operating activities <sup>(1)</sup>	42,017	56,836	82,854	125,805	150,975	22,496
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campus)	(4,370)	(4,722)	(5,680)	(15,601)	(32,336)	(4,818)
Less: Acquisition of licensed copyrights and other intangible assets	(400)	(716)	(6,540)	(10,208)	(14,161)	(2,110)
Add: Changes in loan receivables, net and others	11,674	(119)	684	—	—	—
Free cash flow	48,921	51,279	71,318	99,996	104,478	15,568

- (1) We adopted ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," beginning in the first quarter of fiscal year 2019. As a result of adopting this new accounting update, we retrospectively adjusted the consolidated statements of cash flows to include restricted cash and escrow receivables in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The impact of our retrospective reclassification on cash flows from operating activities for the years ended March 31, 2015, 2016, 2017 and 2018 was an increase of RMB800 million, nil, RMB2,528 million and RMB634 million, respectively.

## Consolidated Balance Sheet Data:

	As of March 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions)					
Cash and cash equivalents and short-term investments	122,341	111,518	146,747	205,395	193,238	28,794
Investment securities and investments in equity investees <sup>(1)</sup>	52,146	125,031	155,874	182,707	251,471	37,470
Property and equipment, net	9,139	13,629	20,206	66,489	92,030	13,713
Goodwill and intangible assets, net	48,508	87,015	139,528	189,614	333,211	49,650
Total assets	255,434	364,245	506,812	717,124	965,076	143,801
Accrued expenses, accounts payable and other liabilities <sup>(2)</sup>	21,967	29,491	48,269	83,210	123,898	18,462
Deferred tax liabilities	4,510	6,480	10,361	19,312	22,517	3,355
Bank borrowings <sup>(3)</sup>	3,599	6,175	36,907	40,181	42,783	6,375
Unsecured senior notes <sup>(4)</sup>	48,994	51,391	54,825	85,372	91,517	13,636
Total liabilities	97,363	114,356	182,691	277,685	349,674	52,104
Total Alibaba Group Holding Limited shareholders' equity	145,439	216,987	278,799	365,822	492,257	73,348
Total equity	157,413	249,539	321,129	436,438	608,583	90,681

- (1) Includes both current and non-current investment securities and investments in equity investees.
- (2) Includes both current and non-current other liabilities.
- (3) Includes both current and non-current portion of bank borrowings.
- (4) Includes both current and non-current portion of unsecured senior notes.

**Selected Operating Data****Annual active consumers**

The table below sets forth the number of annual active consumers on our China retail marketplaces for the periods indicated:

	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Twelve months ended				
				Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019
Annual active consumers	466	488	515	552	576	601	636	654

**Mobile MAUs**

The table below sets forth the mobile MAUs on our China retail marketplaces for the periods indicated:

	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	The month ended				
				Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019
Mobile MAUs	529	549	580	617	634	666	699	721

**GMV**

The table below sets forth the GMV in respect of our China retail marketplaces for the periods indicated:

	Year ended March 31,		
	2017	2018	2019
Taobao Marketplace GMV	2,202	2,689	3,115
Tmall GMV	1,565	2,131	2,612
Total GMV	<u>3,767</u>	<u>4,820</u>	<u>5,727</u>

**Exchange Rate Information**

Most of our revenues and expenses are denominated in Renminbi. This annual report contains translations of Renminbi amounts and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations from Renminbi and Hong Kong dollars into U.S. dollars and from U.S. dollars into Renminbi in this annual report were made at a rate of RMB6.7112 to US\$1.00 and HK\$7.8498 to US\$1.00, the respective exchange rates on March 29, 2019 set forth in the H.10 statistical release of the Federal Reserve Board. We make no representation that any Renminbi, Hong Kong dollar or U.S. dollar amounts referred to in this annual report could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On May 31, 2019, the noon buying rate for Renminbi and Hong Kong dollars was RMB6.9027 to US\$1.00 and HK\$7.8387 to US\$1.00, respectively.

**B. Capitalization and Indebtedness**

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

## D. Risk Factors

### Risks Related to Our Business and Industry

***Maintaining the trusted status of our digital economy is critical to our success and growth, and any failure to do so could severely damage our reputation and brand, which would have a material adverse effect on our business, financial condition, results of operations and prospects.***

We have established a strong brand name and reputation for our digital economy. Any loss of trust in our digital economy or platforms could harm our reputation and the value of our brand, and could result in consumers, merchants, brands, retailers and other participants reducing their levels of activity in our digital economy, which could materially reduce our revenue and profitability. Our ability to maintain trust in our digital economy and platforms is based in large part upon:

- the quality and functionality of products and services as well as the quality and appeal of content available through our digital economy;
- the reliability and integrity of our company and our platforms, as well as of the merchants, software developers, logistics providers, service providers and other participants in our digital economy;
- our commitment to high levels of service;
- the safety, security and integrity of the data on our systems, and those of other participants in our digital economy;
- the effectiveness and fairness of rules governing our marketplaces, various platforms and overall digital economy;
- the strength of our measures to protect consumers and intellectual property rights owners; and
- our ability to provide reliable and trusted payment and escrow services through our arrangements with Alipay.

***Sustained investment in our business, strategic acquisitions and investments, as well as our focus on long-term performance, and on maintaining the health of our digital economy, may negatively affect our margins and our net income.***

We focus on the long-term interests of the participants in our digital economy. We continue to increase our spending and investments in our business, strategic acquisitions and certain initiatives. Many of our newly invested businesses have lower or negative margins, and others are in the early stages of exploring, establishing and optimizing appropriate monetization models, many of which are less efficient in attracting and converting paying merchants, subscribers or other participants as compared with certain of the marketplaces and other businesses we operate. We believe these investments and initiatives are crucial to our success and future growth, but they will have the effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods. We expect our margins will decrease as we continue to make these and similar investments. From fiscal year 2018 to fiscal year 2019, our adjusted EBITDA margin declined from 42% to 32%. These investments and initiatives include:

- expanding and enhancing our core commerce offerings, including our logistics network and capacities, local consumer services business, our New Retail initiatives, direct sales and cross-border and international businesses;
- strengthening and expanding various facilities and increasing our employee headcount;
- researching and developing new technologies and improving our technological infrastructure and cloud computing capacity;
- developing and acquiring content for our digital media and entertainment business; and

- incubating new innovation initiatives.

We have made, and intend to continue to make, strategic investments and acquisitions to further strengthen our digital economy. We may make strategic investments and acquisitions in a range of areas either directly related to one or more of our businesses, or related to the infrastructure, technology, services or products that support our businesses and digital economy. Our strategic investments and acquisitions may adversely affect our financial results, at least in the short term. For example, acquisitions of, and continued investments in, businesses with lower margins or which are loss-making, such as our acquisitions of a controlling stake in Lazada and Cainiao Network, and our newly integrated local consumer services business, have negatively affected our margins and net income. Acquired businesses that are loss-making may continue to sustain losses and may not become profitable in the near future or at all. Investments made to expand our business, facilities and workforce will also involve costs and risks, such as potential labor disputes and compliance costs and risks. The performance of our current and future equity investees and investment areas may also adversely affect our net income. There can be no assurance that we will be able to grow our acquired or invested businesses, or realize returns, benefits of synergies and growth opportunities we expect in connection with these investments and acquisitions. Also refer to "— We face risks relating to our acquisitions, investments and alliances."

***We may not be able to maintain or grow our revenue or our business.***

We have experienced significant growth in revenue and in our business in recent years. Our ability to continue to grow our revenue depends on a number of factors. See "Item 5. Operating and Financial Review and Prospects — Operating Results — Factors Affecting Our Results of Operations — Our Ability to Create Value for Our Users and Generate Revenue" and "— Our Monetization Model."

Our revenue growth also depends on our ability to continue to grow our core businesses as well as businesses we have acquired or which we consolidate. We are exploring and will continue to explore in the future new business initiatives, including in industries and markets in which we have limited or no experience, as well as new business models, that may be untested. Developing new businesses, initiatives and models requires significant investments of time and resources, and may present new and difficult technological, operational and compliance challenges. Particularly in the commerce space, we expect to face various challenges while facilitating the convergence of online and offline retail and digitalization of offline business operations. Many of these challenges may be specific to business areas we do not have sufficient experience with. We may encounter difficulties or setbacks in the execution of various growth strategies, including our New Retail initiatives, which we expect to be an important driver of our future growth, and this and the other growth strategies may not generate the returns we expect within the timeframe we anticipate, or at all.

In addition, our overall or segment revenue growth may slow or our revenues may decline for other reasons, including decreasing consumer spending, increasing competition and slowing growth of China's retail industry, as well as changes in the geopolitical landscape, government policies or general economic conditions. As our revenue grows to a higher base level, our revenue growth rate may slow in the future. Furthermore, due to the size and scale we have achieved, our user base may not continue to grow as quickly or at all.

***If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected.***

We face increasingly intense competition, principally from established Chinese Internet companies, such as Tencent, and their respective affiliates, as well as global and regional e-commerce players, such as Amazon, other providers of local consumer services, and in the cloud computing and digital media and entertainment areas. These areas of our business are subject to rapid market change, the introduction of new business models, and the entry of new and well-funded competitors. Increased investments made and lower prices offered by our competitors may require

us to divert significant managerial, financial and human resources in order to remain competitive, and ultimately may reduce our market share and negatively impact the profitability of our business. We mainly compete to:

- attract, engage and retain consumers and increase their spending based on the variety, quality and value of products, services and content offered within our digital economy, the overall user experience and the effectiveness of our consumer protection measures;
- attract and retain merchants, brands and retailers based on the effectiveness of the various technologies, infrastructure, products and services we offer to them;
- attract and retain marketers, publishers and agency-operated demand-side platforms;
- maintain and grow local delivery capabilities to provide convenient and efficient delivery services;
- attract and retain a wide range of businesses as users of our cloud service offerings;
- attract other participants to our digital economy based on access to business opportunities created by the large scale of economic activity, infrastructure and technologies in our digital economy and on our platforms;
- optimize the usefulness of the data and technologies we provide and maintain high-quality customer service;
- identify, bid for, and execute strategic investments and thrive in new industries as we acquire new businesses and expand, bringing us into competition with major players in these and other industries;
- innovate and develop new growth initiatives and technologies; and
- attract motivated and capable employees, including engineers and product developers.

Our ability to compete depends on a number of other factors as well, some of which may be beyond our control, including alliances, acquisitions or consolidations within our industries that may result in stronger competitors, and changes in the regulatory environment in the markets we operate. Existing and new competitors may leverage their established platforms or market positions, or introduce innovative business models, to launch highly-engaging content, products or services that may attract a large user base and achieve rapid growth, which may materially and adversely affect our business expansion and results of operations. We increasingly face competition from domestic and international players operating in these markets, as well as potential political measures, regulatory challenges and protectionist policies that may support domestic players in those markets. As we develop our platforms and other businesses, such as our New Retail initiatives and other direct sales businesses, we may also be perceived to compete with other participants in our digital economy, such as certain merchants and retailers, which may negatively affect our relationships with them.

If we are not able to compete effectively, the level of economic activity and user engagement in our digital economy may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition and results of operations, as well as our reputation and brand.

***We may not be able to maintain and improve the network effects of our digital economy, which could negatively affect our business and prospects.***

Our ability to maintain a healthy and vibrant digital economy that creates strong network effects among consumers, merchants, brands, retailers and other participants is critical to our success. The extent to which we are able to maintain and strengthen these network effects depends on our ability to:

- offer secure and open platforms for all participants and balance the interests of these participants;
- provide a wide range of high-quality product, service and content offerings to consumers;
- attract and retain consumers, merchants, brands and retailers of all sizes;

- provide effective technologies, infrastructure and services that meet the evolving needs of consumers, merchants, brands and retailers;
- arrange secure and trusted payment settlement and escrow services;
- address user concerns with respect to data security and privacy measures;
- improve our logistics data platform and coordinate fulfillment and delivery services with logistics service providers;
- attract and retain third-party service providers that are able to provide quality services on commercially reasonable terms to our merchants, brands and retailers;
- maintain the quality of our customer service; and
- continue adapting to the changing demands of the market.

In addition, changes to current operations we may make to enhance and improve our digital economy or to comply with regulatory requirements may be viewed positively from one participant group's perspective, such as consumers, but may have negative effects from another group's perspective, such as merchants. If we fail to balance the interests of all participants in our digital economy, consumers, merchants, brands, retailers and other participants may spend less time, mind-share and resources on our platforms and may conduct fewer transactions or use alternative platforms, any of which could result in a material decrease in our revenue and net income.

***We may not be able to maintain our culture, which has been a key to our success.***

Since our founding, our culture has been defined by our mission, vision and values, and we believe that our culture has been critical to our success. In particular, our culture has helped us serve the long-term interests of our customers, attract, retain and motivate employees and create value for our shareholders. We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, promote and retain people who share our culture, mission, vision and values in leadership positions;
- failure to execute an effective management succession plan;
- challenges of effectively incentivizing and motivating employees, including members of senior management, and in particular those who have gained a substantial amount of personal wealth related to share-based incentives;
- the increasing size, complexity, geographic coverage and cultural diversity of our business and workforce;
- challenges in managing a workforce that is expanding through organic growth and acquisitions, in providing effective training to this workforce, and in promoting a culture of compliance with laws and regulations and preventing misconduct among our employees and participants in our digital economy;
- competitive pressures to move in directions that may divert us from our mission, vision and values;
- the pressure from the public markets to focus on short-term results instead of long-term value creation; and
- the increasing need to develop expertise in new areas of business, such as New Retail, local consumer services and expansion of our logistics network services, that affect us.

If we are not able to maintain our culture or if our culture fails to deliver the long-term results we expect to achieve, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

***If we are not able to continue to innovate or if we fail to adapt to changes in our industry, our business, financial condition and results of operations would be materially and adversely affected.***

Our industry is characterized by rapidly changing technology, evolving industry standards, new mobile apps and protocols, new products and services, new media and entertainment content — including user-generated content — and changing user demands and trends. Furthermore, our domestic and international competitors are continuously developing innovations in personalized search and recommendation, online shopping and marketing, communications, social networking, entertainment, logistics and other services, to enhance user experience. As a result, we continue to invest significant resources in our infrastructure, research and development and other areas in order to enhance our businesses and operations, as well as to explore new growth strategies and introduce new high-quality products and services. Our investments in innovations and new technologies, which may be significant, may not increase our competitiveness or generate financial returns in the short term, or at all, and we may not be successful in adopting and implementing new technologies, such as artificial intelligence, or AI. Our investments and projects to develop new growth initiatives and technologies may be hindered by political measures, regulatory scrutiny or other protectionist policies, on national security grounds or for other reasons. The changes and developments taking place in our industry may also require us to re-evaluate our business model and adopt significant changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments would have a material adverse effect on our business, financial condition and results of operations. Even if we timely innovate and adopt changes in our strategies and plans, we may nevertheless fail to realize the anticipated benefits of these changes or even generate lower levels of revenue as a result.

***Our failure to manage the significant challenges involved in growing our business and operations could harm us.***

Our business has become increasingly complex as the scale, diversity and geographic coverage of our business and our workforce continue to expand. This expansion increases the complexity of our operations and places a significant strain on our management, operational and financial resources. The challenges involved in expanding our businesses require our employees to handle new and expanded responsibilities and duties. If our employees fail to adapt to the expansion or if we are unsuccessful in hiring, training, managing and integrating new employees or retraining and expanding the roles of our existing employees, our business, financial condition and results of operations may be materially harmed.

Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage continuing expansion and growth of our operations and workforce, we will need to continue to improve our personnel management, transaction processing, operational and financial systems, policies, procedures and controls, which could be particularly challenging as we acquire new operations with different and incompatible systems in new industries or geographic areas. These efforts will require significant managerial, financial and human resources. There can be no assurance that we will be able to effectively manage our growth or to implement all these systems, policies, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

***We face risks relating to our acquisitions, investments and alliances.***

We have acquired and invested in a large number and a diverse range of businesses, including those in different countries and regions, technologies, services and products in recent years, including investments of varying sizes in equity investees and joint ventures, and, from time to time, we may have a number of pending investments and acquisitions that are subject to closing conditions. See "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Recent Investment, Acquisition and Strategic Alliance Activities." We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures and alliances. At any given time we may be engaged in

discussing or negotiating a range of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in, and significant and unanticipated additional costs and expenses resulting from, integrating into our business the large number of personnel, operations, products, services, technology, internal controls and financial reporting of the businesses we acquire;
- disruption of our ongoing business, distraction of and significant time and attention required from our management and employees and increases in our expenses;
- departure of skilled professionals and proven management teams of acquired businesses, as well as the loss of established client relationships of those businesses we invest in or acquire;
- for investments over which we may not obtain management and operational control, we may lack influence over the controlling partners or shareholders, or may not have aligned interests with these of our partners or other shareholders;
- additional or conflicting regulatory requirements, heightened restrictions on and scrutiny of investments, acquisitions and foreign ownership in other jurisdictions, on national security grounds or for other reasons, regulatory hurdles, such as filings and approvals under the anti-monopoly and competition laws, rules and regulations, the risk that acquisitions or investments may fail to close, due to political and regulatory challenges or protectionist policies, as well as related compliance and publicity risks;
- actual or alleged misconduct, unscrupulous business practices or non-compliance by us or any company we acquire or invest in (or by its affiliates), whether before, during or after our acquisition or investments;
- difficulties in identifying and selecting appropriate targets and strategic partners, including potential loss of opportunities for strategic transactions with competitors of our investee companies and strategic partners;
- difficulties in conducting sufficient and effective due diligence on potential targets and unforeseen or hidden liabilities or additional incidences of non-compliance, operating losses, costs and expenses that may adversely affect us following our acquisitions or investments or other strategic transactions;
- negative impact on our cash and credit profile from loans to or guarantees for the benefit of equity investees; and
- actual or potential impairment charges or write-offs due to the changes in the fair value of our investments or acquired companies, including companies and businesses that we have acquired or invested in for a long period of time, in the event that the fair value of our investment has been significantly lower than its carrying value for an extended period of time.

These and other risks could lead to negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses, and may force us to incur significant additional expenses and allocate significant management and human resources to rectify or improve these companies' corporate governance standards or internal controls and systems. As we continue to implement our New Retail strategy, among other initiatives, and further expand our digital economy, we expect that our acquisition and investment activity will continue at a rapid pace, with a large number and diverse range of target companies, and we will continue to face significant challenges, including unanticipated ones, in integrating these businesses into our existing businesses.

***We may face challenges in expanding our international and cross-border businesses and operations.***

In addition to risks that generally apply to our acquisitions and investments, we face risks associated with expanding into an increasing number of markets where we have limited or no experience, we may be less well-known or have fewer local resources and we may need to localize our business practices, culture and operations. We may also face protectionist policies that could, among other things, hinder our ability to execute our business strategies and put us at a competitive disadvantage relative to domestic companies in other

jurisdictions. The expansion of our international and cross-border businesses will also expose us to risks and challenges inherent in operating businesses globally, including:

- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China, including technology and logistics infrastructure;
- challenges of maintaining efficient and consolidated internal systems, including information technology infrastructure, and of achieving customization and integration of these systems with the other parts of our digital economy;
- lack of acceptance of our product and service offerings, and challenges of localizing our offerings to appeal to local tastes;
- protectionist or national security policies that restrict our ability to:
  - invest in or acquire companies;
  - develop, import or export certain technologies, such as the national AI initiative proposed by the U.S. government; or
  - utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- the need for increased resources to manage regulatory compliance across our international businesses;
- failure to attract and retain capable talent with international perspectives who can effectively manage and operate local businesses;
- compliance with privacy laws and data security laws, including the European Union General Data Protection Regulation, or GDPR, and compliance costs across different legal systems;
- heightened restrictions and barriers on the transfer of data between different jurisdictions;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas;
- availability, reliability and security of international and cross-border payment systems and logistics infrastructure;
- exchange rate fluctuations; and
- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism.

Failure to manage these risks and challenges could negatively affect our ability to expand our international and cross-border businesses and operations as well as materially and adversely affect our business, financial condition and results of operations.

***Our business operations and financial position may be materially and adversely affected by any economic slowdown in China as well as globally.***

Our revenue and net income are impacted to a significant extent by economic conditions in China and globally, as well as economic conditions specific to our business. The global economy, markets and levels of spending by businesses and consumers are influenced by many factors beyond our control.

The growth of the PRC economy has slowed in recent years compared to prior years. According to the National Bureau of Statistics of China, China's real GDP growth rate was 6.7% in 2016, which increased to 6.9% in 2017 and slowed to 6.6% in 2018. There have also been concerns about the relationships among China and other Asian

countries, the relationship between China and the United States, as well as the relationship between the United States and certain Asian countries such as North Korea, which may result in or intensify potential conflicts in relation to territorial, regional security and trade disputes. See "— Changes in international trade policies and barriers to trade, or the emergence of a trade war, may have an adverse effect on our business and expansion plans." Any disruptions or continuing or worsening slowdown could significantly reduce domestic commerce activities in China, which could lead to significant reduction in merchants' demand for and spending on the various services we offer, such as our marketing services and cloud computing services. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material adverse effect on business and consumer spending and, as a result, adversely affect our business, financial condition and results of operations.

In addition, because we hold a significant amount of cash and cash equivalents and short-term investments, if financial institutions and issuers of financial instruments that we hold become insolvent or if the market for these financial instruments become illiquid as a result of a severe economic downturn, our business and financial condition could be materially and adversely affected.

***Our results of operations fluctuate significantly from quarter to quarter which may make it difficult to predict our future performance.***

Our results of operations generally are characterized by seasonal fluctuations due to various reasons, including seasonal buying patterns and economic cyclical changes, as well as promotions on our marketplaces. Historically, the fourth quarter of each calendar year generally contributes the largest portion of our annual revenues due to a number of factors, such as merchants allocating a significant portion of their online marketing budgets to the fourth calendar quarter, promotions, such as the 11.11 global shopping festival, and the impact of seasonal buying patterns in respect of certain categories such as apparel. The first quarter of each calendar year generally contributes the smallest portion of our annual revenues, primarily due to a lower level of allocation of marketing budgets by merchants at the beginning of the calendar year and the Chinese New Year holiday, during which time consumers generally spend less and businesses in China are generally closed. We may also introduce new promotions or change the timing of our promotions in ways that further cause our quarterly results to fluctuate and differ from historical patterns. In addition, seasonal weather patterns may affect the timing of buying decisions. The performance of our equity investees and of major businesses in which we have made investments may also result in fluctuations in our results of operations. Fluctuations in our results of operations related to our investments may also result from the accounting implication of re-measurement of fair values of certain financial instruments, share-based awards and previously held equity interests upon disposal or step acquisitions. Given that the fair value movements are beyond our control, the magnitude of the related accounting impact is unpredictable and may significantly affect our results of operations.

Our results of operations will likely fluctuate due to these and other factors, some of which are beyond our control. In addition, our growth in the past may have masked the seasonality that might otherwise be apparent in our results of operations. As the rate of growth of our business declines in comparison to prior periods, we expect that the seasonality in our business may become more pronounced. Moreover, as our business grows, we expect that our fixed costs and expenses will continue to increase, which will result in operating leverage in seasonally strong quarters but can significantly pressure operating margins in seasonally weak quarters.

To the extent our results of operations are below the expectations of public market analysts and investors in the future, or if there are significant fluctuations in our financial results, the market price of our ADSs could fluctuate significantly.

***Failure to maintain or improve our technology infrastructure could harm our business and prospects.***

We are continuously upgrading our platforms to provide increased scale, improved performance, additional capacity and additional built-in functionality, including functionality related to security. Adopting new products and maintaining and upgrading our technology infrastructure require significant investments of time and resources. Any

failure to maintain and improve our technology infrastructure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information. The risks of these events occurring are even higher during certain periods of peak usage and activity, such as on or around the 11.11 global shopping festival or other promotional events, when user activity and transactions are significantly higher on our marketplaces compared to other days of the year. In addition, much of the software and interfaces we use are internally developed and proprietary technology. If we experience problems with the functionality and effectiveness of our software, interfaces or platforms, or are unable to maintain and continuously improve our technology infrastructure to handle our business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected.

In addition, our technology infrastructure and services, including our cloud product and service offerings, incorporate third-party-developed software, systems and technologies, as well as hardware purchased or commissioned from outside and overseas suppliers. As our technology infrastructure and services expand and become increasingly complex, we face increasingly serious risks to the performance and security of our technology infrastructure and services that may be caused by these third-party-developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software. We also need to continuously enhance our existing technology. Otherwise, we face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platforms and services, which would materially and adversely affect our business and reputation.

***Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.***

Our cybersecurity measures may not detect, prevent or control all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against, these attacks.

We have in the past and are likely again in the future to be subject to these types of attacks, breaches and data leakage, although to date no attack, breach or data leakage has resulted in any material damage or remediation cost. In addition, we could be subject to an attack, breach or leakage which we do not discover at the time or the consequences of which are not apparent until a later point in time, that could result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly-evolving cyber-attacks. Cyber-attacks may target us, our merchants, consumers, users, customers, key service providers or other participants in our digital economy, or the communication infrastructure on which we depend. We only carry limited cybersecurity insurance, and actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches would not only harm our reputation and business, but also could materially decrease our revenue and net income.

***The successful operation of our business depends upon the performance, reliability and security of the Internet infrastructure in China and other countries in which we operate.***

Our business depends on the performance, reliability and security of the telecommunications and Internet infrastructure in China and other countries in which we operate. Substantially all of our computer hardware and a majority of our cloud computing services are currently located in China. Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may face similar or other limitations in other countries in which we operate. We may not have access to alternative networks in the event of disruptions, failures or other problems with the Internet infrastructure in China or elsewhere. In addition, the Internet infrastructure in the countries in which we operate may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites and mobile apps. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user base may decrease, which in turn may significantly decrease our revenues.

Moreover, if the security of domain names is compromised, we will be unable to use the domain names in our business operations, which could materially and adversely affect our business operations, reputation and brand image. If we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate our data, which could materially and adversely affect our business operations and reputation.

***Our digital economy could be disrupted by network interruptions.***

Our digital economy depends on the efficient and uninterrupted operation of our computer and communications systems. System interruptions and delays may prevent us from efficiently processing the large volume of transactions on our marketplaces and other businesses we operate. In addition, a large number of merchants and customers maintain their important systems, such as enterprise resource planning, or ERP, and customer relationship management, or CRM, systems on our cloud computing platform, which contain substantial quantities of data that enables them to operate and manage their businesses. Increasing media and entertainment content on our platforms also requires additional network capacity and infrastructure to process. Consumers expect our media and entertainment content to be readily available online, and any disruptions or delay to the delivery of content could affect the attractiveness and reputation of our media and entertainment platforms.

We and other participants in our digital economy, including Ant Financial, have experienced, and may experience in the future, system interruptions and delays that render websites, mobile apps and services (such as cloud services and payment services) temporarily unavailable or slow to respond. Although we have prepared for contingencies through redundancy measures and disaster recovery plans and also carry business interruption insurance, these preparations and insurance coverage may not be sufficient. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our facilities or the facilities of Ant Financial and other participants in our digital economy, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to information technology systems, computer viruses or human errors, could result in delays in or temporary outages of our platforms or services, loss of our, consumers' and customers' data and business interruption for us and our customers. Any of these events could damage our reputation, significantly disrupt our operations and the operations of the participants in our digital economy and subject us to liability,

heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

***Changes in international trade policies and barriers to trade, or the emergence of a trade war, may have an adverse effect on our business and expansion plans.***

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our international and cross-border operations, our financial condition and results of operations. The U.S. administration under President Donald Trump has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the United States, particularly from China, and has taken steps toward restricting trade in certain goods. For example, in 2018 the United States announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US\$250 billion, and in May 2019 the United States increased from 10% to 25% the rate of certain tariffs previously levied on Chinese products. Trade tension between China and the United States may intensify, and the United States may adopt even more drastic measures in the future.

Changes to laws or policies in the U.S. and other markets may lead to adverse consequences for our businesses. For example, changes in laws and policy could negatively affect both export-focused businesses on AliExpress and Alibaba.com, as well as import-focused businesses on Tmall and Tmall Global. In addition, if trade discussions lead to greater access to the China market, certain of our businesses, such as our cloud business and digital media and entertainment businesses, could be subject to greater competition and pricing pressure, which could reduce our margins or otherwise negatively affect our results of operations.

In addition, China and other countries have retaliated and may further retaliate in response to new trade policies, treaties and tariffs implemented by the United States. This policy retaliation could result in an escalation leading to a trade war, which would have an adverse effect on manufacturing levels, trade levels and industries, including logistics, retail sales and other businesses and services that rely on trade, commerce and manufacturing, as well as on our marketplaces that rely upon imports.

Any escalation in trade tensions or a trade war, or news and rumors of any escalation, could affect activity levels within our digital economy and have a material and adverse effect on our business, results of operations and trading price of our ADSs.

***Export control and economic or trade sanctions could subject us to regulatory investigations or other actions and reputational harm, and could negatively affect our technology supply chain and ability to recruit talent and conduct technological collaboration, which could materially and adversely affect our competitiveness and business operations, as well as lead to significant decrease in the trading price of our ADSs.***

The United Nations and a number of countries and jurisdictions, including China, the United States and the European Union, or the EU, have adopted various export control and economic or trade sanction regimes. The U.S. government imposes broad economic and trade restrictions on dealings with certain countries and regions, including the Crimea, Cuba, Iran, North Korea and Syria, or the Sanctioned Countries, and numerous individuals and entities, including those designated as having engaged in activities relating to terrorism, drug trafficking, cybercrime, the rough diamond trade, proliferation of weapons of mass destruction or human rights violations, or the Sanctioned Persons. The U.S. government also imposes more targeted sanctions on certain dealings with countries such as Russia and Venezuela, among others. The U.S. government has recently expanded or suggested that it will expand economic sanctions concerning Iran, North Korea, Russia and Venezuela, and there are risks of further enhanced economic sanctions concerning these countries, among others. It is not, however, possible to predict with a reasonable degree of certainty how the regulatory environment concerning U.S. economic sanctions

may develop. The United Nations, the EU, the United Kingdom, or the UK, and other countries also impose economic and trade restrictions, including on certain Sanctioned Countries and Sanctioned Persons.

As a Cayman Islands company with the substantial majority of our subsidiaries and operations outside of the U.S., UK and EU, we are generally not required to comply with U.S., UK, and EU sanctions to the same extent as U.S., UK or EU entities. However, for companies like us, their U.S., UK, and EU subsidiaries, employees who are U.S. persons or UK or EU nationals, activities in the U.S., UK, or EU, activities involving U.S.-origin goods, technology or services, and certain conduct or dealings involving Iran and North Korea, among other activities, are subject to applicable sanctions requirements. We do not have employees or operations in any of the Sanctioned Countries, and, although our websites are open and available worldwide, we do not actively solicit business from the Sanctioned Countries or Sanctioned Persons. In the case of Alibaba.com, our aggregate cash revenue from members in these Sanctioned Countries in fiscal year 2019 accounted for a negligible portion of our total revenue. In the case of AliExpress and our China retail marketplaces, an insignificant percentage of orders have been placed by consumers from the Sanctioned Countries, with a negligible amount of aggregate GMV in the twelve months ended March 31, 2019 through transactions conducted voluntarily among merchants and consumers on these marketplaces. As all transaction fees on AliExpress and our China retail marketplaces are paid by merchants, primarily based in China, we do not earn any fees or commission from consumers in Sanctioned Countries in respect of transactions conducted on these platforms.

Recent economic and trade sanctions threatened and/or imposed by the U.S. government on a number of China-based technology companies, including ZTE Corporation, Huawei Technologies Co., Ltd., or Huawei, and certain of their respective affiliates, as well as actions brought against Huawei and related persons by the U.S. and the Canadian governments, have raised further concerns as to whether, in the future, there may be additional regulatory challenges or enhanced restrictions involving other China-based technology companies with global operations in areas such as data security, import/export of technology or other business activities. For instance, the U.S. government recently announced an order effectively barring American firms from selling components and software to Huawei and its affiliates. This restriction, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. These restrictions or sanctions, even targeting specific entities unrelated to us, could nevertheless also negatively affect our ability to recruit research and development talent or conduct technological collaboration with scientists and research institutes in the U.S., Europe or other countries, which could significantly harm our competitiveness. There can be no assurance that current or future export controls or economic and trade sanctions regulations or developments will not have a negative impact on our business or reputation.

We have established a compliance program that aims to ensure our compliance with these laws and regulations. However, these laws and regulations are complex and subject to frequent change, including with respect to jurisdictional reach and the lists of countries, entities, individuals and technologies subject to sanctions and other regulatory controls. Hence, we may incur significant costs related to current, new or changing sanctions, embargoes or export controls programs, as well as investigations, fines, fees or settlements, which may be difficult to predict. We also could face increased compliance costs and risks as we expand globally and into additional businesses, such as cloud computing. In addition, our expanding network of investee companies, global business partners, joint venture partners or other parties that have collaborative relationships with us or our affiliates may engage in activities in or with Sanctioned Countries, Sanctioned Persons or persons targeted by export control restrictions, which might result in significant negative publicity, governmental investigations and reputational harm. Media reports on alleged violation of export control or economic and trade sanctions laws by our business partners or other companies, even on matters not involving us, could nevertheless damage our reputation and lead to regulatory investigations against us. If we are investigated by any regulator on the basis of suspected or alleged violations of export control or economic and trade sanctions laws and rules, even in situations in which the potential amount or fine involved may be relatively small, our reputation could be significantly harmed. Any of these circumstances may cause the price of our ADSs to decline significantly, and materially reduce the value of your investment in our ADSs.

Certain institutional investors, including state and municipal governments in the United States and universities, as well as financial institutions, have proposed or adopted divestment or similar initiatives regarding investments in companies that do business with Sanctioned Countries. Accordingly, as a result of activities on our marketplaces or in connection with other business we operate that may involve users based in the Sanctioned Countries, certain investors may not wish to invest or may divest their investment in us, certain financial institutions may not wish to lend, extend credit or offer ordinary banking services to us, or seek early repayment of loans made to us, and certain financial institutions and other businesses with which we partner or may partner may seek to avoid business relationships with us. These divestment initiatives and terminations of business services may negatively impact our reputation, business and results of operations, and may materially and adversely affect the trading price of our ADSs.

***Our business generates and processes a large amount of data, including personal data, and the improper use or disclosure of data could harm our reputation and have a material adverse effect on the trading price of our ADSs, our business and prospects.***

Our business generates and processes a large quantity of personal, behavioral, transaction and demographic data. Our privacy policies concerning the collection, use and disclosure of personal data are posted on our platforms. We face risks inherent in handling and protecting large volumes of data, especially consumer data. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns, challenges, negative publicity and litigation related to data privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses and technology, such as new forms of data (for example, biometric data, location information and other demographic information); and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including requests from data subjects and regulatory and government authorities.

These challenges are heightened as we expand our business into jurisdictions with different legal and regulatory regimes, such as the GDPR and the Russian Data Localization Law. There have been reports of a number of incidents relating to data security and unauthorized use of user data by high-profile Internet and technology companies and their business partners. If our user data is improperly used or disclosed by any party, it could result in a loss of users, businesses and other participants from our digital economy, loss of confidence or trust in our platforms, litigation, regulatory investigations, penalties or actions against us, significant damage to our reputation, and have a material adverse effect on the trading price of our ADSs, our business and prospects.

Pursuant to our data sharing agreement with Ant Financial and Alipay, which sets forth data security and confidentiality protocols, we have agreed to a broad sharing of depersonalized data through a data sharing platform that we own and operate, subject to compliance with relevant law. As permitted by our privacy policies and user agreements, we also grant expressly limited access to specified data on our data platform to certain other participants in our digital economy that provide services to consumers, merchants, brands and retailers. These participants in our digital economy face the same challenges inherent in handling and protecting large volumes of data. Any systems failure or security breach or lapse on our or their part that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability or regulatory actions. This could also attract negative publicity from media outlets, privacy advocates, our competitors or others and could adversely affect the trading price of our ADSs.

***Our business is subject to complex and evolving domestic and international laws and regulation regarding privacy and data protection. These laws and regulations can be complex and stringent, and many are subject to change and uncertain interpretation, which could result in claims, changes to our data and other business practices, penalties, increased cost of operations, or declines in user growth or engagement, or otherwise affect our business.***

Regulatory authorities in China and around the world have implemented and are considering further legislative and regulatory proposals concerning data protection, including measures to ensure that encryption of users' data does not hinder law enforcement agencies' access to that data. New laws and regulations that govern new areas of data protection or impose more stringent requirements may be introduced in China and other jurisdictions where we conduct business or may expand into. In addition, the interpretation and application of consumer and data protection laws in China and elsewhere are often uncertain and in flux. It is possible that existing or newly-introduced laws and regulations, or their interpretation or application, could significantly affect the value of our data and force us to change our data and other business practices.

The PRC regulatory and enforcement regime with regard to privacy and data security is evolving. According to the PRC Cybersecurity Law and relevant regulations, network operators, including us, are obligated to provide assistance and support in accordance with the law for public security and national security authorities to protect national security or assist with criminal investigations. In addition, the PRC Cybersecurity Law provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security and privacy protection obligations on operators of critical information infrastructure. The PRC National Security Law covers various types of national security, including technology security and information security. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Internet Security." Compliance with the PRC Cybersecurity Law, the PRC National Security Law, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, may result in additional expenses to us and subject us to negative publicity, which could harm our reputation among users and negatively affect the trading price of our ADSs. There are also uncertainties with respect to how the PRC Cybersecurity Law and the PRC National Security Law will be implemented and interpreted in practice. PRC regulators, including the MIIT and the Cyberspace Administration of China, or the Cyberspace Administration, have been increasingly focused on regulation in the areas of data security and data protection. We expect that these areas will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

As we further expand our operations into international markets, we will be subject to additional laws in other jurisdictions where we operate and where our consumers, users, merchants, customers and other participants are located. The laws, rules and regulations of other jurisdictions may be more comprehensive, detailed and nuanced in their scope, and may impose requirements and penalties that conflict with, or are more stringent than, those in China. In addition, these laws, rules and regulations may restrict the transfer of data across jurisdictions, which could impose additional and substantial operational, administrative and compliance burdens on us, and may also restrict our business activities and expansion plans, as well as impede our data-driven business strategies. Complying with laws and regulations for an increasing number of jurisdictions could require significant resources and costs. Our continued expansion into cloud computing services, both in China and elsewhere, will also increase the amount of data hosted on our system, as well as increase the number of jurisdictions in which we have information technology systems. This, as well as the increasing number of new legal requirements in various jurisdictions, such as the Russian Data Localization Law and the GDPR, present increased challenges and risks in relation to policies and procedures relating to data collection, storage, transfer, disclosure, protection and privacy, and will impose significant penalties for non-compliance, including for example, penalties calculated as a percentage of global revenue under the GDPR. The compliance requirements of the GDPR affect a number of our businesses, such as AliExpress and Alibaba Cloud. Compliance with cross-border e-commerce tax laws that

apply to our businesses will also affect a number of our businesses, increase our compliance costs and subject us to additional risks.

Any failure, or perceived failure, by us to comply with the above and other regulatory requirements or privacy protection-related laws, rules and regulations could result in reputational damages or proceedings or actions against us by governmental entities, consumers or others. On the other hand, compliance with these laws and requirements in manners that are perceived as harming privacy could also lead to significant damages to our reputation and similar proceedings and actions against us by regulators and private parties. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our data and other business practices, increase our costs and severely disrupt our business, hinder our global expansion or negatively affect the trading price of our ADSs.

***We rely on Alipay to conduct substantially all of the payment processing and all of the escrow services on our marketplaces. If Alipay's services are limited, restricted, curtailed or degraded in any way, or become unavailable to us or our users for any reason, our business may be materially and adversely affected.***

Given the significant transaction volume on our platforms, Alipay provides convenient payment processing and escrow services to us through contractual arrangements on preferential terms. These services are critical to our marketplaces and the development of our digital economy. In the twelve months ended March 31, 2019, approximately 70% of the GMV on our China retail marketplaces was settled through Alipay's escrow and payment processing services. We rely on the convenience and ease of use that Alipay provides to our users. If the quality, utility, convenience or attractiveness of Alipay's services declines for any reason, the attractiveness of our marketplaces could be materially and adversely affected.

Alipay's business is subject to a number of risks that could materially and adversely affect its ability to provide payment processing and escrow services to us, including:

- dissatisfaction with Alipay's services or lower use of Alipay by consumers, merchants, brands and retailers;
- increasing competition, including from other established Chinese Internet companies, payment service providers and companies engaged in other financial technology services;
- changes to rules or practices applicable to payment systems that link to Alipay;
- breach of users' privacy and concerns over the use and security of information collected from customers and any related negative publicity relating thereto;
- service outages, system failures or failure to effectively scale the system to handle large and growing transaction volumes;
- increasing costs to Alipay, including fees charged by banks to process transactions through Alipay, which would also increase our cost of revenues;
- negative news about and social media coverage on Alipay, its business, its products and service offerings or matters relating to Alipay's data security and privacy; and
- failure to manage user funds accurately or loss of user funds, whether due to employee fraud, security breaches, technical errors or otherwise.

In addition, certain commercial banks in China impose limits on the amounts that may be transferred by automated payment from users' bank accounts to their linked accounts with third-party payment services. Although we believe the impact of these restrictions has not been and will not be significant in terms of the overall volume of payments processed for our China retail marketplaces, and automated payment services linked to bank accounts represent only one of many payment mechanisms that consumers may use to settle transactions, we cannot predict whether these and any additional restrictions that could be put in place would have a material adverse effect on our marketplaces.

Alipay's business is highly regulated and faces challenges in managing its regulatory risks. Alipay is required to comply with numerous complex and evolving laws, rules and regulations. In particular, regulators and third parties in China have been increasing their focus on online and mobile payment services, and recent regulatory and other developments could reduce the convenience or utility of Alipay users' accounts. In addition, as Alipay expands its businesses and operations into more international markets, it will become subject to additional legal and regulatory risks and scrutiny. Furthermore, our commercial arrangements with Alipay may be subject to anti-competition challenges. See "— We and Ant Financial are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations on our business or otherwise that could materially and adversely affect our business, financial condition and results of operations," and "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation Applicable to Alipay."

If we needed to migrate to another third-party payment service or significantly expand our relationship with other third-party payment services, the transition would require significant time and management resources, and the third-party payment service may not be as effective, efficient or well-received by consumers, merchants, brands and retailers on our marketplaces. These third-party payment services also may not provide escrow services, and we may not be able to receive commissions based on GMV settled through these systems. We would also receive less, or lose entirely, the benefit of the commercial agreement with Ant Financial and Alipay, which provides us with preferential terms, and would possibly be required to pay more for payment processing and escrow services than we currently pay. There can be no assurance that we would be able to reach an agreement with an alternative online payment service provider on acceptable terms or at all.

***We do not control Alipay or its parent entity, Ant Financial, over which Jack Ma effectively controls a majority of the voting interests. If conflicts that could arise between us and Alipay or Ant Financial are not resolved in our favor, our digital economy, business, financial condition, results of operations and prospects may be materially and adversely affected.***

Although we rely on Alipay to conduct substantially all of the payment processing and all of the escrow services on our marketplaces and we have agreed to acquire a 33% equity interest in Alipay's parent, Ant Financial, we do not, and will not upon completion of the acquisition, have any control over Alipay. Alipay provides payment services to us on preferential terms pursuant to our long-term commercial agreement with Ant Financial and Alipay. Following the 2011 divestment and subsequent equity holding restructuring related to Ant Financial, an entity wholly owned by Jack Ma, our executive chairman, became the general partner of Hangzhou Junhan Equity Investment Partnership, or Junhan, and Hangzhou Junao Equity Investment Partnership, or Junao, each a PRC limited partnership, which are two major equity holders of Ant Financial. Accordingly, Jack has an economic interest in Ant Financial and is able to exercise the voting power of the equity interest in Ant Financial held by Junhan and Junao. We understand that through the exercise of this voting power, Jack continues to control a majority of the voting interests in Ant Financial.

If Alipay were not able to successfully manage the risks relating to its business, its ability to continue to deliver payment services to us on preferential terms may be undermined. Furthermore, if for any reason, Alipay sought to amend the terms of its agreements and arrangements with us, there can be no assurance that Jack Ma, in light of his voting control over Alipay's parent, Ant Financial, would act in our interest. If Alipay were required by regulators to modify the commercial agreement under certain circumstances, Alipay may not have sufficient funds to adequately compensate us for the impact of the adjustment. If we were to lose the preferential terms with Alipay or if Alipay is unable to successfully manage its business, our digital economy could be negatively affected, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Ant Financial also provides other financial services to participants in our digital economy, including wealth management, financing (including consumer financing) and insurance, and may provide additional services in the future. Other conflicts of interest between us, on the one hand, and Alipay and Ant Financial, on the other hand, may arise relating to commercial or strategic opportunities or initiatives. Although we and Ant Financial have each agreed to certain non-competition undertakings, Ant Financial may provide services to our competitors from time to time and there can be no assurance that Ant Financial would not pursue other opportunities that would conflict

with our interests. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and its Subsidiaries — 2014 Share and Asset Purchase Agreement — Non-competition Undertakings." Jack Ma may not resolve these conflicts in our favor. Furthermore, our ability to explore alternative payment services other than Alipay for our marketplaces may be constrained due to Jack's relationship with Ant Financial.

In addition, we grant share-based awards to employees of Ant Financial, and Junhan grants share-based awards tied to the value of Ant Financial to our employees, and a subsidiary of Ant Financial grants restricted share unit awards to our employees. The provision of awards relating to Ant Financial to our employees is intended to enhance our strategic and financial relationship with Ant Financial. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and its Subsidiaries — Equity-based Award Arrangements." The share-based awards granted by Junhan and the Ant Financial subsidiary to our employees result in expenses that are recognized by our company. Subject to the approval of our audit committee, Jack (through his role with us and his control over Junhan) and Ant Financial could be in a position to propose and promote further share-based grants that result in additional, and potentially significant, expenses to our company. Accordingly, these and other potential conflicts of interest between us and Ant Financial or Alipay, and between us and Jack or Junhan or Junao, may not be resolved in our favor, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, because of our close association with Ant Financial and overlapping user bases, events that negatively affect Ant Financial could also negatively affect customers', regulators' and other third parties' perception of us. In addition, any actual or perceived conflict of interest between us and Ant Financial, or any other company integral to the functioning of our digital economy, could also materially harm our reputation as well as our business and prospects.

***We may not be able to receive the equity ownership interest in Ant Financial.***

Pursuant to the amendment to the 2014 SAPA that we entered into in February 2018 (as amended, the 2018 SAPA Amendment), we have agreed to acquire a 33% equity interest in Ant Financial. The closing of this transaction is subject to the receipt of the necessary PRC regulatory approvals and the satisfaction of other conditions.

If Ant Financial does not receive the required PRC regulatory approvals mentioned above, we will not be able to complete the acquisition of the equity ownership interest in Ant Financial, and we would fail to benefit from any appreciation in its equity value beyond the date of a qualified IPO of Ant Financial or Alipay. Our inability to reap the benefits of any appreciation in equity value of Ant Financial, including in connection with a qualified IPO of Ant Financial or Alipay, could represent a significant missed opportunity that is beyond our control.

In addition, the 2018 SAPA Amendment provides that if Ant Financial's intended equity issuance to us is not completed for any reason, we will unwind the 2018 SAPA Amendment and restore the 2014 SAPA and other related agreements. As a result, we may incur additional costs to unwind the 2018 SAPA Amendment and be subject to significant negative publicity, which could have a material adverse effect on our business, financial condition and results of operations, as well as the trading price of our ADSs. Pursuant to the 2014 SAPA, in the event of a qualified IPO of Ant Financial or Alipay, if the equity issuance has not been completed or is subsequently unwound, we would be entitled, at our election, to receive a one-time payment equal to the 37.5% of the total equity value of Ant Financial immediately prior to the qualified IPO. If we elect to receive this one-time payment, it is possible that Ant Financial will not have sufficient funds to make the payment in a timely manner or on a schedule acceptable to us. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and its Subsidiaries — 2014 Restructuring of Our Relationship with Ant Financial and Alipay and 2014 Amendments."

***We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.***

Our future success is significantly dependent upon the continued service of our key executives and other key employees, particularly in new business areas we are expanding into, such as New Retail and local consumer services. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff. Jack Ma, our lead founder, executive chairman and one of our principal shareholders, has been crucial to the development of our vision, culture and strategic direction. Jack Ma announced that he will retire as our executive chairman in September 2019. Daniel Zhang, our current chief executive officer, has been designated to succeed Jack in that role. This and similar retirements and successions could result in disruptions, or perceived disruptions, in our operations and the execution of our strategy.

As our business develops and evolves, it may become difficult for us to continue to retain our employees. A number of our employees, including many members of management, may choose to pursue other opportunities outside of our company. If we are unable to motivate or retain these employees, our business may be severely disrupted and our prospects could suffer.

The size and scope of our digital economy also require us to hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, including members of management, as we expand our business and operations. Our various incentive initiatives may not be sufficient to retain our management and employees. Competition for talent in our industry is intense, and the availability of suitable and qualified candidates in China and elsewhere is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

***Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.***

Illegal, fraudulent, corrupt or collusive activities by our employees could subject us to liability or negative publicity. We have discovered cases in which certain of our employees had accepted payments from merchants or other service providers in order to receive preferential treatment on our marketplaces or in connection with other businesses we operate. Although we dismissed the employees responsible for these incidents and other illegal activities, and have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity could severely damage our brand and reputation, which could drive users and consumers away from our digital economy, and materially and adversely affect our business, financial condition and results of operations.

***If other third-party service providers in our digital economy fail to provide reliable or satisfactory services, our reputation, business, financial condition and results of operations may be materially and adversely affected.***

Ant Financial and a number of other third-party participants, including retail operating partners, logistics service providers, mobile app developers, ISVs, cloud-based developers, marketing affiliates and various professional service providers, provide services to users on our platforms, including consumers, merchants, brands, retailers and users of our cloud computing services. To the extent these service providers are unable to provide satisfactory services to our users on commercially acceptable terms, or at all, or if we fail to retain existing or attract new quality service providers to our platforms, our ability to retain, attract or engage our users may be severely limited, which may have a material and adverse effect on our business, financial condition and results of operations. In addition, we share our user data with certain of these third-party service providers in our digital economy in

accordance with our privacy policies, agreements and applicable laws. These third-party service providers also engage in a broad range of other business activities outside of our platforms. If these third-party participants engage in activities that are negligent, fraudulent, illegal or otherwise harm the trustworthiness and security of our digital economy, including, for example, the leak or negligent use of data, the handling, transport and delivery of prohibited or restricted content or items, or if these participants fail to perform their contractual obligations, or users are otherwise dissatisfied with their service quality on or off our platforms, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us, or within our control.

***If logistics service providers used by our merchants fail to provide reliable logistics services, or the logistics data platform operated by Cainiao Network were to malfunction, suffer an outage or otherwise fail, our business and prospects, as well as our financial condition and results of operations, may be materially and adversely affected.***

Our merchants use third-party logistics service providers to fulfill and deliver their orders. Cainiao Network cooperates with a number of third-party logistics service providers to help merchants on our platforms fulfill orders and deliver their products to consumers. We operate Cainiao Network's logistics data platform that links our information system and those of logistics service providers. Interruptions to or failures in these third parties' logistics services, or in Cainiao Network's logistics data platform, could prevent the timely or proper delivery of products to consumers, which would harm the reputation of our digital economy and the businesses we operate. In addition, certain of our businesses, including Lazada, operate and provide logistics services to merchants within our digital economy and may experience interruptions or failures to timely and properly deliver products to consumers. These interruptions or failures may be due to events that are beyond the control of any of our companies, Cainiao Network or these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs. The merchants in our digital economy may not be able to find alternative logistics service providers to provide logistics services in a timely and reliable manner, or at all. We do not have agreements with third-party logistics service providers that require them to offer services to our merchants. If the logistics data platform operated by Cainiao Network were to fail for any reason, the logistics service providers would be severely hindered from or unable to connect with our merchants, and their services and the functionality of our digital economy could be severely affected. If the products sold by merchants in our digital economy are not delivered in proper condition, on a timely basis or at shipping rates that are commercially acceptable to marketplace participants, our business and prospects, as well as our financial condition and results of operations could be materially and adversely affected.

***We may be subject to liability for content available in our digital economy that is alleged to be socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.***

Under PRC law and the laws of certain other jurisdictions in which we operate, we are required to monitor our websites and the websites hosted on our servers and mobile interfaces, as well as our services and devices that generate or host content, for items or content deemed to be socially destabilizing, obscene, superstitious or defamatory, as well as for items, content or services that are illegal to sell online or otherwise in other jurisdictions in which we operate our marketplaces and other businesses, and promptly take appropriate action with respect to the relevant items, content or services. We may also be subject to potential liability in China or other jurisdictions for any unlawful actions of our merchants, marketing customers or users of our websites or mobile interfaces, or for content we distribute or that is linked from our platforms that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, our websites and platforms, such as our cloud computing services, which allow users to upload and save massive data on our cloud data centers, social communities on our marketplaces and DingTalk, and Youku, which allow users to upload videos and other content to our websites and platforms, may make this even more difficult. If we are found to be liable, we may be subject to negative publicity, fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile interfaces in China or other jurisdictions.

In addition, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and content of information posted on our platforms, including user-generated content, product reviews and message boards, by our consumers, merchants and other participants.

Regardless of the outcome of any dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result of these actions.

***We have been and may continue to be subject to allegations, lawsuits and negative publicity claiming that items listed and content available in our digital economy are pirated, counterfeit or illegal.***

We have been the subject in the past, and may continue to be the subject in the future, of allegations that items offered, sold or made available through our online marketplaces by third parties or that content we make available through other services, such as our online video and music platforms or through our smart devices, infringe third-party copyrights, trademarks and patents or other intellectual property rights. Although we have adopted measures to proactively verify the products sold on our marketplaces for infringement and to minimize potential infringement of third-party intellectual property rights through our intellectual property infringement complaint and take-down procedures, these measures may not always be successful. In the event that alleged counterfeit or infringing products are listed or sold on our marketplaces or allegedly infringing content are made available through our other services, we could face claims and negative publicity relating to these activities or for our alleged failure to act in a timely or effective manner in response to infringement or to otherwise restrict or limit these activities. We may also choose to compensate consumers for any losses, although we are currently not legally obligated to do so. If, as a result of regulatory developments, we are required to compensate consumers, we would incur additional expenses.

Measures we take to protect against these potential liabilities could require us to spend substantial additional resources and/or experience reduced revenues. In addition, these measures may reduce the attractiveness of our digital economy to consumers, merchants, brands, retailers and other participants. A merchant or online marketer whose content is removed or whose services are suspended or terminated by us, regardless of our compliance with the applicable laws, rules and regulations, may dispute our actions and commence action against us for damages based on breach of contract or other causes of action, make public complaints or allegations or organize group protests and publicity campaigns against us or seek compensation. Any costs incurred as a result of liability or asserted liability relating to the sale of unlawful goods or other infringement could harm our business.

We also have been and may continue to be subject to allegations of civil or criminal liability based on allegedly unlawful activities or unauthorized distribution of products or content carried out by third parties through our online marketplaces. We have also acquired certain companies, such as Youku, Lazada and Ele.me, that from time to time are subject to allegations and lawsuits regarding alleged infringement of third-party intellectual property or other rights, and we may continue to acquire other companies that are subject to similar disputes.

In addition, we have been and may continue to be subject to significant negative publicity in China and other countries based on similar claims and allegations. For example, in December 2016, January 2018 and April 2019, the Office of the U.S. Trade Representative, or USTR, identified Taobao Marketplace as a "notorious market." The USTR may continue to identify Taobao Marketplace as a notorious market, and there can be no assurance that the USTR will not identify our other businesses as notorious markets in the future. In addition, government authorities have in the past accused, and may in the future accuse, us of perceived problems and failures of our platforms, including alleged failures to crack down on the sale of counterfeit goods and other alleged illegal activities on our China retail marketplaces. As a result of any claims or accusations by government authorities, by industry watchdog organizations, including the U.S. Commission on the Theft of American Intellectual Property, by brand and intellectual property rights holders or by enterprises, there may be a public perception that counterfeit or pirated items are commonplace on our marketplaces or that we delay the process of removing these items. This perception, even if factually incorrect, and existing or new litigation as well as regulatory pressure or action related

to intellectual property rights protection, could damage our reputation, harm our business, diminish the value of our brand name and negatively affect trading price of our ADSs.

***Failure to deal effectively with any fraud perpetrated and fictitious transactions conducted in our digital economy, and other sources of customer dissatisfaction, would harm our business.***

We face risks with respect to fraudulent activities on our marketplaces and in connection with other businesses we operate, and we periodically receive complaints from consumers who may not have received the goods that they had purchased, complaints from merchants who have not received payment for the goods that a consumer had contracted to purchase, as well as other types of actual and alleged fraudulent activities. See "Item 4. Information on the Company — B. Business Overview — Transaction Platform Safety Programs" for more details about the measures we have adopted against fraudulent activities. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our marketplaces and in connection with other businesses we operate, there can be no assurance that these measures will be effective in combating fraudulent transactions or improving overall satisfaction among our consumers, merchants and other participants. Additional measures that we take to address fraud could also negatively affect the attractiveness of our marketplaces and other businesses we operate to consumers or merchants. In addition, merchants on our marketplaces contribute to a fund to provide consumer protection guarantees. If our merchants do not perform their obligations under these programs, we may use funds that have been deposited by merchants in a consumer protection fund to compensate consumers. If the amounts in the fund are not sufficient, we may choose to compensate consumers for losses, although currently we are not legally obligated to do so. If, as a result of regulatory developments, we are required to compensate consumers, we would incur additional expenses. Although we have recourse against our merchants for any amounts we incur, there can be no assurance that we would be able to collect these amounts from our merchants.

In addition to fraudulent transactions with legitimate consumers, merchants may also engage in fictitious or "phantom" transactions with themselves or collaborators in order to artificially inflate their own ratings on our marketplaces, reputation and search results rankings, an activity sometimes referred to as "brushing." This activity may harm other merchants by enabling the perpetrating merchant to be favored over legitimate merchants, and may harm consumers by deceiving them into believing that a merchant is more reliable or trusted than the merchant actually is.

Government authorities, industry watchdog organizations or other third parties may issue reports or engage in other forms of public communications concerning alleged fraudulent or deceptive conduct on our platforms. Negative publicity and user sentiment generated as a result of these reports or allegations could severely diminish consumer confidence in and use of our services, reduce our ability to attract new or retain current merchants, consumers and other participants, damage our reputation, result in shareholder or other litigation, diminish the value of our brand, and materially and adversely affect our business, financial condition and results of operations.

***We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the products and services sold through our platforms.***

Due to several high-profile incidents involving safety, including food safety, and consumer complaints that have occurred in China in recent years, the PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. Government authorities in other countries where we operate also place high importance on consumer protection. Moreover, as part of our growth strategy, we expect to increase our focus on food, food delivery, food supplements and beverages, mother care, baby care, pharmaceutical and healthcare products and services, as well as electronics products, both as a platform operator and as part of our directly operated business. We have also invested in companies involved in these sectors. These activities pose increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party service personnel, and expose us to substantial increasing liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health or safety or accidents involving products or services offered through our platforms or provided by us. Operators of e-commerce platforms

are subject to certain provisions of consumer protection laws even where the operator is not the merchant of the product or service purchased by the consumer. In addition, if we do not take appropriate remedial action against merchants or service providers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside the merchant or service provider. We may also be held jointly liable with the merchants under the PRC E-commerce Law if we fail to take necessary actions when we know or should have known that the products or services provided by the merchants on our platforms do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights. Moreover, applicable consumer protection laws in China hold that trading platforms will be held liable for failing to meet any undertaking that the platforms make to consumers with regard to products listed on their websites. Furthermore, we are required to report to the State Administration for Market Regulation, or the SAMR, formerly known as the State Administration for Industry and Commerce, or the SAIC, or its local branches any violation of applicable laws, regulations or SAMR rules by merchants or service providers, such as sales of goods without proper license or authorization, and we are required to take appropriate remedial measures, including ceasing to provide services to the relevant merchants or service providers. We may also be held liable if we fail to verify the licenses or qualifications of merchants, or fail to safeguard consumers with respect to products or services affecting consumers' health or safety.

In addition, we are facing increasing levels of activist litigation in China by plaintiffs claiming damages based on consumer protection laws. This type of activist litigation could increase in the future, and if it does, we could face increased costs defending these suits and damages should we not prevail, which could materially and adversely affect our reputation and brand and our results of operations.

We may also face increasing scrutiny from consumer protection regulators and activists, as well as increasingly become a target for litigation, in the United States, Europe and other jurisdictions. For example, recently, member groups of the European Consumer Organization's BEUC network expressed concerns about certain consumer rights related to product returns and dispute resolution with respect to transactions conducted on our AliExpress platform, and requested a review of these consumer rights by their national consumer protection agencies. We only maintain product liability insurance for certain businesses we operate, and do not maintain product liability insurance for products and services transacted on our marketplaces, and our rights of indemnity from the merchants in our digital economy may not adequately cover us for any liability we may incur. Consumer complaints and associated negative publicity could materially and adversely harm our reputation and affect our business expansion. Claims brought against us under consumer protection laws, even if unsuccessful, could result in significant expenditure of funds and diversion of management time and resources, which could materially and adversely affect our business operations, net income and profitability.

***We may be accused of infringing intellectual property rights of third parties or violating content restrictions under relevant laws.***

Third parties may claim that our product and service offerings, the content on our platforms, including content available through our digital media and entertainment business, search business, online reading platform, online music platform, news feed features and Internet of Things, or IoT, devices or our technology infringe upon their intellectual property rights or are provided beyond the authorized scope. Although we have not in the past faced material litigation involving direct claims of infringement by us, the possibility of intellectual property claims against us, whether in China or other jurisdictions, increases as we continue to grow, particularly internationally. The establishment of, and issuance of reports by, the Commission on the Theft of American Intellectual Property also highlights the current focus of the United States on investigating, preventing and taking action against alleged misappropriation of intellectual property, that may result in increased scrutiny, investigations, enforcement actions and litigation relating to intellectual property infringement. In addition, in April 2019, the U.S. administration issued an executive order instructing the U.S. Department of Homeland Security to coordinate with other federal agencies working to combat the counterfeiting of goods. This executive order aims to hold intermediary online marketplaces, such as our company, accountable for the availability and sale of counterfeit goods on their marketplaces. We have also acquired businesses, such as Youku, that have been, and may continue to be, subject to

liabilities for infringement of third-party intellectual property rights or other allegations based on the content available on their websites and mobile apps or the services they provide. In addition, we expect our digital economy to involve more and more user-generated content, including the entertainment content on Youku and our smart speakers, the interactive media content displayed on Taobao Marketplace and Tmall, including livestreams and short-form videos, as well as the data generated, uploaded and saved by users of our cloud computing services, over which we have limited control and we may be subject to claims for infringement of third-party intellectual property rights, or subject us to additional scrutiny by the relevant government authorities. These claims or scrutiny, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but these licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert these claims.

China has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. The PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Users of certain of our websites and platforms, including Youku, can upload content to these websites, mobile apps and platforms, which is generally referred to as user-generated content. Due to the significant amount of content uploaded by our users, we may not be able to identify all the videos or other content that may violate relevant laws and regulations. If any of the information disseminated through our marketplaces, websites, mobile apps or other businesses we operate, including videos and other content (including user-generated content) displayed on Youku's or our other websites, mobile apps or on our Tmall set-top boxes, smart speakers and smart televisions, or any content that we produce, were deemed by the PRC government to violate any content restrictions, we would not be able to continue to display this content and could suffer losses or become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any of these litigation matters or proceedings could cause us to pay damages, incur legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate and harm our reputation. As we expand our operations internationally, we expect that we will become subject to similar laws and regulations in other jurisdictions.

***We may not be able to protect our intellectual property rights.***

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information. In addition, as our business expands and we increase our acquisition of and management of content, we expect to incur greater costs to acquire, license and enforce our rights to content.

Intellectual property protection may not be sufficient in the jurisdictions in which we operate. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, this litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in

protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***We and Ant Financial are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations.***

The industries in which we and Ant Financial operate in the PRC and other countries, including online and mobile commerce and payments, financial services, cloud computing and digital media and entertainment and other online content offerings, are highly regulated. Government authorities in the PRC and other countries are likely to continue to issue new laws, rules and regulations governing the industries in which we and Ant Financial operate in the PRC and other countries and enhance enforcement of existing laws, rules and regulations. They have imposed, and may continue to impose, requirements relating to, among other things, new and additional licenses, permits and approvals or governance or ownership structures on us or certain of our businesses, Ant Financial and our users.

For example, the recently promulgated E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Online and Mobile Commerce." Certain third-party platforms, although offering products and services competing with our marketplaces, may not be deemed as e-commerce operators and may be subject to less stringent requirements with respect to merchant regulation and consumer protection. The platform governance measures we adopt in response to the enhanced regulatory requirements may fail to meet these requirements and may lead to penalties or our loss of merchants to those platforms, or to complaints or claims made against us by merchants on our platforms. New regulations governing various aspects of e-commerce platform operations, including those that may limit an e-commerce platform operator's ability to provide consumers with personalized shopping recommendations, could materially and adversely affect our operating results.

We have from time to time been subject, and are likely again in the future to be subject, to PRC and foreign government inquiries and investigations, including those relating to online content, alleged third-party intellectual property infringement, cybersecurity and privacy laws, and securities laws and regulations. We also face scrutiny, and have been subject and continue to be subject to inquiries and investigations, from PRC and foreign governmental bodies that focus on cross-border trade, tax, intellectual property protection, our investment activities, human rights, user privacy and data protection matters and allegedly fraudulent or other criminal transactions. We may also face protectionist policies and regulatory scrutiny, on national security grounds or for other reasons, in foreign countries in which we conduct business or investment activities. None of these inquiries and investigations has resulted in significant restrictions on our business operations. However, as we continue to grow in scale and significance, we expect to face increased scrutiny, which will, at a minimum, result in our having to continue to increase our investment in compliance and related capabilities and systems.

Ant Financial, which through Alipay provides the substantial majority of the payment processing services on our marketplaces as well as other financial and value-added services, such as wealth management, financing and insurance, is subject to various laws, rules and regulations in the PRC and other countries where it operates, including those governing banking, privacy, cross-border and domestic money transmission, anti-money laundering, counter-terrorist financing and consumer protection laws, rules and regulations. In recent years, the PRC government has increasingly focused on regulation of the financial industry, including laws, rules and regulations relating to the provision of payment services. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation Applicable to Alipay." These laws, rules and regulations are highly complex, constantly evolving and could change or be reinterpreted to be burdensome, difficult or impossible for Ant Financial to comply with.

As we and Ant Financial further expand into international markets, we and Ant Financial will increasingly become subject to additional legal and regulatory compliance requirements as well as political and regulatory challenges, including scrutiny on data privacy and security and anti-money laundering compliance, or on national security grounds or for other reasons, to our business and investment activities in these markets. In addition, Alipay or its affiliates are required to maintain payment business licenses in the PRC and are also required to obtain and maintain other applicable payment, money transmitter or other related licenses and approvals in other countries or regions where they operate. In certain jurisdictions where Alipay currently does not have the required licenses, Alipay provides payment processing and escrow services through third-party service providers. If Alipay or its partners fail to obtain and maintain all required licenses and approvals or otherwise fails to comply with applicable laws, rules and regulations, if new laws, rules or regulations come into effect that impact Alipay or its partners' businesses, or if any of Alipay's partners cease to provide services to Alipay, its services could be suspended or severely disrupted, and our business, financial condition and results of operations would be materially and adversely affected.

***Tightening of tax compliance efforts that affect our merchants could materially and adversely affect our business, financial condition and results of operations.***

Tax legislation relating to the digital economy is still developing. Governments, both in China and in other jurisdictions, may promulgate or strengthen the implementation of tax regulations that impose obligations on e-commerce companies, which could increase the costs to consumers and merchants and make our platforms less competitive in these jurisdictions. Governments may require operators of marketplaces, such as our company, to assist in the enforcement of tax registration requirements and the collection of taxes with respect to the revenue or profit generated by merchants from transactions conducted on their platforms. We may also be requested by tax authorities to supply information about our merchants, such as transaction records and bank account information, and assist in the enforcement of other tax regulations, including the payment and withholding obligations against our merchants. As a result of more stringent tax compliance requirements and liabilities, we may lose existing merchants and potential merchants might not be willing to open storefronts on our marketplaces, which could in turn negatively affect us. Stricter tax enforcement by tax authorities may also reduce the activities by merchants on our platforms and result in liability to us.

Potential heightened tax law enforcement against participants in our digital economy (including imposition of reporting or withholding obligations on operators of marketplaces with respect to value-added tax of merchants and stricter tax enforcement against merchants generally) could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to material litigation and regulatory proceedings.***

We have been involved in a high volume of litigation in China and a small volume of potentially high-value litigation outside China relating principally to securities law class actions, third-party and principal intellectual property infringement claims, contract disputes involving merchants and consumers on our platforms, consumer protection claims, claims relating to data and privacy protection, employment related cases and other matters in the ordinary course of our business. As our digital economy expands, including across jurisdictions and through the addition of new businesses, we have encountered and may face an increasing number and a wider variety of these claims, including those brought against us pursuant to anti-monopoly or unfair competitions laws or involving higher amounts of alleged damages. Laws, rules and regulations may vary in their scope and overseas laws and regulations may impose requirements that are more stringent than, or which conflict with, those in China. We have acquired and may acquire companies that have been subject to or may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions, including those relating to data held in or with respect to persons in these jurisdictions. Our failure or inability to comply with the

subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material adverse effect on our reputation, business, results of operations and the trading price of our ADSs.

As publicly-listed companies, we and certain of our subsidiaries face additional exposure to claims and lawsuits inside and outside China. We will need to defend against these lawsuits, including any appeals should our initial defense be successful. The litigation process may utilize a material portion of our cash resources and divert management's attention away from the day-to-day operations of our company, all of which could harm our business. There can be no assurance that we will prevail in any of these cases, and any adverse outcome of these cases could have a material adverse effect on our reputation, business and results of operations. In addition, although we have obtained directors' and officers' liability insurance, the insurance coverage may not be adequate to cover our obligations to indemnify our directors and officers, fund a settlement of litigation in excess of insurance coverage or pay an adverse judgment in litigation.

In early 2016, the SEC informed us that it had initiated an investigation into whether there have been any violations of the federal securities laws. The SEC has requested that we voluntarily provide it with documents and information relating to, among other things, our consolidation policies and practices (including our prior practice of accounting for Cainiao Network as an equity method investee), our policies and practices applicable to related party transactions in general, and our reporting of operating data from the 11.11 global shopping festival. We are cooperating with the SEC and, through our legal counsel, have been providing the SEC with requested documents and information. The SEC advised us that the initiation of a request for information should not be construed as an indication by the SEC or its staff that any violation of the federal securities laws has occurred. This matter is ongoing, and, as with any regulatory proceeding, we cannot predict when it will be concluded.

The existence of litigation, claims, investigations and proceedings may harm our reputation, limit our ability to conduct our business in the affected areas and adversely affect the trading price of our ADSs. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any litigation, investigation or proceeding could cause us to pay damages, incur legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate.

***We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, including social media and malicious reports, all of which could severely damage our reputation and brand and materially and adversely affect our business and prospects.***

We process an extremely large number of transactions on a daily basis on our marketplaces and other businesses we operate, and the high volume of transactions taking place in our digital economy and publicity about our business creates the possibility of heightened attention from the public, regulators, the media and participants in our digital economy. Changes in our services or policies have resulted and could result in objections by members of the public, the media, including social media, participants in our digital economy or others. From time to time, these objections or allegations, regardless of their veracity, may result in public protests or negative publicity, which could result in government inquiry or harm our reputation and brand.

Corporate transactions we or related parties undertake, such as our partnership with the International Olympic Committee, our consolidation of Ele.me and Koubei, our agreement to acquire a 33% equity interest in Ant Financial, and other initiatives to implement our New Retail strategy, grow our local consumer services business and expand into international markets, may also subject us to increased media exposure and public scrutiny in Hong Kong, China and internationally. There can be no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation and brand as well as our business and prospects.

In addition, our directors and management have been, and continue to be, subject to scrutiny by the media and the public regarding their activities in and outside Alibaba Group, which may result in unverified, inaccurate or misleading information about them being reported by the press. Negative publicity about our executive chairman or other founders, directors or management, even if untrue or inaccurate, may harm our reputation and brand.

***Our reputation, our brand and our business may be harmed by aggressive marketing and communications strategies of our competitors.***

Due to intense competition in our industry, we have been and may be the target of incomplete, inaccurate and false statements and complaints about our company and our products and services that could damage our reputation and brand and materially deter consumers and customers from spending in our digital economy. In addition, competitors have used, and may continue to use, methods such as lodging complaints with regulators, initiating frivolous and nuisance lawsuits, and other forms of attack litigation and "lawfare" that attempt to harm our reputation and brand, hinder our operations, force us to expend resources on responding to and defending against these claims, and otherwise gain a competitive advantage over us by means of litigious and accusatory behavior. Our ability to respond on share price-sensitive information to our competitors' misleading marketing efforts, including lawfare, may be limited during our self-imposed quiet periods around quarter ends consistent with our internal policies or due to legal prohibitions on permissible public communications by us during certain other periods.

***Failure to comply with the terms of our indebtedness or enforcement of our obligations as a guarantor of other parties' indebtedness could have an adverse effect on our cash flow and liquidity.***

As of March 31, 2019, we had US\$13.7 billion in aggregate principal amount of unsecured senior notes and a US\$4 billion term loan outstanding, as well as a US\$5.15 billion revolving credit facility that we have not yet drawn. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are, and may be in the future, subject to covenants that could, among other things, restrict our business and operations. If we breach any of these covenants, our lenders under our credit facilities and holders of our unsecured senior notes will be entitled to accelerate our debt obligations. Any default under our credit facilities or unsecured senior notes could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. In May 2019, we agreed to provide a guarantee for a loan facility of HK\$7.7 billion (US\$1.0 billion) in favor of an entity partially owned by Cainiao Network in connection with a logistics center development project at the Hong Kong International Airport. As of the date of this annual report, this entity has not made any drawdown under this facility. In the event of default by this entity under the loan facility, we may be required to repay the full amount or a portion of the outstanding loan and undertake the borrower's other obligations under the loan facility. Enforcement against us under this guarantee and other similar arrangements we may enter into in the future could materially and adversely affect our cash flow and liquidity.

***We may need additional capital but may not be able to obtain it on favorable terms or at all.***

We may require additional cash resources due to future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties. Offshore incorporated companies directly or indirectly controlled by individual PRC residents are required to complete filings before the launch of any offshore debt issuance with a term of one year or more in accordance with applicable laws and regulations. The filing procedure takes time which may result in our missing the best market windows for debt issuances in the future. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including due to policy changes and regulatory restrictions, which could limit our ability to raise funds. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

***We are subject to interest rate risk in connection with our indebtedness.***

We are exposed to interest rate risk related to our indebtedness. The interest rates under certain of our offshore credit facilities are based on a spread over LIBOR. As a result, the interest expenses associated with this indebtedness will be subject to the potential impact of any fluctuation in LIBOR. Any increase in LIBOR could impact our financing costs if not effectively hedged. Our Renminbi-denominated bank borrowings are also subject to interest rate risk. Although from time to time, we use hedging transactions in an effort to reduce our exposure to interest rate risk, these hedges may not be effective.

In addition, on July 27, 2017, the United Kingdom Financial Conduct Authority, or the FCA, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Uncertainties surrounding changes to the basis on which LIBOR is calculated or the phase-out of LIBOR, which may cause a sudden and prolonged increase or decrease in LIBOR, could adversely affect our operating results and financial condition, as well as our cash flows. There can be no assurance that any hedging transactions we use will be effective in protecting us against adverse changes in interest rates or that our bank counterparties will be able to perform their obligations. Once LIBOR is not available, the terms of certain of our offshore credit facilities will require alternative determination procedures, which may result in an interest rate differing from our expectations and could materially affect the cost to us of these facilities.

***We may not have sufficient insurance coverage to cover our business risks.***

We have obtained insurance to cover certain potential risks and liabilities, such as property damage, business interruptions, public liabilities and product liability insurance for certain businesses we operate. However, insurance companies in China and other jurisdictions in which we operate may offer limited business insurance products. As a result, we may not be able to acquire any insurance for all types of risks we face in our operations in China and elsewhere, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. We do not maintain product liability insurance for products and services transacted on our marketplaces or other businesses we operate, and our rights of indemnity from the merchants in our digital economy may not adequately cover us for any liability we may incur. We also do not maintain key-man life insurance. This potentially insufficient coverage could expose us to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

***An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.***

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. These events could also significantly impact our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a

natural disaster, health epidemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our consumers, merchants or other participants were affected by natural disasters, health epidemics or other outbreaks.

### **Risks Related to our Corporate Structure**

#### ***The Alibaba Partnership and related voting agreements limit the ability of our shareholders to nominate and elect directors.***

Our articles of association allow the Alibaba Partnership to nominate or, in limited situations, appoint a simple majority of our board of directors. If at any time our board of directors consists of less than a simple majority of directors nominated or appointed by the Alibaba Partnership for any reason, including because a director previously nominated by the Alibaba Partnership ceases to be a member of our board of directors or because the Alibaba Partnership had previously not exercised its right to nominate or appoint a simple majority of our board of directors, the Alibaba Partnership will be entitled (in its sole discretion) to nominate or appoint such number of additional directors to the board as necessary to ensure that the directors nominated or appointed by the Alibaba Partnership comprise a simple majority of our board of directors.

In addition, we have entered into a voting agreement pursuant to which SoftBank, Alibaba, Jack Ma and Joe Tsai have agreed to vote their shares in favor of the Alibaba Partnership director nominees at each annual general shareholders meeting for so long as SoftBank owns at least 15% of our outstanding ordinary shares. Furthermore, the voting agreement provides that SoftBank has the right to nominate one director to our board until SoftBank owns less than 15% of our outstanding ordinary shares, and that right is also reflected in our articles of association. In addition, pursuant to the voting agreement, Alibaba, Jack Ma and Joe Tsai have agreed to vote their shares (including shares for which they have voting power) in favor of the election of the SoftBank director nominee at each annual general shareholders meeting in which the SoftBank nominee stands for election.

Moreover, subject to certain exceptions, pursuant to the voting agreement SoftBank and Alibaba have agreed to give Jack and Joe a proxy over, with respect to SoftBank, any portion of its shareholdings exceeding 30% of our outstanding shares and, with respect to Alibaba, all of its shareholdings up to a maximum of 121.5 million of our ordinary shares. These proxies will remain in effect until Jack Ma owns less than 1% of our ordinary shares on a fully diluted basis or we materially breach the voting agreement.

This governance structure and contractual arrangement limit the ability of our shareholders to influence corporate matters, including any matters determined at the board level. In addition, the nomination right granted to the Alibaba Partnership will remain in place for the life of the Alibaba Partnership unless our articles of association are amended to provide otherwise by a vote of shareholders representing at least 95% of shares that vote at a shareholders meeting. The nomination rights of the Alibaba Partnership will remain in place notwithstanding a change of control or merger of our company. These provisions and agreements could have the effect of delaying, preventing or deterring a change in control and could limit the opportunity of our shareholders to receive a premium for their ADSs, and could also materially decrease the price that some investors are willing to pay for our ADSs. As of the date of this annual report, the parties to the voting agreement and the partners of the Alibaba Partnership held in the aggregate more than 40% of our outstanding ordinary shares (including shares underlying vested and unvested awards). See "Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management — Alibaba Partnership."

#### ***The interests of the Alibaba Partnership may conflict with the interests our shareholders.***

The nomination and appointment rights of the Alibaba Partnership limit the ability of our shareholders to influence corporate matters, including any matters to be determined by our board of directors. The interests of the Alibaba Partnership may not coincide with the interests of our shareholders, and the Alibaba Partnership or its director nominees may make decisions with which they disagree, including decisions on important topics such as compensation, management succession, acquisition strategy and our business and financial strategy. Since the Alibaba Partnership will continue to be largely comprised of members of our management team, the Alibaba

Partnership and its director nominees, consistent with our operating philosophy, may focus on the long-term interests of participants in our digital economy at the expense of our short-term financial results, which may differ from the expectations and desires of shareholders unaffiliated with the Alibaba Partnership. To the extent that the interests of the Alibaba Partnership differ from the interests of any of our shareholders, our shareholders may be disadvantaged by any action that the Alibaba Partnership may seek to pursue.

***Our articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.***

Our articles of association contain certain provisions that could limit the ability of third parties to acquire control of our company, including:

- a provision that grants authority to our board of directors to establish from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series;
- a provision that a business combination, if it may adversely affect the right of the Alibaba Partnership to nominate or appoint a simple majority of our board of directors, including the protective provisions for this right under our articles of association, shall be approved upon vote of shareholders representing at least 95% of the votes in person or by proxy present at a shareholders meeting; and
- a classified board with staggered terms that will prevent the replacement of a majority of directors at one time.

These provisions could have the effect of delaying, preventing or deterring a change in control, and could limit the opportunity for our shareholders to receive a premium for their ADSs, and could also materially decrease the price that some investors are willing to pay for our ADSs.

***SoftBank owns approximately 25.9% of our outstanding ordinary shares and its interests may differ from those of our other shareholders.***

As of June 3, 2019, SoftBank beneficially owned approximately 25.9% of our outstanding ordinary shares. Subject to certain exceptions, SoftBank has agreed to grant the voting power of any portion of its shareholding exceeding 30% of our outstanding ordinary shares to Jack Ma and Joe Tsai by proxy. Under the terms of the voting agreement we entered into with SoftBank, SoftBank also has the right to nominate one member of our board of directors, and Altaba, Jack and Joe have agreed to vote their shares (including shares for which they have voting power) in favor of the SoftBank director nominees at each annual general shareholders meeting in which the SoftBank nominee stands for election until such time as SoftBank holds less than 15% of our outstanding ordinary shares. SoftBank's director nomination right is also reflected in our articles of association. Except with regard to shareholder votes relating to the Alibaba Partnership director nominees, SoftBank will have significant influence over the outcome of matters that require shareholder votes and accordingly over our business and corporate matters. SoftBank may exercise its shareholder rights in a way that it believes is in its own best interest, which may conflict with the interest of our other shareholders. These actions may be taken even if SoftBank is opposed by our other shareholders.

For more information, see "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with SoftBank and Altaba — Voting Agreement."

***If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties, or be forced to relinquish our interests in those operations, which would materially and adversely affect our business, financial results and the trading price of our ADSs.***

Foreign ownership of certain types of Internet businesses, such as Internet information services, is subject to restrictions under applicable PRC laws, rules and regulations. Under these laws and regulations, foreign investors

are generally not permitted to own more than 50% of the equity interests in a value-added telecommunication service provider. Any foreign investor must also have experience and a good track record in providing value-added telecommunications services overseas. Although foreign investors are allowed to hold up to 100% of all equity interests in the online data processing and transaction processing business (operational e-commerce) in China, other requirements provided by the relevant rules (such as the track record and experience requirement for a major foreign investor) still apply. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Telecommunications and Internet Information Services — Regulation of Telecommunication Services" and "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Foreign Investment."

While the significant majority of our revenue was generated by our wholly-owned entities in fiscal year 2019, we provide Internet information services in China, which are critical to our business, through a number of PRC incorporated variable interest entities. Contractual arrangements between us and the variable interest entities and their equity holders give us effective control over each of the variable interest entities and enable us to obtain substantially all of the economic benefits arising from the variable interest entities as well as to consolidate the financial results of the variable interest entities in our results of operations. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. We are in the process of enhancing the structure of our variable interest entities. See "— We are in the process of enhancing the structure of some of our variable interest entities, and its completion is subject to uncertainties."

In the opinion of Fangda Partners, our PRC counsel, the ownership structures of our material wholly-owned entities and our material variable interest entities in China do not and will not violate any applicable PRC law, regulation or rule currently in effect; and the contractual arrangements between our material wholly-owned entities, our material variable interest entities and their respective equity holders governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect and will not violate any applicable PRC law, rule or regulation currently in effect. However, Fangda Partners has also advised us that there are substantial uncertainties regarding the interpretation and application of current PRC laws, rules and regulations. Accordingly, the possibility that the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the opinion of our PRC legal counsel cannot be ruled out.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. Please also see "— Substantial uncertainties exist with respect to the interpretation and implementation of the recently adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, business, financial condition and results of operations."

If we or any of our variable interest entities are found to be in violation of any existing or future PRC laws, rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of our PRC subsidiaries or the variable interest entities, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of any of our variable interest entities in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of any of our material variable interest entities or otherwise separate from any of these entities and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results

of our variable interest entities in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

***We are in the process of enhancing the structure of some of our variable interest entities, and its completion is subject to uncertainties.***

In order to further improve our control over our material variable interest entities, reduce key man risks associated with having certain individuals be the equity holders of the material variable interest entities, and address the uncertainty resulting from any potential disputes between us and the individual equity holders of the material variable interest entities that may arise, we are in the process of enhancing the structure of our material variable interest entities and certain other variable interest entities, or the VIE Structure Enhancement.

Prior to the completion of the VIE Structure Enhancement, the variable interest entities were owned, or are owned, by a few PRC citizens who are our founders or employees or by PRC entities owned by these PRC citizens. After completion of the VIE Structure Enhancement, those variable interest entities will be directly owned by PRC limited liability companies that are indirectly held by selected members of the Alibaba Partnership or our management who are PRC citizens through PRC limited partnerships jointly established by these individuals. We enter into contractual arrangements, which are substantially similar to the contractual arrangements we have historically used for our VIEs, with the above-mentioned multiple layers of legal entities and variable interest entity interest holders. The contractual arrangements, both before and after the VIE Structure Enhancement, give us effective control over each of those variable interest entities and enable us to obtain substantially all of the economic benefits arising from those variable interest entities as well as to consolidate the financial results of those variable interest entities in our results of operations. Please also see "Item 4. Information on the Company — Organizational Structure."

While we believe the new structure following completion of the VIE Structure Enhancement is consistent with longstanding industry practice, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The VIE Structure Enhancement process is subject to a number of uncertainties, including registration of the transfer of the equity interests, registration of the new equity pledges, and the receipt of required approvals of amendments to certain operating permits, including the Value-added Telecommunication Business Operation Permit, Network Culture Permit and the License for Transmission of Audio-Visual Programs through Information Network. If we are unable to successfully complete these processes involved in the VIE Structure Enhancement, we will be unable to enjoy the benefits we expect, including the anticipated enhanced control over those variable interest entities, or reduced key man risks or the uncertainty resulting from any potential disputes among us and the individual equity holders of those variable interest entities as discussed above.

For further information, See "— If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties or be forced to relinquish our interests in those operations, which would materially and adversely affect our business, financial results and the trading price of our ADSs" and "Item 4. Information on the Company — C. Organizational Structure."

***Substantial uncertainties exist with respect to the interpretation and implementation of the recently adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, business, financial condition and results of operations.***

The "variable interest entity" structure, or the VIE structure, has been adopted by many China-based companies, including us and certain of our equity investees, to obtain licenses and permits necessary to operate in industries that currently are subject to restrictions on or prohibitions for foreign investment in China. The Ministry of Commerce, or the MOFCOM, published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft PRC Foreign Investment Law, according to which, variable interest entities that

are controlled via contractual arrangements would be deemed as foreign-invested enterprises, if they are ultimately "controlled" by foreign investors. In March 2019, the National People's Congress promulgated the Foreign Investment Law, or the 2019 PRC Foreign Investment Law, which will become effective on January 1, 2020 and will replace major existing laws and regulations governing foreign investment in the PRC. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Foreign Investment." The 2019 PRC Foreign Investment Law does not use the concept of "control" in determining whether a company should be considered as a foreign-invested enterprise, nor does it explicitly classify the VIE structure as a method of foreign investment. Since the 2019 PRC Foreign Investment Law has only recently been adopted and relevant government authorities may promulgate rules and regulations as to the interpretation and implementation of the 2019 PRC Foreign Investment Law, there can be no assurance that the concept of "control" as reflected in the 2015 Draft PRC Foreign Investment Law, will not be reintroduced, or that the VIE structure adopted by us will not be deemed as a method of foreign investment by other laws, regulations and rules. Accordingly, there are substantial uncertainties as to whether our VIE structure may be deemed as a method of foreign investment in the future. If our VIE structure were to be deemed as a method of foreign investment under any future laws, regulations and rules, and if any of our business operations were to fall under the "negative list" for foreign investment, we would need to take further actions in order to comply with these laws, regulations and rules, which may materially and adversely affect our current corporate structure, business, financial condition and results of operations.

***Our contractual arrangements may not be as effective in providing control over the variable interest entities as direct ownership.***

We rely on contractual arrangements with our variable interest entities to operate part of our Internet businesses in China and other businesses in which foreign investment is restricted or prohibited. For a description of these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements among Our Wholly-Owned Entities, Variable Interest Entities and the Variable Interest Entity Equity Holders." These contractual arrangements may not be as effective as direct ownership in providing us with control over our variable interest entities.

If we had direct ownership of the variable interest entities, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of those entities, which could effect changes at the management and operational level. Under our contractual arrangements, we may not be able to directly change the members of the boards of directors of these entities and would have to rely on the variable interest entities and the variable interest entity equity holders to perform their obligations in order to exercise our control over the variable interest entities. The variable interest entity equity holders may have conflicts of interest with us or our shareholders, and they may not act in the best interests of our company or may not perform their obligations under these contracts. Pursuant to the call options, we may replace the equity holders of the variable interest entities at any time pursuant to the contractual arrangements. However, if any equity holder is uncooperative in the replacement of the equity holders or there is any dispute relating to these contracts that remains unresolved, we will have to enforce our rights under the contractual arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. See "— Any failure by our variable interest entities or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations." Consequently, the contractual arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

***Any failure by our variable interest entities or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.***

If our variable interest entities or their equity holders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce the arrangements. Although we have entered into call option agreements in relation to each variable interest entity, which provide that we may exercise an option to acquire, or nominate a person to acquire, ownership of the equity

in that entity or, in some cases, its assets, to the extent permitted by applicable PRC laws, rules and regulations, the exercise of these call options is subject to the review and approval of the relevant PRC governmental authorities. We have also entered into equity pledge agreements with the equity shareholders and, in the case of VIEs that have started, or will start, the VIE Structure Enhancement, the limited partnerships with respect to each variable interest entity to secure certain obligations of the variable interest entity or its equity holders to us under the contractual arrangements. We have not been able to register certain of the pledges in Zhejiang Province where we incorporated those limited partnerships, because the Zhejiang rules for the registration of pledges of partnership interests were relatively new and we are still discussing with the local SAMR about the detailed procedures. In addition, the enforcement of these agreements through arbitral or judicial agencies, if any, may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Moreover, our remedies under the equity pledge agreements are primarily intended to help us collect debts owed to us by the variable interest entities or the variable interest entity equity holders under the contractual arrangements and may not help us in acquiring the assets or equity of the variable interest entities.

In addition, with respect to the VIEs that have not completed the VIE Structure Enhancement, although the terms of the contractual arrangements provide that they will be binding on the successors of the variable interest entity equity holders, as those successors are not a party to the agreements, it is uncertain whether the successors in case of the death, bankruptcy or divorce of a variable interest entity equity holder will be subject to or will be willing to honor the obligations of the variable interest entity equity holder under the contractual arrangements. If the relevant variable interest entity or its equity holder (or its successor), as applicable, fails to transfer the shares of the variable interest entity according to the respective call option agreement or equity pledge agreement, we would need to enforce our rights under the call option agreement or equity pledge agreement, which may be costly and time-consuming and may not be successful.

The contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration or court proceedings in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. Under PRC law, if the losing parties fail to carry out the arbitration awards or court judgments within a prescribed time limit, the prevailing parties may only enforce the arbitration awards or court judgments in PRC courts, which would require additional expense and delay. In the event we are unable to enforce the contractual arrangements, we may not be able to exert effective control over the variable interest entities, and our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

***We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our variable interest entities, which could severely disrupt our business, render us unable to conduct some or all of our business operations and constrain our growth.***

Although the significant majority of our revenues are generated, and the significant majority of our operational assets are held, by our wholly-owned entities, which are our subsidiaries, our variable interest entities hold licenses and approvals and assets that are necessary for our business operations, as well as equity interests in a series of our portfolio companies, to which foreign investments are typically restricted or prohibited under applicable PRC law. The contractual arrangements contain terms that specifically obligate variable interest entity equity holders to ensure the valid existence of the variable interest entities and restrict the disposal of material assets of the variable interest entities. However, in the event the variable interest entity equity holders breach the terms of these contractual arrangements and voluntarily liquidate our variable interest entities, or any of our variable interest entities declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to conduct some or all of our business operations or otherwise benefit from the assets held by the variable interest entities, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if any of our variable interest entities undergoes a voluntary or involuntary liquidation proceeding, its equity holder or unrelated third-

party creditors may claim rights to some or all of the assets of the variable interest entity, thereby hindering our ability to operate our business as well as constrain our growth.

***The equity holders, directors and executive officers of the variable interest entities may have potential conflicts of interest with our company.***

PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of the variable interest entities, including the relevant members of the Alibaba Partnership or our management, must act in good faith and in the best interests of the variable interest entities and must not use their respective positions for personal gain. On the other hand, as a director of our company, the relevant individuals have a duty of care and loyalty to our company and to our shareholders as a whole under Cayman Islands law. We control our variable interest entities through contractual arrangements and the business and operations of our variable interest entities are closely integrated with the business and operations of our subsidiaries. Nonetheless, conflicts of interests for these individuals may arise due to dual roles both as equity holders, directors and executive officers of the variable interest entities and as directors or employees of our company.

There can be no assurance that these individual shareholders of our variable interest entities will always act in the best interests of our company should any conflicts of interest arise, or that any conflicts of interest will always be resolved in our favor. There also can be no assurance that these individuals will ensure that the variable interest entities will not breach the existing contractual arrangements. If we cannot resolve any of these conflicts of interest or any related disputes, we would have to rely on legal proceedings to resolve these disputes and/or take enforcement action under the contractual arrangements. There is substantial uncertainty as to the outcome of any of these legal proceedings. See "— Any failure by our variable interest entities or their equity holders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations."

Furthermore, a company controlled by Jack serves as one of the general partners of a PRC limited partnership that made a minority investment in Wasu. Yuzhu Shi, the founder, chairman and a principal shareholder of Giant Interactive, a China-based online game company that was previously listed on the New York Stock Exchange, and an entrepreneur with significant experience in and knowledge of the media industry in China, serves as the other general partner and the executive partner. The interest of the general partner controlled by Jack in the limited partnership is limited to a return of its RMB10,000 capital contribution. In addition, Simon Xie, a former employee who is one of our founders and an equity holder in certain of our variable interest entities, is a limited partner in this PRC limited partnership. To fund this investment, in April 2015 Simon was granted a financing with an aggregate principal of up to RMB6.9 billion by a major financial institution in the PRC. The financing is secured by a pledge of the Wasu shares acquired by the PRC limited partnership, and a pledge of certain wealth management products we purchased. In addition, we entered into a loan agreement for a principal amount of up to RMB2.0 billion with Simon in April 2015 to finance the repayment by Simon of the principal and interest under the above financing. We entered into these arrangements to strengthen our strategic business arrangements with Wasu to pursue our strategy of expanding entertainment offerings to consumers. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pledge for the Benefit of and Loan Arrangement with a Related Party."

There can be no assurance that Jack Ma will act in our interest given his ability to control one of the general partners of the PRC limited partnership that invested in Wasu, nor can we assure you that he will not breach his obligations to us as our director, including obligations not to compete with us. In addition, the interests of Mr. Shi, as an independent third party, may not coincide with those of Jack, or with our interests in pursuing our entertainment strategy. If any conflicts of this kind arise between Jack and Mr. Shi in conducting the business of the PRC limited partnership, it could potentially have a material adverse effect on our relationship with the shareholder of Wasu and, consequently, on our ability to benefit from our alliance with Wasu. Furthermore, there can be no assurance that Simon will have sufficient resources to repay the loans in a timely manner or at all. The loan that we provided to Simon is secured by a pledge of Simon's limited partnership interest in the PRC limited

partnership. However, if Simon fails to repay the loan, our enforcement of our secured interests could be costly and time-consuming and would be subject to the uncertainties in the PRC legal system.

***The contractual arrangements with our variable interest entities may be subject to scrutiny by the PRC tax authorities. Any pricing adjustment of a related party transaction could lead to additional taxes, and therefore substantially reduce our consolidated net income and the value of your investment.***

The tax regime in China is rapidly evolving and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or the variable interest entities or their equity holders are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our variable interest entities, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries and/or variable interest entities and/or variable interest entity equity holders could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our net income may be materially reduced if our tax liabilities increase.

#### **Risks Related to Doing Business in the People's Republic of China**

***Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.***

Although we have operating subsidiaries located in various countries and regions, our operations in China currently contribute the large majority of our revenue. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. A substantial portion of productive assets in China is still owned by the government. In addition, the PRC government regulates industry development by imposing industrial policies. The PRC government also plays a significant role in China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past four decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity. Any prolonged slowdown in the Chinese economy could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

***There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.***

Most of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to a significant degree of interpretation by PRC regulatory agencies and courts. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-precedential nature of these decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Therefore, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

***PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions.***

Under the PRC Anti-monopoly Law, companies undertaking certain investments and acquisitions relating to businesses in China must notify the anti-monopoly enforcement agency, in advance of any transaction where the parties' revenues in the China market exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party. In addition, on August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and was amended on June 22, 2009. Under the M&A Rules, the approval of MOFCOM must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with PRC enterprises or residents. Applicable PRC laws, rules and regulations also require certain merger and acquisition transactions to be subject to security review.

Due to the level of our revenues, our proposed acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million in the year prior to any proposed acquisition would be subject to the SAMR merger control review. As a result of our size, many of the transactions we may undertake could be subject to SAMR merger review. Complying with the requirements of the relevant regulations to complete these transactions could be time-consuming, and any required approval processes, including approval from SAMR, may be uncertain and could delay or inhibit our ability to complete these transactions, which could affect our ability to expand our business, maintain our market share or otherwise achieve the goals of our acquisition strategy.

According to the Regulations on Enterprise Outbound Investment issued by the National Development and Reform Commission, or the NDRC, in December 2017 which came into effect on March 1, 2018, we may also need to report to the NDRC relevant information on overseas investments with an amount of US\$300 million or more in non-sensitive areas, and obtain the NDRC's approval for our overseas investments in sensitive areas, if any, before the closing of the investments. Accordingly, these new regulations may restrict our ability to make investments in some regions and industries overseas, and may subject any proposed investments to additional delays and increased uncertainty, as well as heightened scrutiny, including after the investments have been made.

Our ability to carry out our investment and acquisition strategy may be materially and adversely affected by the regulatory authorities' current practice, which creates significant uncertainty as to whether transactions that we may undertake would subject us to fines or other administrative penalties and negative publicity and whether we will be able to complete investments and acquisitions in the future in a timely manner or at all.

***Anti-monopoly and unfair competition claims or regulatory actions against us may result in our being subject to fines as well as constraints on our business.***

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the PRC Anti-monopoly Law, including levying significant fines, with respect to concentration of undertakings and cartel activity, mergers and acquisitions, as well as abusive behavior by companies with market dominance. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC, and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement. The SAMR issued a new set of guidelines with respect to merger control review in September 2018, and issued the Notice on Anti-monopoly Enforcement Authorization on December 28, 2018, which grants authorizations to the SAMR's province-level branches for anti-monopoly enforcement within their respective jurisdictions. The SAMR recently has also imposed several administrative penalties on various companies for failing to duly make filings as to their transactions subject to merger control review by the SAMR. The scope of the companies that were penalized is broad, and covers a variety of different industries.

The PRC Anti-monopoly Law also provides a private right of action for competitors, business partners or customers to bring anti-monopoly claims against companies. In recent years, an increased number of companies have been exercising their right to seek relief under the PRC Anti-monopoly Law. As public awareness of the rights under the PRC Anti-monopoly Law increases, more companies, including our competitors, business partners and customers have resorted to and may continue seeking the remedies available under the PRC Anti-monopoly Law, such as through complaints to regulators or as plaintiffs in private litigation, to hinder our business operations and improve their competitive position, regardless of the merits of their claims. Any of the above actions against us could materially and adversely affect our business, operations, reputation, brand and the trading price of our ADSs.

From time to time, we have received and expect to continue to receive close scrutiny from government agencies under the PRC Anti-monopoly Law in connection with our business practices, investments and acquisitions. Any anti-monopoly lawsuit, regulatory investigations or administrative proceeding initiated against us could result in our being subject to profit disgorgement, heavy fines and various constraints on our business, or result in negative publicity that could harm our reputation and negatively affect the trading prices of our ADSs. These constraints could include forced termination of any agreements or arrangements that are determined by governmental authorities to be in violation of anti-monopoly laws, required divestitures and limitations on certain pricing and business practices, which may limit our ability to continue to innovate, diminish the appeal of our services, increase our operating costs and prevent us from pursuing our investment and acquisition strategy. These constraints could also encourage our competitors to develop platforms, websites, products and services that mimic the functionality of our services, which could decrease the popularity of our marketplaces or other businesses we operate, products and services among merchants, consumers and other participants, and cause our revenue and net income to decrease materially. Given the scale and rapid expansion of our business, we may be subject to greater scrutiny, which could in turn increase the likelihood that we will face regulatory action, which could result in fines or

restrictions on our business as well as negative publicity and adversely affect our reputation and the trading price of our ADSs.

***PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.***

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. See also "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Foreign Exchange and Dividend Distribution — Foreign Exchange Regulation — SAFE Circular 37." SAFE Circular 37 and its implementing rules require PRC residents to register with banks designated by local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with the PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle."

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation, and pursuant to SAFE Circular 37, we have periodically filed and updated the above-mentioned foreign exchange registration on behalf of certain employee shareholders who we know are PRC residents. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners, and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject the beneficial owners or our PRC subsidiaries to fines and legal sanctions.

Furthermore, since it is unclear how those SAFE regulations, and any future regulation concerning offshore or cross-border transactions, will be further interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

***Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC participants in the plans, us or our overseas and PRC subsidiaries to fines and other legal or administrative sanctions.***

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may, prior to the exercise of an option, submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In the meantime, our directors, executive officers and other employees who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and who have been granted restricted share units, or RSUs, options or restricted shares, by us or our overseas listed subsidiaries may follow the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, to apply for the foreign exchange registration. According to those regulations, employees, directors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which may be a PRC subsidiary of the overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit their ability to make payment under the relevant

equity incentive plans or receive dividends or sales proceeds related thereto in foreign currencies, or our ability to contribute additional capital into our domestic subsidiaries in China and limit our domestic subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties under PRC law that could restrict our ability or the ability of our overseas listed subsidiaries to adopt additional equity incentive plans for our directors and employees who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions.

In addition, the State Administration of Taxation has issued circulars concerning employee RSUs, share options or restricted shares. Under these circulars, employees working in the PRC whose RSUs or restricted shares vest, or who exercise share options, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee RSUs, share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their RSUs, share options or restricted shares. Although we and our overseas listed subsidiaries currently withhold income tax from our PRC employees in connection with the vesting of their RSUs and restricted shares and their exercise of options, if the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities.

***We rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries in China.***

We are a holding company and rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances, including loans, to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside a portion of its net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. As of March 31, 2019, these restricted net assets totaled RMB112.5 billion (US\$16.8 billion).

***Pay-for-performance services are considered, in part, to involve Internet advertisement, which subjects us to other laws, rules and regulations as well as additional obligations.***

On July 4, 2016, the SAIC promulgated the Interim Measures for Administration of Internet Advertising, or the Internet Advertising Measures, which came into effect as of September 1, 2016 and defined Internet advertisements as any commercial advertising that directly or indirectly promotes goods or services through Internet media in any form including paid-for search results. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Advertising Services."

There exist substantial uncertainties with respect to the interpretation and implementation in practice of the Internet Advertising Measures by various government authorities. We derive a significant amount of our revenue from pay-for-performance, or P4P, services and other related services. Our P4P services and other related services may be considered to, in part, involve Internet advertisement. We may incur additional taxes in connection with our P4P and other related services. Moreover, PRC advertising laws, rules and regulations require advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they prepare or distribute is fair and accurate and is in full compliance with applicable law. Violation of these laws, rules or

regulations may result in penalties, including fines, confiscation of advertising fees and orders to cease dissemination of the advertisements. In circumstances involving serious violations, the PRC government may suspend or revoke a violator's business license or license for operating an advertising business. In addition, the Internet Advertising Measures require paid-for search results to be clearly distinguished from organic search results so that consumers will not misunderstand the nature of these search results. Therefore, we are obligated to distinguish from others the merchants who purchase the above-mentioned P4P and related services or the relevant listings by these merchants. Complying with these requirements, including any penalties or fines for any failure to comply, may significantly reduce the attractiveness of our platforms and increase our costs, and could have a material adverse effect on our business, financial condition and results of operations.

In addition, for advertising content related to specific types of products and services, advertisers, advertising operators and advertising distributors must confirm that the advertisers have obtained requisite government approvals, including the advertiser's operating qualifications, proof of quality inspection of the advertised products, and, with respect to certain industries, government approval of the content of the advertisement and filing with the local authorities. Pursuant to the Internet Advertising Measures, we are required to take steps to monitor the content of advertisements displayed on our platforms. This requires considerable resources and time, and could significantly affect the operation of our business, while also subjecting us to increased liability under the relevant laws, rules and regulations. The costs associated with complying with these laws, rules and regulations, including fines or any other penalties for our failure to so comply if required, could have a material adverse effect on our business, financial condition and results of operations. Any further change in the classification of our P4P and other related services by the PRC government may also significantly disrupt our operations and materially and adversely affect our business and prospects.

***We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.***

Under the PRC Enterprise Income Tax Law and its implementing rules, both of which came into effect on January 1, 2008, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies, or Circular 82, on April 22, 2009. See "Item 4. Information on the Company — B. Business Overview — Regulation — Tax Regulations — PRC Enterprise Income Tax." If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In this case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

***Dividends payable to foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC taxation.***

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable by a resident enterprise to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have an establishment or place of business but the dividends are not effectively connected with the establishment or place of business, to the extent these dividends are derived from sources within the PRC, subject to any reduction set forth in applicable tax treaties. Similarly, any gain realized on the transfer of shares of a resident enterprise by these investors is also subject to PRC tax at a current rate of 10%, subject to any exemption set forth in relevant tax treaties, if the gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares or ADSs, and any gain realized by the investors from the transfer of our

ordinary shares or ADSs, may be treated as income derived from sources within the PRC and as a result be subject to PRC taxation. See "Item 4. Information on the Company — B. Business Overview — Regulation — Tax Regulations." Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by these investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties. It is unclear if we or any of our subsidiaries established outside China are considered a PRC resident enterprise, whether holders of our ADSs or ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas and claim foreign tax credit if applicable. If dividends payable to our non-PRC investors, or gains from the transfer of our ADSs or ordinary shares by these investors are subject to PRC tax, the value of your investment in our ADSs or ordinary shares may decline significantly.

***Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.***

Chinese companies operating in the high-technology and software industry that meet relevant requirements may qualify for three main types of preferential treatment, which are high and new technology enterprises, software enterprises and key software enterprises within the scope of the PRC national plan. For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year tax exemption beginning from the first profit-making calendar year and a 50% tax reduction for the subsequent three calendar years. The software enterprise qualification is subject to an annual assessment. For a qualified key software enterprise within the scope of the PRC national plan, the applicable enterprise tax rate for a calendar year is 10%. The key software enterprise qualification is subject to an annual assessment.

A number of our China operating entities enjoy these preferential tax treatments. The discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Taxation — PRC Income Tax."

***We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company.***

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which has been further amended by the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, or Bulletin 37, issued by the State Administration of Taxation on October 17, 2017 and amended on June 15, 2018. Pursuant to these bulletins, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from this indirect transfer may be subject to PRC enterprise income tax. See also "Item 4. Information on the Company — B. Business Overview — Regulation — Tax Regulations — PRC Enterprise Income Tax."

There are uncertainties as to the application of Bulletin 7 and Bulletin 37. Bulletin 7 may be determined by the tax authorities to be applicable to some of our offshore restructuring transactions or sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and the transferees may be subject to withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal

of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

***Restrictions on currency exchange or outbound capital flows may limit our ability to utilize our PRC revenue effectively.***

Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but requires approval from or registration with appropriate government authorities or designated banks under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or variable interest entities. Currently, our PRC subsidiaries, that are foreign invested enterprises, may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions.

Since 2016, PRC governmental authorities have imposed more stringent restrictions on outbound capital flows, including heightened scrutiny over "irrational" overseas investments for certain industries, as well as over four kinds of "abnormal" offshore investments, which are:

- investments through enterprises established for only a few months without substantive operation;
- investments with amounts far exceeding the registered capital of onshore parent and not supported by its business performance shown on financial statements;
- investments in targets that are unrelated to onshore parent's main business; and
- investments with abnormal sources of Renminbi funding suspected to be involved in illegal transfer of assets or illegal operation of underground banking.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which tightened the authenticity and compliance verification of cross-border transactions and cross-border capital flow. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Foreign Exchange and Dividend Distribution — Foreign Exchange Regulation." In addition, the Outbound Investment Sensitive Industry Catalogue (2018) lists certain sensitive industries that are subject to NDRC pre-approval requirements prior to remitting investment funds offshore, which subjects us to increased approval requirements and restrictions with respect to our overseas investment activity. Since a significant amount of our PRC revenue is denominated in Renminbi, any existing and future restrictions on currency exchange or outbound capital flows may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC, make investments, service any debt we may incur outside of China or pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

***Fluctuations in exchange rates could result in foreign currency exchange losses to us.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. In August 2015, the People's Bank of China, or PBOC, changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency

rates. In 2017, the value of the Renminbi appreciated by approximately 6.3% against the U.S. dollar; and in 2018, the Renminbi depreciated by approximately 5.7% against the U.S. dollar. From the end of 2018 through the end of April 2019, the value of the Renminbi appreciated by approximately 2.0% against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy, including any interest rate increases by the Federal Reserve, may impact the exchange rate between the Renminbi and the U.S. dollar in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, including from the U.S. government, which has threatened to label China as a "currency manipulator," which could result in greater fluctuation of the Renminbi against the U.S. dollar.

A substantial percentage of our revenues and costs are denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi while the majority of our debt is denominated in dollars. We are a holding company and we rely on dividends, loans and other distributions on equity paid by our operating subsidiaries in China. Any significant fluctuations in the value of the Renminbi may materially and adversely affect our liquidity and cash flows. If we decide to convert our Renminbi into U.S. dollars for the purpose of repaying principal or interest expense on our outstanding U.S. dollar-denominated debt, making payments for dividends on our ordinary shares or ADSs or other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount we would receive. Conversely, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. From time to time we enter into hedging activities with regard to exchange rate risk. There can be no assurance that our hedging activities will successfully mitigate these risks adequately or at all, and in addition hedging activities may result in greater volatility in our financial results.

***The audit report included in this annual report is prepared by auditors who are not inspected fully by the Public Company Accounting Oversight Board and, accordingly, our shareholders are deprived of the benefits of this inspection.***

As an auditor of companies that are publicly traded in the United States and a firm registered with the Public Company Accounting Oversight Board, or PCAOB, PricewaterhouseCoopers is required under the laws of the United States to undergo regular inspections by the PCAOB. However, because we have substantial operations within the People's Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese government authorities, our auditor and its audit work are not currently inspected fully by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has concerned U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other auditors conducted by the PCAOB outside of China have at times identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

***Restrictions on the direct production of audit work papers to foreign regulators could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.***

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the "big four" accounting firms, including the affiliate of our auditor, and also against Dahua, the former BDO affiliate in China. The Rule 102(e) proceedings initiated by the SEC related to the failure of these firms to produce documents, including audit work

papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act of 2002, as the auditors located in China are not in a position lawfully to produce documents directly to the SEC because of restrictions under PRC law and specific directives issued by the CSRC. The issues raised by the proceedings are not specific to the Chinese affiliate of our auditor or to us, but potentially affect equally all PCAOB-registered audit firms based in China and all businesses based in China (or with substantial operations in China) with securities listed in the United States. In addition, auditors based outside of China are subject to similar restrictions under PRC law and CSRC directives in respect of audit work that is carried out in China that supports the audit opinions issued on financial statements of entities with substantial China operations.

In February 2015, each of the "big four" accounting firms in China agreed to a censure and to pay a fine to the SEC to settle the dispute with the SEC. The settlement stayed the current proceeding for four years, during which time the firms were required to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If a firm were not to follow the procedures, the SEC would impose penalties such as suspensions, or commence a new, expedited administrative proceeding against the non-compliant firm or it could restart the administrative proceeding against all four firms. In addition, the limitations imposed by the PRC on the production of workpapers reflecting audit work performed in the PRC could likewise result in the imposition of penalties on our independent registered public accounting firm by the PCAOB or the SEC, such as suspensions of our audit firm's ability to practice before the SEC. Under the terms of the settlement, the underlying proceeding against the "big four" accounting firms in China was deemed dismissed with prejudice four years after entry of the settlement. The fourth anniversary of the settlement was on February 6, 2019. We cannot predict if the SEC will further challenge the four firms as to their compliance with U.S. law in connection with U.S. regulatory requests for audit work papers, or if the results of the challenge would result in the SEC imposing penalties, such as suspensions. If any additional remedial measures are imposed on the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, we could be unable to timely file future financial statements in compliance with the requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

If our independent registered public accounting firm, or the affiliate of our independent registered public accounting firm, were denied, even temporarily, the ability to practice before the SEC, we would need to consider alternate support arrangements for the audit of our operations in China. If our auditor, or an affiliate of that firm, were unable to address issues related to the production of documents, and we were unable to timely find another independent registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act. A determination of this type could ultimately lead to delisting of our ADSs from the New York Stock Exchange or deregistration from the SEC, or both. This would materially and adversely affect the market price of our ADSs and substantially reduce or effectively terminate the trading of our ADSs in the United States.

#### **Risks Related to Our ADSs**

***The trading price of our ADSs has been and is likely to continue to be volatile, which could result in substantial losses to holders of our ADSs.***

The trading price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. For example, the high and low sale prices of our ADSs in fiscal year 2019 were US\$211.70 and US\$129.77, respectively. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes for our ADSs. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of these PRC companies' securities at the time of or after their offerings may affect the overall investor sentiment towards other PRC companies listed in the United States

and consequently may impact the trading performance of our ADSs. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for specific business reasons, including:

- variations in our results of operations or earnings that are not in line with market or research analyst expectations or changes in financial estimates by securities research analysts;
- publication of operating or industry metrics by third parties, including government statistical agencies, that differ from expectations of industry or financial analysts;
- announcements made by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- press and other reports, whether or not true, about our business, including negative reports published by short sellers, regardless of their veracity or materiality to our company;
- litigation and regulatory allegations or proceedings that involve us;
- changes in pricing we or our competitors adopt;
- additions to or departures of our management;
- actual or perceived general industry, regulatory, economic and business conditions and trends in China and globally, due to various reasons, including changes in geopolitical landscape, as some investors or analysts may invest in or value our ADSs based on the economic performance of the Chinese economy, which may not be correlated to our financial performance;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;
- sales or perceived potential sales or other dispositions of existing or additional ordinary shares or ADSs or other equity or equity-linked securities; and
- the creation by our major shareholders of vehicles that hold our ordinary shares.

Any of these factors may result in large and sudden changes in the volume and trading price of our ADSs. In addition, the stock market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies and industries. These fluctuations may include a so-called "bubble market" in which investors temporarily raise the price of the stocks of companies in certain industries, such as the e-commerce industry, to unsustainable levels. These market fluctuations may significantly affect the trading price of our ADSs. In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted securities class action litigation against that company. We were named as a defendant in certain purported shareholder class action lawsuits described in "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings." The litigation process may utilize a material portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. If adversely determined, the class action suits may have a material adverse effect on our financial condition and results of operations.

***Substantial future sales or perceived potential sales of our ADSs, ordinary shares or other equity or equity-linked securities in the public market could cause the price of our ADSs to decline significantly.***

Sales of our ADSs, ordinary shares or other equity or equity-linked securities in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. As of March 31, 2019, we had 2,587,059,572 ordinary shares outstanding, and 1,713,232,408 of our ordinary shares were represented by ADSs. All of our ordinary shares represented by ADSs were freely transferable by persons other than our affiliates without restriction or additional registration under the Securities Act of 1933, or the Securities Act. The ordinary shares held by our affiliates and other shareholders are also available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act, under sales plans adopted pursuant to Rule 10b5-1 or otherwise.

On May 15, 2019, Altaba, one of our principal shareholders, announced that it intends to commence sales of our shares on May 20, 2019. Altaba stated that it intends to sell no more than 50% of the Company's shares it holds prior to receiving stockholder approval of its previously announced plan to liquidate and dissolve the Altaba entity pursuant to voluntary liquidation and dissolution. Altaba's stockholder meeting to vote on the plan is scheduled to be held on June 27, 2019. In addition, Altaba expects to file its certificate of dissolution during the third or fourth quarter of 2019, although this filing may be delayed by Altaba's board in its sole discretion. Altaba stated that it intends to sell all of its shares in us if the plan is approved at the stockholder meeting, although Altaba has stated that the timing and method of sales, and other related transaction considerations will be determined at its discretion, and the plan is subject to change based on prevailing market conditions and other factors. If Altaba, or any vehicles that have been created or may be created to hold our shares, among other assets, takes any further steps to divest itself of all or a portion of its holdings in our ordinary shares in the form of ADSs in the public market, including through its announced plan of liquidation and dissolution and through periodic small-scale sales, this could cause the price of our ADSs to decline significantly.

Certain major holders of our ordinary shares will have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

***As a foreign private issuer, we are permitted to and we will, rely on exemptions from certain New York Stock Exchange corporate governance standards applicable to domestic U.S. issuers. This may afford less protection to holders of our ordinary shares and the ADSs.***

We are exempted from certain corporate governance requirements of the New York Stock Exchange by virtue of being a foreign private issuer. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by domestic U.S. companies listed on the New York Stock Exchange. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. For instance, we are not required to:

- have a majority of the board be independent (although all of the members of the audit committee must be independent under the Exchange Act);
- have a compensation committee or a nominating or corporate governance committee consisting entirely of independent directors;
- have regularly scheduled executive sessions for non-management directors; or
- have executive sessions of solely independent directors each year.

We have relied on and intend to continue to rely on some of these exemptions. As a result, holders of our ADSs may not be provided with the benefits of certain corporate governance requirements of the New York Stock Exchange.

***As a foreign private issuer, we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to holders of our ADSs than they would enjoy if we were a domestic U.S. company.***

As a foreign private issuer, we are exempt from, among other things, the rules prescribing the furnishing and content of proxy statements under the Exchange Act and the rules relating to selective disclosure of material nonpublic information under Regulation FD. In addition, our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit and recovery provisions contained in Section 16 of the Exchange Act. We are also not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. companies with securities registered under the Exchange Act. As a result, holders of our ADSs may be afforded less protection than they would under the Exchange Act rules applicable to domestic U.S. companies.

***We may in the future conduct a public offering and listing of our shares in China, which may result in increased regulatory scrutiny and compliance costs as well as increased fluctuations in the prices of our ordinary shares and ADSs listed in overseas markets.***

We may conduct a public offering and/or listing of our shares on a stock exchange in China in the future. We have not set a specific timetable or decided on any specific form for an offering in China and may not ultimately conduct an offering and listing. The precise timing of the offering and/or listing of our shares in China would depend on a number of factors, including relevant regulatory developments and market conditions. If we complete a public offering or listing in China, we would become subject to the applicable laws, rules and regulations governing public companies listed in China, in addition to the various laws, rules and regulations that we are subject to in the United States as a reporting company. The listing and trading of our shares in multiple jurisdictions and multiple markets may lead to increased compliance costs for us, and we may face the risk of significant intervention by regulatory authorities in these jurisdictions and markets.

In addition, under current PRC laws, rules and regulations, our ordinary shares will not be interchangeable or fungible with any shares we may decide to list on a PRC stock exchange, and there is no trading or settlement between these markets in the United States and mainland China. Furthermore, these two markets have different trading characteristics and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading prices of our ADSs, accounting for the share-to-ADS ratio, may not be the same as the trading prices of any shares we may decide to list on a PRC stock exchange. The issuance of a separate class of shares and fluctuations in its trading price may also lead to increased volatility in, and may otherwise materially decrease, the prices of our ordinary shares and ADSs.

***Our shareholders may face difficulties in protecting their interests, and their ability to protect their rights through the federal courts may be limited because we are incorporated under Cayman Islands law, we conduct substantially all of our operations in China and most of our directors and substantially all of our executive officers reside outside the United States.***

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our wholly-owned entities and variable interest entities. Most of our directors and substantially all of our executive officers reside outside the United States and a substantial portion of their assets are located outside of the United States. As a result, it may be difficult or impossible for our shareholders (including holders of ADSs) to bring an action against us or against these individuals in the Cayman Islands or in China in the event that they believe that their rights have been infringed under the securities laws of the United States or otherwise. Even if shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and China may render them unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States or China, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2018 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary duties of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority in a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, shareholders in Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

In addition, our articles of association provide that in the event that any shareholder initiates or asserts any claim or counterclaim against us, or joins, offers substantial assistance to or has a direct financial interest in any claim or counterclaim against us, and does not obtain a judgment on the merits in which the initiating or asserting party prevails, then the shareholder will be obligated to reimburse us for all fees, costs and expenses (including, but not limited to, all reasonable attorneys' fees and other litigation expenses) that we may incur in connection with a claim or counterclaim. These fees, costs and expenses that may be shifted to a shareholder under this provision are potentially significant and this fee-shifting provision is not limited to specific types of actions, but is rather potentially applicable to the fullest extent permitted by law.

Our fee-shifting provision may dissuade or discourage our shareholders (and their attorneys) from initiating lawsuits or claims against us or may impact the fees, contingency or otherwise, required by attorneys to represent our shareholders. Fee-shifting provisions such as ours are relatively new and untested. There can be no assurance that we will or will not invoke our fee-shifting provision in any particular dispute, or that we will be successful in obtaining fees if we choose to invoke the provision.

As a result of the foregoing, our public shareholders may have more difficulty in protecting their interests through actions against us, our management, our directors or our major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

***The voting rights of holders of our ADSs are limited by the terms of the deposit agreement.***

Holders of our ADSs may exercise their voting rights with respect to the ordinary shares underlying their ADSs only in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from them in the manner set forth in the deposit agreement, the depository for our ADSs will endeavor to vote their underlying ordinary shares in accordance with these instructions. Under our articles of association, the minimum notice period required for convening a general meeting is ten days. When a general meeting is convened, holders of our ADSs may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their ordinary shares to allow them to cast their votes with respect to any specific matter at the meeting. In addition, the depository and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depository to extend voting rights to holders of our ADSs in a timely manner, but they may not receive the voting materials in time to ensure that they can instruct the depository to vote the ordinary shares underlying their ADSs. Furthermore, the depository and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any vote. As a result, holders of our ADSs may not be able to exercise their rights to vote and they may lack recourse if the ordinary shares underlying their ADSs are not voted as they requested.

***The depository for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying the ADSs if holders of these ADSs do not give voting instructions to the depository, except in limited circumstances, which could adversely affect the interests of holders of our ADSs.***

Under the deposit agreement for our ADSs, the depository will give us a discretionary proxy to vote the ordinary shares underlying the ADSs at shareholders' meetings if holders of these ADSs do not give voting instructions to the depository, unless:

- we have failed to timely provide the depository with our notice of meeting and related voting materials;
- we have instructed the depository that we do not wish a discretionary proxy to be given;
- we have informed the depository that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- voting at the meeting is made on a show of hands.

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The effect of this discretionary proxy is that, if holders of our ADSs fail to give voting instructions to the depository, they cannot prevent our ordinary shares underlying their ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence our management. Holders of our ordinary shares are not subject to this discretionary proxy.

### ***Holders of our ADSs may be subject to limitations on transfer of their ADSs.***

ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

### ***Holders of our ADSs may not receive distributions on our ordinary shares or any value for them if it is illegal or impractical to make them available to them.***

The depository of our ADSs has agreed to pay holders of our ADSs the cash dividends or other distributions it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. Holders of our ADSs will receive these distributions in proportion to the number of our ordinary shares that their ADSs represent. However, the depository is not responsible for making these payments or distributions if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depository is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for the distribution cannot be obtained after reasonable efforts made by the depository. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that holders of our ADSs may not receive the distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available. These restrictions may materially reduce the value of the ADSs.

### ***There could be adverse United States federal income tax consequences to United States investors if we were or were to become a passive foreign investment company.***

While we do not believe we are or will become a passive foreign investment company, or PFIC, there can be no assurance that we were not a PFIC in the past and will not become a PFIC in the future. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes if either: (i) 75% or more of our gross income in a taxable year is passive income, or (ii) the average percentage of our assets by value in a taxable year that produce or are held for the production of passive income (which includes cash) is at least 50%. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See "Item 10. Additional Information — E. Taxation — Material United States Federal Income Tax Considerations — Passive Foreign Investment Company."

Although we do not believe we were or will become a PFIC, it is not entirely clear how the contractual arrangements between us and our variable interest entities will be treated for purposes of the PFIC rules. If it were determined that we do not own the stock of our variable interest entities for United States federal income tax purposes (for example, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC. See "Item 10. Additional Information — E. Taxation — Material United States Federal Income Tax Considerations — Passive Foreign Investment Company."

If we were or were to become a PFIC, adverse United States federal income tax consequences to our shareholders that are United States investors could result. For example, if we are a PFIC, our United States investors will

become subject to increased tax liabilities under United States federal income tax laws and regulations and will become subject to burdensome reporting requirements. There can be no assurance that we were not or will not become a PFIC for any taxable year. You are urged to consult your own tax advisors concerning United States federal income tax consequence on the application of the PFIC rules. See "Item 10. Additional Information — E. Taxation — Material United States Federal Income Tax Considerations — Passive Foreign Investment Company."

#### **ITEM 4 INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

Alibaba Group Holding Limited is a Cayman Islands holding company established under the Companies Law of the Cayman Islands (as amended) on June 28, 1999, and we conduct our business in China through our subsidiaries and variable interest entities. Our ADSs are listed on the NYSE under the symbol "BABA."

Our significant subsidiaries, as that term is defined under Section 1-02 of Regulation S-X under the Securities Act, include the following entities:

- Taobao Holding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, which is our wholly-owned subsidiary and the indirect holding company of the PRC subsidiaries relating to Taobao Marketplace and Tmall.
- Taobao China Holding Limited, a limited liability company incorporated under the laws of Hong Kong, which is the direct wholly-owned subsidiary of Taobao Holding Limited and the direct holding company of certain PRC subsidiaries relating to Taobao Marketplace and Tmall.
- Taobao (China) Software Co., Ltd., a limited liability company incorporated under the laws of the PRC, which is an indirect subsidiary of Taobao Holding Limited and one of our wholly-owned entities, and provides software and technology services for Taobao Marketplace.
- Zhejiang Tmall Technology Co., Ltd., a limited liability company incorporated under the laws of the PRC, which is an indirect subsidiary of Taobao Holding Limited and one of our wholly-owned entities, and provides software and technology services for Tmall.
- Alibaba Investment Limited, a company incorporated with limited liability under the laws of the British Virgin Islands, which is our wholly-owned subsidiary and the principal holding company for our strategic investments.

The principal executive offices of our main operations are located at 969 West Wen Yi Road, Yu Hang District, Hangzhou 311121, People's Republic of China. Our telephone number at this address is +86-571-8502-2088. Our registered office in the Cayman Islands is located at the offices of Trident Trust Company (Cayman) Limited, Fourth Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands. Our agent for service of process in the United States is Corporation Service Company located at 1180 Avenue of the Americas, Suite 210, New York, New York 10036. Our corporate website is [www.alibabagroup.com](http://www.alibabagroup.com).

We have a demonstrated track record of successful organic business creation. In addition to organic growth, we have made, or have entered into agreements to make strategic investments, acquisitions and alliances that are intended to further our strategic objectives. See "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Recent Investment, Acquisition and Strategic Alliance Activities" for more information.

##### **Share Repurchase Program**

In May 2017, we announced the adoption of a share repurchase program in an aggregate amount of up to US\$6.0 billion over a period of two years, or the 2017 Share Repurchase Program. We have repurchased approximately 10.9 million of our ADSs for a total of approximately US\$1.57 billion on the open market under a purchase plan adopted to implement the 2017 Share Repurchase Program. See "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers." The 2017 Share Repurchase Program expired as of the date of

this annual report. In May 2019, our board of directors authorized a new share repurchase program for an amount of up to US\$6.0 billion over a period of another two years.

## B. Business Overview

### Our Mission

Our mission is to make it easy to do business anywhere.

Our founders started our company to champion small businesses, in the belief that the Internet would level the playing field by enabling small enterprises to leverage innovation and technology to grow and compete more effectively in domestic and global economies. We believe that concentrating on customer needs and solving their problems — whether those customers are consumers, merchants or enterprises — ultimately will lead to the best outcome for our business. We have developed a large digital economy that enables participants to create and share value on our platforms. Our decisions are guided by how they serve our mission over the long term, not by the pursuit of short-term gains.

### Our Vision

We aim to build the future infrastructure of commerce. We envision that our customers will meet, work and live at Alibaba, and that we will be a company that lasts at least 102 years.

**Meet @ Alibaba.** We enable commercial and social interactions among hundreds of millions of users, between consumers and merchants, and among businesses every day.

**Work @ Alibaba.** We empower our customers with the fundamental infrastructure for commerce and new technology, so that they can build businesses and create value that can be shared among our digital economy participants.

**Live @ Alibaba.** We strive to expand our products and services to become central to the everyday lives of our customers.

As we continue to expand our businesses from commerce to cloud computing, digital media and entertainment, among other sectors, Alibaba has evolved into a digital economy that is unique, energetic and innovative. By the year 2036, we aim to have served 2 billion global consumers, empowered 10 million profitable businesses and created 100 million jobs.

**102 Years.** For a company that was founded in 1999, lasting at least 102 years means we will have spanned three centuries, an achievement that few companies can claim. Our culture, business models and systems are built to last, so that we can achieve sustainability in the long run.

### Our Values

Our values are fundamental to the way we operate and how we recruit, evaluate and compensate our people.

Our six values are:

- **Customer First** — The interests of our community of consumers, merchants and enterprises must be our first priority.
- **Teamwork** — We believe teamwork enables ordinary people to achieve extraordinary things.
- **Embrace Change** — In this fast-changing world, we must be flexible, innovative and ready to adapt to new business conditions in order to maintain sustainability and vitality in our business.
- **Integrity** — We expect our people to uphold the highest standards of honesty and to deliver on their commitments.

- **Passion** — We expect our people to approach everything with fire in their belly and never give up on doing what they believe is right.
- **Commitment** — Employees who demonstrate perseverance and excellence are richly rewarded. Nothing should be taken for granted as we encourage our people to "work happily and live seriously."

## Company Overview

To fulfill our mission "to make it easy to do business anywhere," we enable businesses to transform the way they market, sell and operate and improve their efficiencies. We provide the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way.

Our businesses are comprised of core commerce, cloud computing, digital media and entertainment, and innovation initiatives. In addition, Ant Financial, an unconsolidated related party, provides payment and financial services to consumers and merchants on our platforms. A digital economy has developed around our platforms and businesses that consists of consumers, merchants, brands, retailers, third-party service providers, strategic alliance partners and other businesses.

## Core Commerce

### Retail Commerce

#### *Retail commerce in China*

We are the largest retail commerce business in the world in terms of GMV in the twelve months ended March 31, 2019, according to Analysys. We operate Taobao Marketplace, China's largest mobile commerce destination with a large and growing social community, and Tmall, the world's largest third-party online and mobile commerce platform for brands and retailers, in each case in terms of GMV in the twelve months ended March 31, 2019, according to Analysys. In fiscal year 2019, we generated approximately 66% of our revenue from our retail commerce business in China.

We have introduced New Retail initiatives to reengineer the fundamentals of retail operations and transform the retail landscape. New Retail represents the convergence of online and offline retail by leveraging digitalized operating systems, in-store technology, supply chain systems, consumer insights and mobile ecosystem to provide a seamless shopping experience for consumers. For example, we operate Freshippo, known as "Hema" in Chinese, our proprietary grocery retail chain. Freshippo exemplifies the creation of a new shopping experience through the convergence of online and offline activities by using retail stores to warehouse and fulfill online orders in addition to offering a rich and fun experience for customers who shop in-store.

#### *Retail commerce — cross-border and global*

We operate Lazada's leading e-commerce platform across Southeast Asia with local language mobile apps and websites in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. AliExpress, one of our global retail marketplaces, enables consumers from around the world to buy directly from manufacturers and distributors in China and around the world. Tmall Global allows overseas brands and retailers to reach Chinese consumers, and is the largest import e-commerce platform in China based on GMV in the twelve months ended March 31, 2019, according to Analysys. Additionally, Tmall World, a Chinese-language e-commerce platform, allows overseas Chinese consumers to shop directly from Chinese domestic brands and retailers. In fiscal year 2019, we also acquired Trendyol in Turkey, and Daraz, which primarily operates in Pakistan and Bangladesh. Both Trendyol and Daraz operate leading e-commerce platforms in their respective markets.

## **Wholesale Commerce**

### *Wholesale commerce in China*

1688.com, China's leading integrated domestic wholesale marketplace in 2018 by revenue, according to Analysys, connects wholesale buyers and sellers in a wide range of categories. Lingshoutong (零售通), a digital sourcing platform for retailers, connects fast moving consumer goods, or FMCG, brand manufacturers and their distributors directly to local mom-and-pop stores in China.

### *Wholesale commerce — cross-border and global*

We operate Alibaba.com, China's largest integrated international online wholesale marketplace in 2018 by revenue, according to Analysys. As of March 31, 2019, buyers on Alibaba.com were located in over 190 countries.

## **Logistics Services**

We operate Cainiao Network's logistics data platform and global fulfillment network that primarily leverages the capacity and capabilities of logistics partners. It offers domestic and international one-stop-shop logistics services and supply chain management solutions, fulfilling various logistics needs of merchants and consumers at scale, serving our digital economy and beyond. We use Cainiao Network's data insights and technology to facilitate the digitalization of the entire warehousing, fulfillment and delivery process, thereby improving efficiency across the logistics value chain. For example, it provides real-time access to data for merchants to better manage their inventory and warehousing, for consumers to track their orders, and for express courier companies to optimize delivery routes.

## **Consumer Services**

We use mobile and online technology to enhance the efficiency, effectiveness and convenience of consumer services for both service providers and their customers. We utilize this technology in Ele.me, a leading on-demand delivery and local services platform, to enable consumers to order food and beverages through a mobile app anytime and anywhere. Koubei, a leading restaurant and local services guide platform for in-store consumption, provides targeted marketing tools for merchants and allow consumers to discover local services content. Fliggy, a leading online travel platform, provides comprehensive services for consumers' travel needs.

## **Cloud Computing**

Alibaba Cloud is the world's third largest, and Asia Pacific's largest, Infrastructure-as-a-Service, or IaaS, and Infrastructure Utility Services provider by revenue in 2018, according to Gartner's April 2019 report (Source: Gartner, Market Share: IT Services, 2018, Dean Blackmore et al., April 8, 2019) (Asia Pacific refers to Mature Asia/Pacific, Greater China, Emerging Asia/Pacific and Japan). Alibaba Cloud is also China's largest provider of public cloud services by revenue in 2018, including Platform-as-a-Service, or PaaS, and IaaS services, according to IDC (Source: IDC Semiannual Public Cloud Services Tracker, 2018). Alibaba Cloud offers a complete suite of cloud services, including elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, a machine learning platform, and IoT services, serving our digital economy and beyond.

## **Digital Media and Entertainment**

Digital media and entertainment is a natural extension of our strategy to capture consumption beyond our core commerce businesses. Insights we gain from our core commerce business and our proprietary data technology enable us to deliver relevant digital media and entertainment content to consumers. This synergy delivers a superior entertainment experience, increases customer loyalty and return on investment for enterprises, and improves monetization for content providers across the digital economy.

Youku, the third largest online video platform in China in terms of monthly active users in March 2019, according to QuestMobile, and UC Browser, one of the top mobile browsers in the world, according to Stat Counter (<http://gs/statcounter.com>), serve as our two key distribution platforms for digital media and entertainment content. In addition, to further implement our digital media and entertainment strategies, we increased our shareholding in Alibaba Pictures, an Internet-driven integrated platform that covers content production, promotion and distribution, intellectual property licensing and integrated management, cinema ticketing management and data services for the entertainment industry, to approximately 51% in fiscal year 2019. Youku, UC Browser, Alibaba Pictures and our other content platforms, such as news feeds, literature and music, allow users to discover and consume content as well as interact with each other.

### ***Innovation Initiatives***

We continue to innovate and develop new service offerings and products with the goals of meeting the needs and improving efficiency in the daily lives of our customers and creating synergies among our digital economy participants. Amap, the largest provider of mobile digital map, navigation and real-time traffic information in China by monthly active users in March 2019, according to QuestMobile, empowers our businesses and third-party mobile apps through its map data technology. Amap also provides a simple one-stop access point to end-users with services such as navigation, food delivery and taxi-hailing services. To enhance communication and efficiency of our business enterprise customers, DingTalk, the largest business efficiency app in China by monthly active users in March 2019, according to QuestMobile, enables communication in multiple formats, workflow management and network collaboration among team members and enterprises, all in a single interface. Through Tmall Genie, the No. 1 smart speaker in China by shipments in 2018, according to IDC (Source: IDC China Quarterly Smart Home Device Tracker, Fourth Quarter 2018), we have created a new and interactive interface for our customers to easily access services offered by our digital economy participants.

### ***Our Digital Economy***

A digital economy has developed around our platforms and businesses that consists of consumers, merchants, brands, retailers, third-party service providers, strategic alliance partners and other businesses. At the nexus of this digital economy are our technology platform, our marketplace rules and the role we play in connecting these participants to make it possible for them to discover, engage and transact with each other and manage their businesses anytime and anywhere. Much of our effort, time and energy is spent on initiatives that are for the greater good of the digital economy and on balancing the interests of its participants. We feel a strong responsibility for the continued development of the digital economy and we take ownership in this development. Accordingly, we refer to this as "our digital economy." Our digital economy has strong self-reinforcing network effects benefitting its various participants, who are in turn invested in our digital economy's growth and success.

The following chart sets forth the key businesses and services provided by us and Ant Financial, our major cooperation partner.



Infrastructural Elements of Alibaba Digital Economy

\* We do not consolidate Ant Financial in our financial statements.

## **Our Strategies**

We will continue to innovate in the areas of business models, products and services, and technology to create value for both consumers and businesses. We formulate and evolve strategies that aim to best serve consumers' and businesses' interests.

### ***User Growth and Engagement***

We look at our businesses and service and product offerings through the lens of our users. To cater to each user's personal needs, we aim to expand and make available a broad range of products and services across our digital economy, including physical and virtual goods, local consumer services, travel, media and entertainment, healthcare and financial services, among others.

We intend to further address the consumption needs of users in less developed cities and rural areas, and to provide individuals at different income levels with access to quality merchandise and services suitable to their consumption capabilities.

We also intend to make our offerings available to more users outside of China as we implement our globalization initiatives. Starting with Southeast Asia, we aim to serve users around the world with localized operations, as well as cross-border commerce with access to Chinese manufacturers and consumers.

### ***Empower Businesses to Facilitate Digital Transformation and Improve Operational Efficiency***

Our diverse commerce platforms and extensive consumer insights, combined with our cloud computing technologies, New Retail supply-chain management and sales and marketing systems form a critical foundation that facilitate digital transformation for businesses. We refer to this foundation as the Alibaba Business Operation System ("ABOS").

ABOS allows us to enable the participants in our digital economy with our proprietary capabilities and know-how. To date, we have already enabled the transformation of the business operations, technology infrastructure and organizational systems of many of our enterprise customers. The enterprises that have leveraged our ABOS have already benefited from integrated online and offline operations, effective customer engagement, acquisition and retention, speedy delivery, innovative utilization of retail space, enhanced operating efficiencies and new business models.

ABOS currently serves a wide variety of businesses in our digital economy. We intend to make ABOS available to a broader range of enterprise customers in the future.

### ***Continue to Innovate***

We will continue to be an innovator in products and technology as well as an enabler of new business models. Traditionally unstructured, undiscovered and underutilized data can now be captured, activated and leveraged as a new source of intelligence that supports business growth and decisions, driving improved operating efficiency and targeted offerings to meet consumer needs.

With cloud computing as an easily accessible and scalable service, and data as a value-enhancing resource, we believe that new technology will play a fundamental role in social and commercial interactions. With a strong commitment to data security and privacy, we will continue to apply machine learning technology to all aspects of our business and invest in our cloud computing platform to support our own and our customers' businesses.

## **Our Businesses**

### ***Core Commerce***

Our core commerce business is comprised of the following businesses:

- Retail commerce in China;

- Retail commerce — cross-border and global;
- Wholesale commerce in China;
- Wholesale commerce — cross-border and global;
- Logistics services; and
- Consumer services.

### ***Retail Commerce in China***

Our retail commerce business in China, empowered by our commerce technologies and services, is primarily comprised of Taobao Marketplace, Tmall, New Retail initiatives and Alibaba Health. Together, they have become an important part of the everyday lives of Chinese consumers, as evidenced by the 654 million annual active consumers we had on our China retail marketplaces in the twelve months ended March 31, 2019.

#### *Value Proposition to Consumers*

Our retail commerce businesses in China offer the following value propositions to consumers:

- *Broad selection.* We offer a comprehensive selection of products and services. Our China retail marketplaces had over two billion product and service listings as of March 31, 2019. Our consumer services and New Retail initiatives through Freshippo and Intime and cooperation with Sun Art further enhance the richness of our offerings.
- *Convenience.* As our technology and innovation gradually eliminate the boundaries between online and offline commerce, consumers increasingly enjoy a seamless shopping experience anytime, anywhere.
- *Engaging, personalized experience.* Our Taobao app and Tmall app provide consumers with a unique social commerce experience through highly relevant content, personalized shopping recommendations, live streaming, short-form videos, social media, buyer community Q&As, and other opportunities for social engagement.
- *Value for money.* Our marketplace business model ensures that merchants offer competitive prices to consumers.
- *Merchant quality.* Consumers can rate a merchant after completion of a transaction on Taobao Marketplace, Tmall and a number of our other platforms based on whether the product or service matches its description, the merchant's service level and delivery timeliness. Consumer feedback is factored into the search algorithm that determines the merchant's ranking on the search results pages of our China retail marketplaces and other platforms, including our consumer services platforms.
- *Authentic products.* Consumers can expect products purchased from our China retail marketplaces and a number of our other platforms to be protected by merchant quality ratings, clear refund and return policies and the Alipay escrow system. These protections are especially valuable in less developed areas where it has been difficult to distribute and purchase authentic branded products.

Our ability to offer and deliver value has driven increased consumer engagement over time. Generally, the longer consumers have been with us, the larger number of orders they tend to place, across a more diverse range of product categories, and the more they tend to spend on our China retail marketplaces. In addition, we believe our platforms appeal to a growing and increasingly-diversified consumer base, including those at different income levels. In fiscal year 2018, more than 100 million annual active consumers spent more than RMB10,000 on our China retail marketplaces and 98% of these consumers continued to be active in fiscal year 2019. Furthermore, consumers from less developed areas are important growth drivers of our user base, contributing to more than 70% of the increase in our annual active consumers on our China retail marketplaces in fiscal year 2019. While there has been an increasing number of active consumers from less developed areas, the overall average number of

orders and amount spent (excluding those related to insurance) per annual active consumer on China retail marketplaces remained relatively stable.

#### *Value Proposition to Merchants*

With data and technology, we are committed to enabling merchants, brands and retailers by delivering the following value propositions:

- *Customer acquisition, engagement and retention.* In March 2019, the various mobile apps that consumers use to access our China retail marketplaces had 721 million mobile MAUs. In addition, our China retail marketplaces had 654 million annual active consumers for the twelve months ended March 31, 2019, representing an unparalleled amount of purchasing power. Our consumer services and New Retail initiatives further allow us to engage a broader consumer base and drive user loyalty. Consumers come to our platforms with strong commercial intent, which drives high conversion rates and return on investment for merchants, brands, retailers and other service providers. The consumer behavior data from our platforms enable merchants, brands, retailers and other service providers to more effectively acquire, engage and retain customers, through campaign testing, targeted marketing and personalized user interface.
- *Brand identity.* Brands use their Tmall storefronts to showcase their own brands and build brand proposition and awareness. They leverage the multi-media capabilities of our platforms, such as social media, videos and dynamic graphics, to tell their unique brand stories. Brands are increasingly recognizing us as the top marketing platform, where they can optimize the life-time value of their customers, both online and offline.
- *Efficient operations.* Merchants, brands and retailers use our commerce technologies and services to improve their sales channels, marketing, supply chain management and logistics, as well as our cloud computing services to lower their technology costs.
- *New consumer experience.* We offer mobile and enterprise technology to enable merchants, brands and retailers to offer consumers a seamless online and in-store shopping experience. These solutions integrate online and offline inventory, membership and services that enable merchants, brands and retailers to fulfill online orders with store-based inventories (through store pick-up or delivery from the nearest stores) and allow consumers to purchase a wide variety of products not in stock in stores.
- *Consumer insights.* Consumers come to our platforms to browse for ideas, look for new trends, receive merchant and product updates, compare products, share shopping experiences and to be entertained. Consumer actions on our platforms, such as searching, browsing, reading news feeds, bookmarking and adding products to shopping carts, generate valuable data about user intentions. We focus heavily on protecting the privacy and security of consumer-derived data. The consumer insights provided by these actions are unique to our platforms and are not easy for merchants to obtain anywhere else.

#### *Taobao Marketplace*

Taobao means "search for treasure" in Chinese. Through the Taobao app and the website at [www.taobao.com](http://www.taobao.com), we have positioned Taobao Marketplace as the starting point and destination portal for the shopping journey. Consumers from both large cities and less developed areas come to Taobao Marketplace to enjoy an engaging, personalized shopping experience, optimized by our big data analytics. Through highly relevant and engaging content and real-time updates from merchants, consumers can learn about products and new trends. They can also interact with each other and their favorite merchants and key opinion leaders. Taobao Marketplace has a broad offering of interactive features such as live broadcast and short-form videos. Taobao Marketplace is China's largest mobile commerce destination, with a large and growing social community, in terms of GMV for the twelve months ended March 31, 2019, according to Analysys.

Taobao Marketplace provides a top-level traffic funnel that directs users to the various marketplaces, channels and features within our digital economy. For example, a search result on Taobao Marketplace displays listings not only from Taobao Marketplace merchants but also from Tmall merchants and brands, thereby generating traffic for Tmall.

Below is a visual presentation of various features of the Taobao app:

**Taobao App — Homepage**

*Taobao app offers a unique social commerce experience through highly relevant content, personalized shopping recommendations and opportunities for social engagements*

The screenshot shows the Taobao app homepage with several key features highlighted by annotations:

- Search by saying or typing keywords, uploading photos, scanning QR codes or barcodes:** Located at the top of the app, featuring a search bar with the text "三叶草、椰子壳".
- Browse different product categories:** A horizontal menu below the search bar with categories like "女装" (Women's Clothing), "食品" (Food), "母婴" (Mother and Baby), "百货" (General Goods), "生鲜" (Fresh Produce), and "分类" (Categories).
- Personalized promotion and display marketing:** A large promotional banner below the search bar with the text "穿衣如何浪起来!".
- Tap to access different marketplaces and services, e.g. second-hand market, fresh food, movie tickets, etc.:** A grid of service icons including "天猫新品" (Tmall New Products), "今日爆款" (Today's Hot Items), "天猫国际" (Tmall International), "香港集运" (Hong Kong Consolidation), "天猫超市" (Tmall Supermarket), "分类" (Categories), "美食生鲜" (Food and Fresh Produce), "阿里健康" (Alibaba Health), "口碑美食" (Koubei Food), "充值中心" (Recharge Center), "飞猪旅行" (Fliggy Travel), "领淘金币" (Get Taobao Gold Coins), "拍卖" (Auction), "淘宝吃货" (Taobao Foodies), "闲鱼" (Xianyu), "88VIP" (88VIP), and "淘票票" (Taobao Tickets).
- Rich discovery experience, e.g. group buy, flash sales, curated storefront list, shopping news:** A section with multiple promotional tiles:
  - 聚划算** (Group Buy): "淘抢购" (Flash Sale) and "品牌特卖" (Brand Special Sale).
  - 有好货** (Good Find): "HOT好货大赏" (HOT Good Goods Award).
  - 淘抢购** (Flash Sale): "天天特卖" (Daily Special Sale) with "限时半价 9.9包邮" (Limited-time 50% off, 9.9 free shipping).
  - 淘宝直播** (Taobao Live): "92310场直播" (92,310 live streams).
  - 每日好店** (Daily Good Store): "发现30家好店" (Discover 30 great stores).
  - 哇哦视频** (Wow Moment): "48个精选视频" (48 selected videos).
- Recommendation feeds of product listings, multimedia contents, platform campaigns:** A section with product listings:
  - 全部 精收喜欢** (All, Favorites): "钩针diy材料包毛线编织玩偶娃娃钩针编织diy手工精" (Crochet DIY material pack, woolen knitting toy doll, crochet knitting DIY handicraft).
  - 直播 网红推荐** (Live, Influencer Recommendation): "东町衬衫式雪纺开衫短袖 2019夏季新款女超仙学生" (Dongting shirt-style chiffon cardigan short-sleeved, 2019 summer new women's super fairy student).

The bottom navigation bar includes icons for "淘" (Taobao), "消息" (Messages), "购物车" (Shopping Cart), and "我的淘宝" (My Taobao).

### Taobao App — Personalized Shopping Experience

Consumers see targeted content based on relevancy

#### User 1: Woman with an Active Lifestyle

**Homepage**      **Search results**      **Shopping recommendations**

Personalized promotion and homepage showing sportswear

The screenshot shows the Taobao app interface for a user with an active lifestyle. The homepage features a search bar at the top, followed by a large banner for '运动穿搭风潮' (Sports Fashion Trend). Below this are several circular icons representing different categories like '男装' (Men's), '女装' (Women's), and '童装' (Children's). A section titled '划算' (Great Deal) shows various sportswear items. The search results for 'sports wear' show a grid of products, including a black and white tracksuit and a pink and black tracksuit. The shopping recommendations section shows a grid of products, including a blue and white tracksuit, a black and white tracksuit, and a black and white tracksuit.

#### User 2: Married Woman with Kids

**Homepage**      **Search results**      **Shopping recommendations**

Personalized promotion and homepage showing children's clothes

The screenshot shows the Taobao app interface for a user with kids. The homepage features a search bar at the top, followed by a large banner for '全球低至20元' (Global Low to 20 Yuan). Below this are several circular icons representing different categories like '男装' (Men's), '女装' (Women's), and '童装' (Children's). A section titled '划算' (Great Deal) shows various children's clothing items. The search results for 'sports wear' show a grid of products, including a red and white tracksuit and a red and white tracksuit. The shopping recommendations section shows a grid of products, including a red and white tracksuit, a red and white tracksuit, and a red and white tracksuit.

## Taobao App — Rich and Engaging Content for Consumers

Consumers come to Taobao app to discover new trends and browse for ideas

**Good Find – Curated Product Recommendations**

The image shows a screenshot of the Taobao app's 'Good Find' section. On the left, a vertical list of product recommendations is shown. Each item includes a small image, a title, a short description, and a 'Like' count. The items are: '手作复古链条包' (Handmade vintage chain bag), '羊外婆的小女孩狐狸斗篷' (Woolen girl's fox cape), 'Zattu 单肩手提包' (Zattu single-shoulder handbag), and '一又几木V领连衣裙' (Yajiumu V-neck dress). On the right, a larger, detailed view of the '手作复古链条包' is shown. This view includes the product image, the seller's profile '小播兔儿', a 'Follow blogger' button, a detailed description of the bag's features, and a '更多相似宝贝' (More similar items) section with two smaller product images. At the bottom of the detailed view, there are icons for 'Like', 'Comment', and 'Save', and a blue 'Add to shopping cart' button with the price '¥1475'.

Scroll for different themes, e.g. fashion, home and living, baby and maternity

Curated section showing product listings and content recommendations with great customer reviews, high merchant ratings and high conversion rates, among other quality metrics

Visual, media-like content

Follow blogger

Similar product listings enabled by knowledge graph technology

Tap to like, comment and save

Add to shopping cart

## Taobao App — Enabling Merchants to Engage with Consumers

Taobao app offers features like live streaming, short-form videos and social media which allow merchants to engage with consumers beyond their storefronts

**Taobao Live – 24-hour Live Streaming**

The diagram illustrates the Taobao Live interface. On the left, a grid of livestream thumbnails is categorized by hosts, products, and variety shows. The central panel shows a live stream where the host interacts with viewers through real-time comments and questions. Viewers can collect loyalty points by interacting with the host and purchasing products. On the right, a list of product listings related to the live stream is shown, with an 'Add to shopping cart' button for each item.

**Livestreams categorized by hosts, products and variety shows**

**Livestream hosts interact with viewers**

**Viewers collect loyalty points through interaction with hosts and product purchases**

**Real-time comments and questions by viewers**

**Like, share, leave comment**

**Access product listings related to the livestream**

**Add to shopping cart**

**Wow Moment – Short-form Video**

The diagram illustrates the Wow Moment interface. On the left, a 'Wow Moment' channel page displays a grid of short-form video thumbnails, which can be scrolled through to find different themes like 'pick of the day', beauty tutorials, or offline store discovery. On the right, a pre-recorded short-form video is shown, featuring a host who can be followed. The video includes related product listings that can be added to the shopping cart. At the bottom, there are options to like, comment, and share the video.

**Scroll for different themes, e.g. pick of the day, beauty tutorial, offline store discovery**

**"Wow Moment" channel page**

**Follow content creator**

**Access related product listing and add to shopping cart**

**Pre-recorded short-form videos**

**Like, comment and share**

Taobao App — Enabling Massive Consumer Base to Interact with One Another

Interest-based interactive platform for consumers to share shopping experiences, interact with one another and answer each other's questions

**Your Advice Please – Buyer Community Q&A**

**Access "Your Advice Please" from the product detail page**

**Join discussions to give advice and interact with other users**

Taobao Marketplace is also the entry point to various specific product and service categories beyond general merchandise, such as second-hand auctions, and online travel booking, which may also be accessed through their respective independent mobile apps.

Merchants on Taobao Marketplace are primarily individuals and small businesses. Merchants can create storefronts and listings on Taobao Marketplace free of charge. The escrow payment services provided by Alipay are free of charge to consumers and merchants unless payment is funded through a credit product such as a credit card, in which case Alipay charges a fee to the merchant based on the related bank fees charged to Alipay. Taobao Marketplace merchants can purchase pay-for-performance, or P4P, and display marketing services to direct traffic to their storefronts. In addition, merchants can acquire additional traffic from third-party marketing affiliates. Taobao Marketplace merchants can also pay for advanced storefront software that helps to upgrade, decorate and manage their online storefronts.

### *Tmall*

Tmall caters to consumers' ever-growing demand for high-quality products and premium shopping experience. A large number of international and Chinese brands and retailers have established storefronts on Tmall. We have positioned Tmall as a trusted platform for consumers in China and overseas to buy both homegrown and international-branded products as well as products not available in traditional retail outlets. As the brands and offerings on Tmall continue to grow and diversify, we have been able to more accurately target and meet different consumer demands. In the twelve months ended March 31, 2019, Tmall was the largest third-party online and mobile commerce platform for brands and retailers in the world in terms of GMV, according to Analysys, and continues to grow quickly.

In 2009, Tmall pioneered the 11.11 global shopping festival. 11.11 has become the most important shopping event in China and we believe it generated the highest one-day retail sales volume in the world in 2018. On November 11, 2018, our China retail marketplaces and AliExpress generated GMV of RMB213.5 billion (US\$30.8 billion) settled within a 24-hour period, reflecting the strength of our infrastructure and the scale of our entire digital economy in China and around the world.

Tmall is the partner of choice for brands. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. As of March 31, 2019, there were over 190,000 brands and merchants on Tmall, including 77% of the consumer brands ranked in the Forbes Top 100 World's Most Valuable Brands for 2019. Because of the presence of a large number of global brands and the stringent standards required for merchants, brands and retailers to join and operate on Tmall, a presence on Tmall has become a validation of quality, allowing merchants, brands and retailers to take advantage of our significant traffic to extend and build brand awareness and customer engagement. Major international brands that have physical operations in China are well represented on Tmall.

Brands and retailers turn to Tmall not only for its broad user base, but also for its data insights and technology. Tmall has driven the digitalization and transformation of brands and retailers by enabling them to digitalize their operations, engage, acquire and retain consumers, increase brand recognition, innovate product offerings, manage supply chains and enhance operational efficiency. Tmall also offers a variety of one-stop brand marketing and promotional products to help brands and retailers quickly acquire new users and enhance brand awareness.

We also seek to build our mind-share among consumers to position Tmall as the premier shopping destination for everyday items, highlighting value and convenience. Consumer electronics, apparel and FMCG are among Tmall's most popular product categories, which are growing quickly. We have also strengthened consumer recognition of Tmall's value proposition in consumer electronics and home appliances through promotional events and strategic partnerships.

Like merchants on Taobao Marketplace, brands and merchants on Tmall have access to P4P, display marketing services and storefront software, which they can use to fully engineer, customize, and even code the software behind, their storefronts.

*New Retail Initiatives*

We have introduced New Retail initiatives to innovate models for retail businesses and reengineer and transform the fundamentals of traditional retail operations. New Retail represents the convergence of online and offline retail by leveraging digitalized operating systems, in-store technology, supply chain systems, consumer insights and the mobile ecosystem to provide a seamless shopping experience for consumers. We believe the lack of real-time consumer insights is one of the key issues facing China's traditional retailers today. Through consumer insights and technology, our New Retail initiatives not only incubate new business models, but also focus on enabling traditional retailer partners to reinvigorate their businesses by digitalizing their operations and increasing their catchment area online and offline, thereby improving sales productivity. We are also empowering retailers with our new technology to significantly improve operating efficiency and allow them to react to consumer demands on a real-time basis.

- *Creating a New Shopping Experience through Innovative Supply Chain Management — Freshippo.* Freshippo, known as "Hema" in Chinese, our proprietary grocery retail chain, exemplifies the creation of a new shopping experience through the convergence of online and offline activities by using retail stores to warehouse and fulfill online orders in addition to offering a rich and fun experience for customers who shop in-store. Its proprietary fulfillment system enables 30-minute delivery to customers living within a three-kilometer radius of a Freshippo store. Freshippo offers a mobile app that allows consumers to search for products and place orders while browsing in store. To improve consumer experience, Freshippo uses transaction data to personalize recommendations and geographic data to help plan the most efficient delivery routes. Freshippo is also shortening the sourcing process and increasing supply chain transparency and visibility through data technology. As of March 31, 2019, there were 135 self-operated Freshippo stores, primarily located in tier-one and tier-two cities.
- *Transforming the Traditional Retail Model — Starbucks and Sun Art.* Through our New Retail strategy, we are at the forefront of transforming the retail industry by digitalizing all aspects of store-based operations. For example, in fiscal year 2019, Alibaba Group and Starbucks Coffee Company jointly announced a comprehensive strategic New Retail partnership to enhance the way customers enjoy their food and beverages. By the end of April 2019, we had enabled on-demand delivery of Starbucks offerings in more than 2,100 stores across 35 cities throughout China. We have also helped accelerate membership acquisition for its new Starbucks Reward program through the Alipay and Taobao apps. Furthermore, as of March 31, 2019, we have assisted Sun Art, the No. 1 hypermarket chain in China in 2018 by value of retail sales, according to Euromonitor International Ltd, with digitalizing approximately 470 stores. Our technology and know-how enable these stores to better manage their retail systems while allowing consumers to place orders through the Taobao app and secure delivery through our on-demand delivery platform, Ele.me. We invested in and formed a strategic alliance with Sun Art in November 2017.

We are also pursuing New Retail initiatives in product categories beyond daily consumption, such as electronics, home furnishings and FMCG, among others. Intime Department Store is a leading department store chain in China that intends to transform traditional retail models for fashion apparel and accessories. We and Suning are jointly testing and developing new ways for consumers to shop for and purchase consumer electronics. In the home furnishing sector, we have invested in Red Star Macalline Group Corporation Limited and Easyhome, each of which is a leading retail chain for home-improvement supplies and furniture in China.

*Alibaba Health*

Alibaba Health is our flagship vehicle for bringing innovative solutions to the pharmaceutical and healthcare industries. Alibaba Health primarily engages in the operation of pharmaceutical e-commerce and consumer healthcare platforms, self-operated sales of pharmaceutical and healthcare products, the provision of product tracking services, and the development of intelligent medicine and Internet healthcare solutions.

## ***Branding and Monetization Platforms***

### *Alimama*

Alimama is our monetization platform. Using data technology, this platform matches the marketing demands of merchants, brands and retailers with the media resources on our own platforms and third-party properties, and enables us to monetize our core commerce and digital media and entertainment businesses. The platform supports P4P marketing services based on keyword search rankings or display marketing in fixed positions that are bid on through auctions, as well as cost per thousand impression (CPM)-based, time-based marketing formats, or individual campaigns at fixed cost, through the display of photos, graphics and videos.

The ranking of P4P search results on our core commerce platforms is based upon proprietary algorithms that take into account the bid price of keywords, the popularity of an item or merchant, customer feedback ranking of merchants and quality of product displays. For display marketing, the Alimama platform delivers marketing messages based on data insights generated across our digital economy. The relevance and comprehensiveness of data based on commercial activity and user activity in our digital economy provide a unique advantage for Alimama to deliver the most relevant information to users.

Alimama also has an affiliate marketing program that places marketing displays on third-party apps and websites, thereby enabling marketers, if they so choose, to extend their marketing and promotional reach to properties and users beyond our own platforms. Our affiliate marketing program not only provides additional traffic to our core commerce platforms, but also generates revenue to us.

Alimama operates the Taobao Ad Network and Exchange, or TANX, one of the largest real-time online bidding marketing exchanges in China. TANX helps publishers to monetize their media inventories both on mobile apps and web properties. TANX automates the buying and selling of billions of marketing impressions on a daily basis. Participants on TANX include publishers, marketers and demand side platforms operated by agencies.

### *Marketing for Brands*

Drawing on our big data capabilities, we have developed a Uni Marketing approach that digitalizes consumer-brand relationships and empowers brands to build robust relationships with consumers throughout their lifecycles in our digital economy. We aim to help brands reach consumers by leveraging our marketplaces, Youku, UC Browser, strategic partners in our digital economy, as well as other major third-party Internet properties in China. We intend to become the key partner for brand building by creating an open, inclusive and transparent platform where brands and marketing agencies are able to design, execute, track and optimize their brand building activities using our data and tools.

### ***Commerce Technologies and Services***

We provide commerce technologies and services to enable merchants, brands and retailers on Taobao marketplace and Tmall to enhance their online and offline operational capabilities. With our commerce technologies, innovative services and data capabilities, merchants, brands and retailers can acquire, retain and further deepen their engagement with consumers in an efficient and effective manner, thereby enhancing merchants', brands' and retailers' loyalty to our platforms. These commerce technologies and services include the following key components:

#### *Core Operations Control Panel*

We provide an integrated online control panel that allows merchants, brands and retailers to conduct core operations through a unified interface. It offers essential business tools, such as an operations dashboard and direct messaging, access to business software marketplace and access to a wide range of offline services such as fashion modeling and photography, among others.

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Merchants on our China retail marketplaces use this control panel to conduct day-to-day operations, such as managing storefronts and product listings, fulfilling orders, managing inventory and transactions, conducting sales and marketing activities, servicing customers, managing procurement process, interacting and collaborating with other businesses and seeking credit financing provided by Ant Financial.

### *Big Data Support and Engagement Platform*

Equipped with our New Retail solutions, which are designed to improve offline retail operations, brands on our secure cloud-based data insights platform have access to sophisticated analytics services that consolidate online and offline data, which in turn help brands gain insights into each stage of the consumer journey and provide a personalized online and offline shopping experience for consumers.

### *Knowledge Graph*

We are the largest retail commerce business in the world in terms of GMV in the twelve months ended March 31, 2019, according to Analysys. In March 2019, over 250 million daily active users came to our China retail marketplaces, which featured extensive listings. We develop significant insights from our digital economy, empowered by our technology, which allow us to establish comprehensive understanding of the products' profile and correlation with consumers' needs as well as deepen our product insights throughout our digital economy. As a result, we are able to provide more accurate product recommendations to our consumers. We then aggregate and build on these insights to design standardized, themed and interconnected product categorization frameworks that recommend and sort product listings on behalf of merchants. As a result, we are able to help our merchants streamline their daily operations, generate more accurate search results across our platforms, and offer better recommendations and shopping experiences to our consumers.

### ***Retail Commerce — Cross-border and Global***

Our retail commerce — cross-border and global businesses include Lazada, AliExpress, Tmall Global, Tmall World, Trendyol and Daraz. In the twelve months ended March 31, 2019, Lazada, AliExpress, Trendyol and Daraz together served more than 120 million annual active consumers overseas.

#### *Lazada*

We operate Lazada's leading e-commerce platform across Southeast Asia, with local language mobile apps and websites in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Lazada offers merchants and brands a one-stop marketplace solution to access consumers in these six countries. Lazada also sells products on its platform directly via its own retail operations. In addition, it has an extensive in-house logistics operations, which is supported by our highly scalable warehouse management system, to ensure quick and reliable order fulfillment that improve consumer experience and cost efficiency.

#### *AliExpress*

AliExpress is a global marketplace targeting consumers from around the world and enabling them to buy directly from manufacturers and distributors in China and around the world. In addition to the global English-language site, the AliExpress app is also available in 17 local languages, including Russian, Portuguese, Spanish and French. Consumers can access the marketplace through the AliExpress app or its websites. Top consumer markets where AliExpress is popular are Russia, the United States, Brazil, Spain and France.

#### *Tmall Global*

We launched Tmall Global to address increasing Chinese consumer demand for international products and brands. Tmall Global serves as the premier platform through which overseas brands and retailers reach Chinese consumers, build brand awareness and gain valuable consumer insights in forming their overall China strategy,

without the need for physical operations in China. According to Analysys, Tmall Global was the largest import e-commerce platform in China in the twelve months ended March 31, 2019, in terms of GMV.

#### *Tmall World*

Tmall World allows overseas Chinese consumers to conveniently shop for products from China. Tmall World, a Chinese language e-commerce platform, leverages our commerce infrastructure and aims to fulfill the shopping needs of millions of overseas Chinese consumers.

#### **Wholesale Commerce in China**

##### *1688.com China domestic wholesale marketplace*

1688.com, China's leading integrated domestic wholesale marketplace in 2018 by revenue, according to Analysys, connects wholesale buyers and sellers in China who trade in apparel, general merchandise, home decoration and furnishing materials, electronics, packaging materials and shoes, among others. Listing items on 1688.com is free. Sellers may purchase a China TrustPass membership for an annual subscription fee to reach customers, provide quotations and transact on the marketplace. Paying members may also pay for additional services, such as premium data analytics and upgraded storefront management tools, as well as customer management services. As of March 31, 2019, 1688.com had over 910,000 paying members.

##### *Lingshoutong (零售通) — digital eRTM (electronic route to market) platform*

Lingshoutong connects FMCG brand manufacturers and their distributors directly with local mom-and-pop stores in China. It provides digital supply chain services to FMCG brands and their distributors and improves their distribution efficiency by digitalizing offline distribution data through setting up point-of-sale, or POS, systems at the mom-and-pop stores, thereby enabling visibility to data throughout the transaction value chain. Lingshoutong also enables FMCG brands and their distributors to achieve efficient distribution and precise marketing by providing more targeted and accurate marketing recommendations. With these technologies and data, Lingshoutong also makes it easier for mom-and-pop store owners to do business by digitalizing their operations and offering their customers a broader selection of FMCG products.

#### **Wholesale Commerce — Cross-border and Global**

Alibaba.com is China's largest integrated international online wholesale marketplace in 2018 by revenue, according to Analysys. Sellers on Alibaba.com may purchase an annual Gold Supplier membership to reach customers, provide quotations and transact on the marketplace. Sellers may also purchase an upgraded membership package to receive value-added services such as upgraded storefront management tools and P4P services. Buyers on Alibaba.com were located in over 190 countries as of March 31, 2019. Buyers are typically trade agents, wholesalers, retailers, manufacturers and SMEs engaged in the import and export business.

Alibaba.com also offers its members and other SMEs import/export supply chain services, including customs clearance, trade financing and logistics services. As of March 31, 2019, Alibaba.com had over 165,000 paying members.

#### **Logistics Services**

Through Cainiao Network, we are committed to further strengthening the capabilities of our global logistics network. Our logistics vision is to be able to fulfill consumer orders within 24 hours in China and within 72 hours anywhere else in the world. To realize this vision, Cainiao Network establishes and operates a global fulfillment network together with logistics partners. It offers domestic and international one-stop-shop logistics services and supply chain management solutions, addressing various logistics needs of merchants and consumers at scale.

*Enhanced point-to-point network and on-demand delivery*

Cainiao Network uses data insights and technology to digitalize the entire logistics process and empower logistics partners, thereby improving efficiency across the logistics value chain. For example, powered by large-scale computing and machine learning capabilities, Cainiao Network's e-shipping label and value-added services optimize delivery routes and improve efficiencies for express delivery couriers, leading to more accurate and speedy delivery to consumers. As an important complement to the last-mile delivery network of Cainiao's express delivery partners, Cainiao Network has also developed neighborhood delivery solutions with a combination of community and campus stations and residential self-pickup lockers, which we call Cainiao Post. Consumers can pick up packages from stations around urban communities and college campuses, as well as from smart pick-up lockers. In addition, we also operate Ele.me's local on-demand delivery network, known as Fengniao Logistics, to deliver food, beverages, groceries, among other products, to consumers on a timely basis.

Through technology innovation and open collaboration, Cainiao Network has further strengthened its strategic partnership with major express delivery companies. As of March 31, 2019, Cainiao Network's 15 strategic express courier partners employed over 1.6 million delivery personnel in more than 700 cities and 31 provinces in China, according to data provided by these partners. Collectively these partners operate more than 190,000 hubs and sorting stations. During fiscal year 2019, Cainiao Network and its logistics partners enabled the delivery of 25.1 billion packages that originated from our China retail marketplaces.

*Scalable fulfillment network*

The vast geographical area of China and wide distribution of Chinese consumers and merchants require a large and distributed logistics infrastructure. Cainiao Network has established a scalable network that consists of fulfillment hubs at key strategic locations, package sorting and distribution centers, which are owned, leased or partnered with logistics partners. The fulfillment network is connected by Cainiao Network's proprietary logistics data platform. To facilitate the execution of our New Retail strategy, Cainiao Network provides a full-fledged fulfillment network at provincial, city, and county levels to offer integrated supply chain management solutions to medium-sized and large brands and merchants. This network allows them to place inventory across multiple locations in advance based on sales forecasts to optimize supply chain efficiency and provide fast delivery to consumers.

*International logistics*

Cainiao Network and the logistics arm of Lazada have developed a strong and growing network of assets and partners to support our international commerce retail businesses (Lazada, AliExpress and Tmall World). From a China import standpoint, Cainiao Network is focused on developing cross-border fulfillment solutions for Tmall Global, utilizing a combination of bonded warehouses in China and direct shipping from foreign countries.

**Consumer Services**

Our consumer services businesses consist of:

*Ele.me* (饿了么) (which means "Are you hungry?" in Chinese), a leading on-demand delivery and local services platform in China, enables consumers to use the Ele.me, Taobao, Alipay and Koubei mobile apps to order meals, snacks and beverages online. In addition, Ele.me's on-demand delivery network is highly synergistic with our other businesses, such as New Retail initiatives and Alibaba Health, which can now leverage the network to deliver fresh food, groceries and pharmaceutical products. As of March 31, 2019, Ele.me's network covered approximately 96% of cities in China, with approximately 30% of total orders generated from Alipay and the Taobao app.

*Koubei*, one of China's leading restaurant and local services guide platforms for in-store consumption, provides targeted, data-driven marketing tools and integrated digital operational services for restaurants and local services providers.

Ele.me and Koubei operate under a single management team. Our strategy is for the combined business to leverage the 654 million annual active consumers on our China retail marketplaces and our data technology to expand our offerings from shopping to services, further tapping into new addressable markets for consumption in China.

*Fliggy*, a leading online travel platform in China, provides comprehensive reservation services for airline tickets, train tickets, accommodation, car rental, package tours and local attractions. Fliggy enhances user experience through data technology that enables partner hotels to identify travelers with good credit and provide travel privileges such as zero-deposit hotel bookings, express check-out and automatic post-stay billing.

### ***Cloud Computing***

Alibaba Cloud is the world's third largest, and Asia Pacific's largest, IaaS and Infrastructure Utility Services provider by revenue in 2018, according to Gartner's April 2019 report (Source: Gartner, Market Share: IT Services, 2018, Dean Blackmore et al., April 8, 2019) (Asia Pacific refers to Mature Asia/Pacific, Greater China, Emerging Asia/Pacific and Japan). Alibaba Cloud is also China's largest provider of public cloud services by revenue in 2018, including PaaS and IaaS services, according to IDC (Source: IDC Semiannual Public Cloud Services Tracker, 2018). The technologies that power Alibaba Cloud grew out of our own need to operate at the massive scale and to address the complexity of our core commerce business, including related payments and logistics elements. In 2009, we founded Alibaba Cloud to make these technologies available to third-party customers. In fiscal year 2019, Alibaba Cloud had more than 1.4 million paying customers, covering approximately 50% of the Top 500 Chinese brands, as ranked by Fortune, and more than half of the A-share listed companies in China.

Alibaba Cloud offers a complete suite of cloud services to customers worldwide, including elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, a machine learning platform and IoT services. Products that differentiate Alibaba Cloud from our domestic peers include proprietary security and middleware products, large scale computing services and analytic capabilities supported by our big data analytics platform. These products not only enable customers to quickly build IT infrastructure services on-line without on-premises work, but also equip them with leading big data analytics capabilities, providing deep data insights by efficiently handling the complex computing tasks of hundreds of millions of data dimensions. We also operate data centers in a number of countries including Indonesia, Malaysia, India, Australia, Singapore, Germany, Japan, the United States and others.

As a major part of our partnership with the International Olympic Committee, we unveiled Alibaba Cloud sports-related intelligent capabilities, built on Alibaba Cloud's high-performance infrastructure of world-class data centers, network virtualization services and market-leading security services, which integrate data intelligence and machine learning to re-define engagement between fans, organizers, venues and athletes.

### ***Digital Media and Entertainment***

Our digital media and entertainment business leverages our deep data insights to serve the broader interests of consumers through two key distribution platforms, Youku and UC Browser, and through Alibaba Pictures and our other diverse content platforms that provide online videos, films, live events, news feeds, literature and music, among other areas.

#### ***Key Distribution Platforms***

##### *Youku*

Youku is the third largest online video platform in China in terms of monthly active users in March 2019, according to QuestMobile. It enables users to search, view and share high-quality video content quickly and easily across multiple devices. The Youku brand is among the most recognized online video brands in China.

Insights we gain from our retail commerce business and our proprietary data technology enable Youku to deliver relevant digital media and entertainment content to its users. At the same time, Youku helps drive customer loyalty

to our core commerce business in the form of complementary content offerings for users. For example, a loyalty program member of our core commerce business can purchase a Youku membership at a preferential rate or be rewarded a membership free of charge. Youku is also the exclusive online video platform to live stream major events of our core commerce business such as the countdown gala celebration for the 11.11 global shopping festival, which is supported by interactive features to drive consumer engagement. In fiscal year 2019, Youku's average daily paying subscribers increased by 88% from the prior fiscal year.

#### *UC Browser*

UC Browser is one of the top mobile browsers in the world, according to StatCounter (<http://gs.statcounter.com>). It is the second largest third-party browser in terms of monthly active users in China in March 2019, according to QuestMobile. It is also the No. 2 mobile browser in India and Indonesia by page view during the same period.

#### **Key Content Platforms**

We offer a diverse range of digital media and entertainment content using a sustainable production and acquisition approach. First, we provide self-produced content. We also jointly produce content through arrangements with studios that commission them to produce and distribute some or all of their content exclusively on our platforms. Third, we acquire rights to display content on our digital media and entertainment platforms pursuant to licensing agreements with rights holders. Last, we offer an open-platform on which user-generated content and professionally-generated content are generated and distributed. Our digital media and entertainment offerings include online videos, films, live events, news feeds, literature and music.

In fiscal year 2019, we increased our shareholding in Alibaba Pictures to approximately 51%. Alibaba Pictures is an Internet-driven integrated platform that covers content production, promotion and distribution, intellectual property licensing and integrated management, cinema ticketing management and data services for the entertainment industry. Alibaba Pictures was involved in the production, promotion and distribution of a number of highly popular films in the twelve months ended March 31, 2019. Green Book, for example, won the Oscar for best picture. The Wandering Earth, widely cited as China's first major science-fiction film, has already generated more than RMB4.6 billion of ticket sales since its opening in February 2019. Through Damai, the largest online ticketing platform for live events in China in 2018, according to Analysys, we provide users with ticketing services for popular concerts, plays and sporting events. Alibaba Literature is our platform for distributing literature online, and it offers content for use in derivative works or tie-in entertainment. Our music platform provides music streaming and digital music online publishing services, as well as enabling the discovery and support of independent musicians.

#### **Innovation Initiatives**

##### ***Amap***

Amap is the largest provider of mobile digital map, navigation and real-time traffic information in China by monthly active users in March 2019, according to QuestMobile. Amap provides these services to end users directly and operates a leading open platform in China that powers many major mobile apps in different industries, such as food delivery, ride service, taxi-hailing and social networking with its big data-enabled digital mapping technology. In addition, Amap provides digital map data, navigation software and real-time traffic information to international and domestic automobile manufacturers and aftermarket consumers in China. It also empowers major platforms and infrastructural service providers in our digital economy, including our China retail marketplaces, Cainiao Network and Alipay.

##### ***DingTalk***

According to QuestMobile, DingTalk is the largest business efficiency app in China by monthly active users in March 2019. DingTalk is a digital working platform that serves enterprises and organizations of various types and sizes with unified communication services, intelligent mobile workplaces and network collaboration services.

Through both PC and mobile devices, DingTalk provides a unified interface for communications in different forms (such as text messages, photo, audio, video and e-mail), workflow management and network collaborations. Its open platform also supports independent software developers and enterprise service providers to develop third-party enterprise apps or services that are seamlessly integrated with DingTalk.

### ***Tmall Genie***

Tmall Genie, our AI-powered smart speaker, is the No. 1 smart speaker in China by shipments in 2018, according to IDC (Source: IDC China Quarterly Smart Home Device Tracker, Fourth Quarter 2018). It connects our customers with services offered by digital economy participants in an interactive way. Tmall Genie has focused on entertainment and educational content for families in order to broaden its user base and drive their engagement with their devices. Tmall Genie is our gateway to link customers with new services and experiences to be generated by IoT and smart home appliances. As of March 31, 2019, over 10 million Tmall Genie units had been activated since its official launch in August 2017.

### **Ant Financial — Financial Technology Services**

Ant Financial, an unconsolidated related party, is a technology company focused on providing inclusive financial services to consumers and small and micro businesses, or SMBs, in China and across the world. It primarily operates digital payment services and financial technology platform services through sustained technological innovation and cooperation with financial institutions, and is also pursuing a globalization strategy. During fiscal year 2019, Ant Financial has implemented a series of strategic marketing initiatives to further grow its user base and enhance user mind-share. During the twelve months ended March 31, 2019, the number of global annual active users, or AAUs, served by Ant Financial and its nine local e-wallet partners increased to over one billion. During the twelve months ended March 31, 2019, seven out of ten of Ant Financial's domestic AAUs used three or more of the following five service categories: digital payment, wealth management, micro financing, insurance and Zhima Credit.

#### ***Digital payment services***

Ant Financial operates Alipay, a leading global third-party mobile payment platform. Through Alipay, Ant Financial provides digital payment processing services predominantly to online and offline merchants and consumers globally. In the twelve months ended March 31, 2019, Ant Financial experienced rapid growth in payment transactions, which was primarily driven by the expansion of the offline payment market. With deep customer insights derived from increasing numbers of payments, Ant Financial continuously expands use cases to better serve both consumers and merchants. Ant Financial has also continued to improve the user experience through product innovation. For example, it has been promoting an innovative payment device by leveraging facial recognition technology across its merchant network. Ant Financial is dedicated to establishing Alipay as a leading one-stop financial and lifestyle platform.

#### ***Financial technology platform services***

Ant Financial's financial technology services platform is a comprehensive and open platform through which users can access and purchase a wide variety of wealth management, micro financing and insurance products and related services. The vast majority of these financial products are provided by third-party financial institutions. Ant Financial's platform primarily serves three sectors in China:

- *Wealth management.* Financial institutions, including fund management companies and insurance companies, offer money market funds, fixed income products, debt and equity securities funds, as well as other wealth management products, through Ant Financial's wealth management platform, Ant Fortune. The platform also partners with Ant Financial's subsidiary Tianhong Fund and other third-party fund management companies to provide money market fund products under the name of Yu'e'bao.

- *Micro financing.* Through Ant Financial's micro financing platform, banks and lenders offer credit services to SMBs, and also offer small-amount, short-term consumer credit services to consumers. Through the platform model and by leveraging its deep user insights and technology capabilities, Ant Financial provides its partners with credit risk control and relevant technology services, thereby enabling financial institutions to serve more SMBs and customers, reduce their credit risk and enhance the user experience.
- *Insurance.* Ant Financial partners with insurance companies to provide innovative insurance products, including goods return freight insurance for e-commerce transactions and bank account security insurance, helping to meet the insurance needs inherent to the new Internet economy. Through its insurance platform, Ant Financial also helps insurance company partners to continuously pursue product innovation and customer engagement as well as improving the user experience.

### **Globalization**

Ant Financial also seeks to leverage its leading technology capabilities to provide inclusive financial services globally. Primarily focusing on emerging markets, Ant Financial has cooperated with strategic partners in nine regions or countries, including Bangladesh, Hong Kong, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines and Thailand, to launch local e-wallets by leveraging its know-how and technological capabilities developed in China. Ant Financial is also building a global network that connects all of its users to its rapidly-expanding global acceptance network. Starting in early 2019, users of Alipay Hong Kong are able to make online and offline payments in mainland China and Japan.

For additional details on our commercial relationship with Ant Financial and Alipay, see "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and its Subsidiaries."

### **Customer Services for China Retail Marketplaces**

Our customer service representatives serve consumers and merchants on our marketplaces through telephone hotlines, real-time instant messaging and online inquiry systems. In addition, merchants on our platforms serve their customers with commerce technologies and services we provide. Based on big data analytics, we provide numerous methods to facilitate the resolution of disputes. Aside from disputes referred to our customer service representatives for resolution and disputes handled automatically by our system, consumers may choose adjudication by a large panel of experienced and independent consumers and merchants in certain situations, such as those involving contractual disputes.

With certain exceptions, consumers on our China retail marketplaces may return the purchased goods within seven days from receipt. Alipay's escrow payment services ensure efficient refunds. In addition, for qualified consumers with good credit record, we may accelerate refund procedure by making the refund payment upon the buyer's submission of a refund application and proof of shipment for the returned goods.

### **Consumer Protection**

We believe every consumer has the right to protection from false and misleading claims and harmful products. We encourage our merchants to make product quality a priority and have established various safeguard mechanisms. All Tmall merchants are required to contribute to and maintain a fund deposit for the benefit of consumers. Fund deposit requirements vary by product category and typically range from RMB10,000 to RMB1,000,000 per storefront. For Tmall Global merchants, the fund deposit requirement typically ranges from RMB150,000 to RMB800,000 for standard storefronts. In most circumstances, Taobao Marketplace merchants maintain individual fund deposit with minimum amounts ranging from RMB1,000 to RMB100,000. All Tmall and Taobao Marketplace merchants are required to sign agreements with us authorizing us to deduct fund deposit from their Alipay accounts in the event of confirmed consumer claims. Merchants who have failed to maintain a minimum amount in their fund deposit are blocked from showing product listings in our P4P, recommendation feeds and search results, among others.

The consumer protection fund amounts are displayed on each merchant's information page. Many merchants on Tmall and Taobao Marketplace provide a larger deposit than required and make additional service commitments, such as expedited shipment, free maintenance for electronics and installation services for furniture purchases, to demonstrate to their customers their confidence in the quality of their services and products. In addition, Alipay's escrow payment services offer consumers further protection by only releasing the relevant payment upon consumer confirming the receipt of the merchandise, unless specified otherwise.

### **Transaction Platform Safety Programs**

Preserving the integrity of our marketplaces is fundamental to our business. We are committed to protecting intellectual property rights and eliminating counterfeit merchandise and fictitious activities. Infringement of intellectual property, both online and offline, is an industry-wide issue globally. By working with rights holders, trade associations and governments around the world, we have made significant progress in combating the issue of intellectual property rights infringement. As of March 31, 2019, there were over 190,000 brands on Tmall, including 77% of the consumer brands among the Forbes Top 100 World's Most Valuable Brands for 2019, a demonstration of the trust these brands place in the integrity of our marketplaces.

#### ***Product Authenticity***

We are committed to offering authentic, high-quality products across our marketplaces, including premium overseas products on Tmall Global, grocery and daily consumption products on Tmall Mart. At the same time, we are proactive in partnering with rights holders and law enforcement authorities both online and offline to monitor product authenticity and protect intellectual property. We have called for collective efforts in the fight against counterfeiting that include stronger law enforcement measures and harsher penalties for those found to be engaged in criminal activity. In addition, we also initiate civil actions against counterfeiters using our platforms. In May 2019, Alibaba Group was awarded World Trademark Review's Asia Pacific Team of the Year for its work in brand protection.

Our product authenticity initiatives have produced effective results. As part of our commitment to allow only authentic product listings on our platforms, we employ big data and technology to proactively identify and shut down storefronts selling infringing products and remove suspicious product listings. Our offline product authenticity initiatives also have borne tangible results as we regularly provide law enforcement authorities with evidence to successfully track down and arrest violators of intellectual property rights.

By leveraging our advanced technologies, as well as engaging in close collaboration with stakeholders, including rights holders, trade associations and government bodies, we have implemented the following best practices around a three-pronged strategy:

- *World-class notice-and-takedown system* . We operate a rigorous notice-and-takedown system that allows rights holders to request the removal of potentially infringing listings from our platforms with ease via the Alibaba Intellectual Property Protection (IPP) portal. We also offer qualified rights holders a simplified takedown program pursuant to which we expedite claims and simplify evidentiary requirements.
- *Proactive monitoring powered by big data* . We utilize our proprietary algorithms to proactively detect the presence of suspicious goods and remove them from our marketplaces without requiring the notice of a rights holder. To enable proactive monitoring at its best, we have developed the capability to perform real-time scanning of suspicious product specifications during a merchant's listing creation process, which helps us prevent merchants from uploading infringing content in the first place. For example, we employ Optical Character Recognition (OCR) and logo recognition technologies to conduct text and logo detection on images used in product listings in order to detect the brands being sold and flag any potential issues. Our detection technology continuously improves through machine learning, which means we become quicker and more efficient at removing problematic products all the time. Furthermore, to support this effort, an increasing number of rights holders also contribute information about their products and online trends they observe so we can further optimize our algorithms and detection methods.

- *Offline enforcement* . We also work closely with brands and law enforcement authorities to assist in their offline investigations against counterfeiting. With insights drawn from our data analytics, we help law enforcement authorities to identify manufacturers and dealers of suspicious goods so they can be brought to justice.

#### ***Alibaba Anti-Counterfeiting Alliance (AACA)***

In January 2017, Alibaba, along with 30 domestic and international intellectual property rights holders, founded the Alibaba Anti-Counterfeiting Alliance (AACA), the first alliance of its kind. Owners of famous global consumer brands, such as 3M, Amway, Ford, Johnson & Johnson, Mars, Procter & Gamble, and Spalding, have participated as founding members in the AACA since its establishment. After more than two years, AACA membership has expanded to 133 rights holder members from 16 different countries and regions, and now encompasses 12 industries, such as electronics, automotive, pharmaceuticals and luxury goods, which regularly collaborate through Industry Working Groups, or IWGs.

Alibaba contributes its Internet technology and data to support the AACA through a number of cooperation programs that rights holders can opt into. The cooperation programs encourage rights holders, e-commerce platforms, and law enforcement agencies to work collaboratively to protect intellectual property rights through increased communication and the exchange of information. The AACA facilitates sharing of best practices among its members, as well as with wider society via educational programs for public bodies and consumers about the damage counterfeit products cause, including with respect to health, the environment and safety.

The AACA has also established an Advisory Board consisting of rights owners from all IWGs that acts as a channel for rights holders to provide feedback on significant intellectual property enforcement-related strategies and policies to each other, Alibaba, and other parties. The Advisory Board acts as a leading industry forum to discuss new trends in online intellectual property infringement activities, litigation and platform practices.

#### ***Combating Fictitious Transactions***

We have and will continue to invest significant resources in protecting the trust and credit systems we have built on our marketplaces. Measures to prevent, detect and reduce the occurrence of fictitious transactions on Taobao Marketplace and Tmall that we have implemented include:

- requiring the use of merchants' real identities when opening accounts;
- analyzing transaction patterns to identify anomalies;
- enabling consumers and merchants to report suspicious transactions;
- maintaining a "blacklist" of merchants who have previously been involved in fictitious transactions; and
- collaborating with law enforcement authorities to combat fictitious activities by merchants and websites and mobile apps that enable fictitious activities.

#### ***Penalties***

We aim to protect consumers by excluding suspicious merchandise and fictitious transactions from ranking systems, credit systems and transaction volume statistics. When these activities are confirmed, we penalize the parties involved, based on the severity of the violation, through a number of means, including but not limited to:

- permanently banning merchants from opening accounts on our marketplaces,
- closing down storefronts,
- limiting merchants' ability to add listings and/or
- imposing restrictions on participation in promotional activities on our marketplaces.

## **Our Technology**

Technology is key to our success in achieving efficiency, improving user experience, and enabling innovation. Our world-class proprietary technology supports peak order volumes of up to hundreds of thousands per second, delivers tens of billions of online marketing impressions per day, and enables millions of merchants, brands and other businesses to conduct their operations efficiently and effectively. The uniqueness of our technology lies in the unparalleled large-scale application environment due to the scale of our businesses. By constantly applying our technology across our businesses, we generate knowledge and innovations that drive improvements and further technological development.

Members of our research and development team play key roles in various international standardization organizations in areas such as e-commerce, security and IoT. In addition, we are also active in open source communities. In October 2017, we established DAMO Academy, a global research program in cutting-edge technology that aims to integrate science with industry and speed up information exchange between them. It encourages a collaborative environment where scientific discoveries can be more quickly applied to real-life problems.

Key components of our technology include those described below:

### ***Technology Infrastructure***

Our data centers utilize leading technologies in distributed structure, innovative cooling techniques, distributed power technology and intelligent monitoring, and we believe our data centers are one of the most efficient in the world as indicated by a low power usage effectiveness, or PUE, ratio. The multi-region availability of our transaction system data centers provides scalability and stable redundancy.

### ***Cloud Operating System***

Aspara, our cloud computing operating system, is a proprietary general purpose distributed computing operating system that provides Alibaba Cloud customers with enhanced computing power to support their business growth in the new technology era.

### ***Database***

We have developed the next generation cloud native database, POLARDB, which enables our customers to meet their requirements for on-demand storage and computation, pay-per-use elasticity and scalability. POLARDB significantly increases the throughput and performance of transaction and query processing as compared to other open-source relational database management systems. We have also developed a distributed online analytics database, AnalyticDB, which supports real-time interactive and complex analytics over massive data.

### ***Big Data Analytics Platform***

We have developed a distributed data analytics platform that can efficiently handle the complex computing tasks of millions of gigabytes of data per day, providing deep data insights to our businesses and our cloud computing customers. Our big data analytics platform includes MaxCompute, an offline data storage and computing platform, Blink, a real-time data storage and computing platform, and OneData, a data integration and management system.

### ***Artificial Intelligence***

We believe we are one of the few companies in the world with a proprietary, distributed deep learning platform that has access to consumer insights across diverse businesses involving a rich variety of consumer experiences. As a result, we believe we are in a unique position to develop large-scale commercial use of artificial intelligence, or AI. We have applied various AI technologies across our digital economy to enhance the consumer experience. These enhancements include personalized search results and shopping recommendations empowered by deep learning and data analytics, speech recognition and image analysis technology adopted in search functions, and

intelligent customer service. In addition, our AI capabilities enable us to introduce innovative products, such as Tmall Genie, our AI-powered smart speaker.

### ***Internet of Things***

We are engaged in the development of a wide range of IoT technologies, such as PaaS, microchip design and development framework, operating systems and cloud computing capabilities for transportation, home, mobile, public and industrial applications. Our IoT PaaS and data allow hardware to work in more application scenarios and solutions as well as for applications to have more hardware options.

### ***Security***

We have established a comprehensive situational awareness and risk management security infrastructure that spans across our entire network, covering our systems, apps, data, services and individual end users. Our back-end security system handles hundreds of millions of instances of malicious attacks each day to provide effective security for our commerce and cloud platforms.

### ***Sales and Marketing***

As Taobao Marketplace is China's largest mobile commerce destination, with a large and growing social community and an exceptionally wide range of product offerings, and Tmall is the world's largest third-party online and mobile commerce platform for brands and retailers, we have wide consumer recognition of our brands and enjoy significant organic traffic through word-of-mouth. We believe the reputation and ubiquitous awareness of our brands and platforms in China and, increasingly, abroad, provide us with the best and most cost-efficient marketing channel. In addition, we also use other marketing initiatives to promote our platforms. In January 2017, we launched a historic long-term partnership with the International Olympic Committee that will last through 2028. Joining The Olympic Partner worldwide sponsorship program, Alibaba has become the official "E-Commerce Services" Partner and "Cloud Services" Partner and a founding partner of the Olympic Channel through the 2028 Games in Los Angeles. During the most recent fiscal year, we increased our marketing efforts, such as a highly coordinated marketing and promotional campaigns on Tmall for the 11.11 global shopping festival, to expand our user base. We expect to continue to leverage our resources in future marketing activities. We also expect to enhance our monetization capability through leveraging our data technologies to develop and offer more personalized and innovative services, so as to improve customer experience and wallet share. Furthermore, our major business segments and other elements in our digital economy provide synergetic advantages and create cross-promotional opportunities. For example, the large number of consumers on our marketplaces attracts a large number of merchants who become customers for our online marketing services, while an increasing number of key opinion leaders are actively producing content to engage with consumers and fans on our platforms, thereby driving revenue for merchants, brands and retailers.

### ***Socially Responsible Mindset***

At Alibaba, we believe acting in a socially responsible way is an integral part of our business model. Since our founding, we have been highly committed to supporting and participating in charitable and socially responsible projects that align with our core values and mission, and to establishing a technology-driven charitable digital economy to extend the benefits of our technological capabilities to the community at large.

Our major corporate social responsibility achievements and initiatives include:

#### ***Creating Job Opportunities and Enabling Small Businesses***

The breadth of our digital economy and the range of service providers needed within it create substantial employment opportunities. In addition to providing direct business opportunities for merchants, our digital economy has created new opportunities for service providers in logistics, marketing, consulting, operations outsourcing, training and other online and mobile commerce professions. According to a report published in 2019

by China's Renmin University, it is estimated that we contributed to the creation of about 40 million direct and indirect job opportunities in China via our retail platforms. The international expansion of our business also creates job opportunities by enabling merchants from different parts of the world to do business online.

With the power of new technology, our platforms have leveled the playing fields for businesses in many respects, helping to foster an inclusive economy where everyone and small businesses can thrive and prosper. Female sellers represented approximately half of the sellers who had one or more orders confirmed by a buyer on our China retail marketplaces in fiscal year 2019, as declared by these sellers.

### ***Supporting Poverty Relief and Rural Development in China***

We are committed to contributing to China's poverty relief initiatives. Apart from using our own resources, we also leverage our platforms' reach to maximize our influence and our technological capabilities to increase the efficiency of these initiatives.

In December 2017, we launched a RMB10 billion Alibaba Poverty Relief Program that focuses on education, rural commerce advancement, women's empowerment, healthcare and environmental sustainability. The program is primarily funded by donations from us and the partners in the Alibaba Partnership. We aim to leverage the power of our digital economy to discover sustainable and replicable ways to work with impoverished communities to break the poverty cycle. To advance rural commerce, in fiscal year 2019, we connected people from over 200 impoverished counties to our platforms, which led to the development of many new agricultural product brands. In 2018, sellers in impoverished counties sold over RMB60 billion (US\$8.9 billion) GMV through our China retail marketplaces. Furthermore, as part of our environmental sustainability initiatives, we have provided sustainable business solutions for villagers living in conservation zones to increase their income through developing local products while protecting the environment. To reduce intergenerational poverty through better healthcare, we have provided health insurance to cover major illnesses to over four million people in over 60 impoverished counties as of March 31, 2019. To empower women, we have developed a comprehensive insurance plan that covers women's education, pregnancy and illness in impoverished counties, affording young women opportunities to be educated without worrying about their families' financial situation.

### ***Contributing to Environmental Sustainability***

We are committed to raising public awareness of environmental issues and promoting an eco-friendly mindset among the public. In 2011, we established the Alibaba Foundation, a private charity fund that primarily focuses on supporting environmental protection in China. The Alibaba Foundation has funded and spearheaded projects to help protect drinking water sources in China, allow the public to contribute to and monitor air quality on Amap app and research international environmental policies for local survey and legislative purposes.

We also work with enterprises to implement environmentally-sustainable business models across various sectors, such as manufacturing, retail, logistics and cloud computing. Alibaba Cloud not only helps enterprises reduce their need for computing hardware, its technology is also built to promote environmental sustainability. For example, we launched a data center featuring an innovative cooling system that uses fresh water from a nearby lake to reduce energy consumption. Furthermore, Cainiao Network actively spearheads and promotes "green" initiatives with its courier partners and within our digital economy. Key initiatives include "green packages" and "green delivery." "Green packages" refers to promoting the use of biologically degradable courier bags and reusable packages, minimizing repackaging of products and using algorithms to optimize package size and materials used. In fiscal year 2019, Cainiao Network's package material optimization algorithm was used in over 290 million packages. Approximately 50% of Tmall Mart's packages used the manufacturers' original packages during the same period. These measures contribute to reducing the amounts of materials needed for packaging. Cainiao Network further promotes "green delivery" not only through the use of electric delivery vehicles, but also through its neighborhood delivery solutions and fully-fledged multi-location fulfillment network. These measures significantly shorten the package delivery distances from warehouses, thereby reducing the carbon footprint of the logistics industry.

### ***Charitable Contributions and Community Service***

We have consistently been active, and also have always encouraged our employees to be active, in participating in community service.

Since 2010, we have established a special fund to encourage environmental awareness and conservation as well as other corporate social responsibility initiatives. In addition, since September 2015, we have encouraged our employees to perform a minimum of three hours of community service every year, which led to the creation of projects such as a public online platform for vaccine production information. In fiscal year 2019, we contributed over RMB250 million (US\$37.3 million) to charitable causes and initiatives.

We also leverage our digital economy to extend the reach of our charitable initiatives and encourage merchants, consumers and other digital economy participants to engage in community service. For instance, in support of the United Nation's annual International Day of Charity on September 5 each year, we hosted the "95 Philanthropy Week," where we initiated multiple public charity activities.

Charitable organizations can also set up storefronts on our marketplaces to raise funds and engage with volunteers. Merchants on China retail marketplaces and Tmall Global can designate a percentage of their sales proceeds generated on our platforms to go to charitable organizations. Consumers can contribute to charitable causes by purchasing public interest products, participating in charity auctions hosted on our platforms or directly making donations. Through our China retail marketplaces, we supported over two million merchants and over 440 million users to donate to domestic and overseas charitable projects and enabled charitable organizations to raise approximately RMB470 million (US\$70.0 million) in donations in fiscal year 2019, which benefited over 4.8 million disadvantaged people.

Furthermore, "Reunion", a platform that our employees created during their free time, connects our mobile apps and our partners' mobile apps to help locate missing children across China. Since its initial launch in mid-2016 and up to March 15, 2019, our platform has helped law enforcement authorities solve 98.2% of the cases announced through our platform, successfully locating over 3,500 children. In March 2019, we presented our "Reunion" platform to representatives from the United Nations and countries along the Mekong River Delta, including Cambodia, Laos, Myanmar, Thailand and Vietnam. We are committed to providing technological support to countries along the Mekong River Delta to set up similar systems in order to help prevent trafficking of children in the region.

### **Competition**

We face competition principally from established Chinese Internet companies, such as Tencent, and their respective affiliates, global and regional e-commerce players, cloud computing service providers, such as Amazon, and digital media and entertainment providers. These competitors generate significant traffic and have established strong brand recognition, robust technological capabilities and significant financial resources. Although foreign e-commerce companies currently have a limited presence in China, we face significant competition from them in the areas of cross-border commerce. The areas in which we compete primarily include:

- *Consumers* — We compete to attract, engage and retain consumers based on the variety and value of products and services listed on our platforms, the engagement of digital media and entertainment content available on our platforms, the overall user experience of our products and services and the effectiveness of our consumer protection measures.
- *Merchants, Brands, Retailers and other Businesses* — We compete to attract and retain merchants, brands and retailers based on the size and the engagement of consumers on our platforms and the effectiveness of our products and services to help them build brand awareness and engagement, acquire and retain customers, complete transactions, expand service capabilities, protect intellectual property rights and enhance operating efficiency. In addition, we compete to attract and retain businesses of different sizes across various industries based on the effectiveness of our cloud service offerings to help them enhance operating efficiency and realize their digitalization transformation ambitions.

- *Marketers* — We compete to attract and retain marketers, publishers and demand side platforms operated by agencies based on the reach and engagement of our properties, the depth of our consumer insights and the effectiveness of our branding and marketing solutions.
- *Talent* — We compete for motivated and capable talent, including engineers and product developers to build compelling apps, tools, and functions and to provide services for all participants in our digital economy.

As we acquire new businesses and expand into new industries and sectors, we face competition from major players in these industries and sectors. In addition, as we expand our businesses and operations into an increasing number of international markets, such as Southeast Asia, India and Russia, we increasingly face competition from domestic and international players operating in these markets. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected."

### **Seasonality**

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer spending as well as promotions.

Historically, we have experienced the highest levels of revenues in the fourth calendar quarter of each year due to a number of factors, including merchants allocating a significant portion of their online marketing budgets to the fourth calendar quarter, promotions, such as the 11.11 global shopping festival, and the impact of seasonal buying patterns in respect of certain merchandise categories such as apparel. We also have experienced lower levels of revenues in the first calendar quarter of each year due to a lower level of operating activities by merchants early in the calendar year and during the Chinese New Year holiday, during which time consumers generally spend less and businesses in China are generally closed. Moreover, as our fixed costs and expenses, such as payroll and benefits, bandwidth and location fees, grow at a relatively stable rate compared to our revenue growth, we expect to enjoy increased operating leverage in seasonally strong quarters, but will face significant margin pressure in seasonally weak quarters.

### **Regulation**

We operate in an increasingly complex legal and regulatory environment. We and our key service provider, Ant Financial, are subject to a variety of PRC and foreign laws, rules and regulations across a number of aspects of our business. As we have expanded our operations to other countries, we have become increasingly subject to applicable regulations in these jurisdictions. This section primarily summarizes the principal PRC laws, rules and regulations relevant to our business and operations, because the PRC remains the country where we conduct the substantial majority of our business and generate the substantial majority of our revenues. Other jurisdictions where we conduct business have their own laws and regulations that cover many of the areas covered by PRC laws and regulations, but their focus, specifics and approaches may differ considerably. Areas in which we are subject to laws, rules and regulations outside of the PRC include data protection and privacy, consumer protection, content regulation, intellectual property, competition, cross-border trade, taxation, anti-money laundering and anti-corruption. We may also face protectionist policies and regulatory scrutiny on national security grounds in foreign countries in which we conduct business or investment activities. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We and Ant Financial are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations."

Our online and mobile commerce businesses are classified as value-added telecommunication businesses by the PRC government. Current PRC laws, rules and regulations generally restrict foreign ownership in value-added telecommunication services. As a result, we operate our online and mobile commerce businesses and other businesses in which foreign investment is restricted or prohibited through variable interest entities, each of which is owned by PRC citizens or by PRC entities owned by PRC citizens, and holds all licenses associated with these businesses.

The applicable PRC laws, rules and regulations governing value-added telecommunication services may change in the future. We may be required to obtain additional approvals, licenses and permits and to comply with any new regulatory requirements adopted from time to time. Moreover, substantial uncertainties exist with respect to the interpretation and implementation of these PRC laws, rules and regulations. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations."

### ***Regulation of Foreign Investment***

On March 15, 2019, the National People's Congress promulgated the 2019 PRC Foreign Investment Law, which will become effective on January 1, 2020 and will replace the major existing laws and regulations governing foreign investment in the PRC. Pursuant to the 2019 PRC Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or "indirectly" in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to 2019 PRC Foreign Investment Law, China adopts a system of national treatment plus negative list with respect to foreign investment administration, and the negative list will be issued by, amended or release upon approval by the State Council, from time to time. The negative list is contemplated to consist of a list of industries in which foreign investments are prohibited and a list of industries in which foreign investments are restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the negative list for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list would be treated equally. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in the Foreign Investment Catalogue, which was promulgated by the MOFCOM and the National Development and Reform Commission, with the latest amendment being effective as of July 28, 2018. The recently amended Foreign Investment Catalogue includes two categories, i.e., "Category of Industries Encouraged for Foreign Investment" and "Special Administrative Measures (Negative List) for Foreign Investment Access," or the "Negative List." Industries not listed in the Foreign Investment Catalogue are generally deemed "permitted" for foreign investment. The Negative List expands the scope of industries in which foreign investment is permitted by reducing the number of industries that fall within the Negative List where foreign investment is prohibited or restrictions on the shareholding percentage or requirements on the composition of board or senior management still exist. Among our significant subsidiaries, Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are registered in China and mainly engaged in software development, technical services and consultations, and Hangzhou Cainiao Supply Chain Management Co., Ltd. is also registered in China and mainly engaged in logistics services and supply chain solutions, all of which fall into the encouraged or permitted category under the latest Foreign Investment Catalogue. These three significant subsidiaries have obtained all material approvals required for their business operations. The Foreign Investment Catalogue does not apply to our significant subsidiaries that are registered and domiciled in Hong Kong, the British Virgin Islands or the Cayman Islands, and operate outside China. The businesses of our other PRC subsidiaries — including PRC subsidiaries of our significant subsidiaries — are generally software development, technical services and consulting, which fall into the encouraged or permitted category. Industries such as value-added telecommunication services, including Internet information services, are generally restricted to foreign investment pursuant to the latest Foreign Investment Catalogue. We conduct business operations that are restricted or prohibited to foreign investment through our variable interest entities.

On January 12, 2017, the State Council issued the Notice on Several Measures for Expansion of Opening-up Policy and Active Use of Foreign Capital, or the Notice No. 5, which purports to relax restrictions on foreign investment in sectors including services, manufacturing and mining. Specifically, the Notice No. 5 proposes to gradually open

up telecommunication, Internet, culture, education and transportation industries to foreign investors. However, there are still substantial uncertainties with respect to the implementing rules and regulations of Notice No. 5.

### ***Regulation of Telecommunications and Internet Information Services***

#### ***Regulation of Telecommunication Services***

Under the Telecommunications Regulations of the PRC, or the Telecommunications Regulations, promulgated on September 25, 2000 by the State Council of the PRC and most recently amended in February 2016, a telecommunication service provider in China must obtain an operating license from the MIIT, or its provincial counterparts. The Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications services or value-added telecommunications services. Our online and mobile commerce businesses, as well as Youku's online video businesses, are classified as value-added telecommunications services. The Administrative Measures for Telecommunications Business Operating License, promulgated by the MIIT in December 2001 and most recently amended in September 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses and the administration and supervision of these licenses.

Foreign investment in telecommunications businesses is governed by the State Council's Administrative Rules for Foreign Investments in Telecommunications Enterprises, or the Foreign Investment Telecommunications Rules, issued by the State Council on December 11, 2001 and most recently amended in February 2016, under which a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China is not permitted to exceed 50%. In addition, for a foreign investor to acquire any equity interest in a business providing value-added telecommunications services in China, it must demonstrate a positive track record and experience in providing these services. However, according to the Notice on Lifting the Restriction to Foreign Shareholding Percentage in Online Data Processing and Transaction Processing Business (Operational E-commerce) promulgated by the MIIT on June 19, 2015, foreign investors are allowed to hold up to 100% of all equity interest in the online data processing and transaction processing business (operational e-commerce) in China, while other requirements provided by the Foreign Investment Telecommunications Rules shall still apply. It is unclear how this notice will be implemented and there exist significant uncertainties with respect to its interpretation and implementation by authorities. The MIIT's Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses, or the MIIT Notice, issued on July 13, 2006 prohibits holders of these services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct this type of businesses in China.

In addition to restricting dealings with foreign investors, the MIIT Notice contains a number of detailed requirements applicable to holders of value-added telecommunications services licenses, including that license holders or their shareholders must directly own the domain names and trademarks used in their daily operations and each license holder must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license, including maintaining its network and providing Internet security in accordance with the relevant regulatory standards. The MIIT or its provincial counterparts have the power to require corrective actions after they discover any non-compliance by license holders, and where license holders fail to take those steps, the MIIT or its provincial counterparts have the power to revoke the value-added telecommunications services licenses.

On December 28, 2016, the MIIT promulgated the Notice on Regulating Telecommunication Services Agreement Matters, or the Telecommunication Services Agreement Notice, which came into effect on February 1, 2017. According to the Telecommunication Services Agreement Notice, telecommunication service providers must require their users to present valid identification certificates and verify the users' identification information before provision of services. Telecommunication service providers are not permitted to provide services to users with unverifiable identity or who decline identity verification.

### ***Regulation of Internet Information Services***

As a subsector of the telecommunications industry, Internet information services are regulated by the Administrative Measures on Internet Information Services, or the ICP Measures, promulgated on September 25, 2000 by the State Council and amended on January 8, 2011. "Internet information services" are defined as services that provide information to online users through the Internet. Internet information service providers, also called Internet content providers, or ICPs, that provide commercial services are required to obtain an operating license from the MIIT or its provincial counterpart.

To the extent the Internet information services provided relate to certain matters, including news, publication, education or medical and healthcare (including pharmaceutical products and medical equipment), approvals must also be obtained from the relevant industry regulators in accordance with the laws, rules and regulations governing those industries.

### ***Regulation of Advertising Services***

The principal regulations governing advertising businesses in China are:

- the Advertising Law of the PRC (2018, as amended);
- the Advertising Administrative Regulations (1987);
- the Administrative Regulations on Internet Information Search Services (2016); and
- the Internet Advertising Measures (2016).

These laws, rules and regulations require companies such as ours that engage in advertising activities to obtain a business license that explicitly includes advertising in the business scope from the SAMR, formerly the SAIC, or its local branches.

Applicable PRC advertising laws, rules and regulations contain certain prohibitions on the content of advertisements in China (including prohibitions on misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest). Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited, and the dissemination of advertisements of certain other products, such as tobacco, patented products, pharmaceuticals, medical instruments, agrochemicals, foodstuff, alcohol and cosmetics, are also subject to specific restrictions and requirements.

Advertisers, advertising operators and advertising distributors, including the businesses that certain of the variable interest entities operate, are required by applicable PRC advertising laws, rules and regulations to ensure that the content of the advertisements they prepare or distribute are true and in compliance with applicable laws, rules and regulations. Violation of these laws, rules and regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAMR or its local branches may revoke the violator's license or permit for advertising business operations. In addition, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe the legal rights and interests of third parties, such as infringement of intellectual proprietary rights, unauthorized use of a name or portrait and defamation.

On June 25, 2016, the Cyberspace Administration of China promulgated the Administrative Regulations on Internet Information Search Services, or the Internet Search Regulations, which came into effect on August 1, 2016. According to the Internet Search Regulations, Internet search service providers must verify paid-search service customers' qualifications, limit the ratio of paid-search results on each webpage, and clearly distinguish paid-search results from natural search results.

The Internet Advertising Measures, which were promulgated by the SAIC on July 4, 2016 and came into effect on September 1, 2016, defined Internet advertising as any commercial advertising that directly or indirectly promotes

goods or services through websites, webpages, Internet applications and other Internet media in the forms of words, picture, audio, video or others, including promotion through emails, texts, images, video with embedded links and paid-for search results. The Internet Advertising Measures set out, among other things, the following requirements for Internet advertising activities:

- online advertisements for prescription medicine or tobacco are not allowed, while advertisements for special commodities or services such as medical treatment, pharmaceuticals, food for special medical purposes, medical instruments, agrochemicals, veterinary medicine and other health foods must be reviewed by competent authorities before online publication;
- Internet advertisements must be visibly marked as "advertisement," while paid-search results must be obviously distinguished from natural search results; and
- Internet advertisements must not affect users' normal use of the Internet; "pop-up ads" must be clearly marked with a "close" sign and be closable with one click; and no deceptive means may be used to lure users into clicking on advertisements.

According to the Internet Advertising Measures, Internet information service providers must prevent those advertisements they know or should have known to be illegal from being published through their information services. Furthermore, according to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the content of Internet advertisements, while Internet advertisement publishers and advertisement agencies are required to verify the identities of Internet advertisers and their qualifications, review the content of Internet advertisement, and employ inspectors who are familiar with PRC laws and regulations governing Internet advertising.

### ***Regulation of Online and Mobile Commerce***

China's online and mobile commerce industry is at an early stage of development and there are few PRC laws, regulations or rules specifically regulating this industry. The SAIC adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services on May 31, 2010 and replaced those measures with the Administrative Measures for Online Trading on January 26, 2014, which became effective on March 15, 2014. On December 24, 2014, the MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third Party Online Retail Platforms (Trial) to regulate the formulation, revision and enforcement of transaction rules for online retail marketplace platforms. These measures impose more stringent requirements and obligations on online trading or service operators as well as marketplace platform providers. For example, marketplace platform providers are obligated to make public and file their transaction rules with MOFCOM or its respective provincial counterparts, examine the legal status of each third-party merchant selling products or services on their platforms and display on a prominent location on a merchant's web page the information stated in the merchant's business license or a link to its business license, and group buying website operators must only allow a third-party merchant with a proper business license to sell products or services on their platforms. Where marketplace platform providers also act as online distributors, these marketplace platform providers must make a clear distinction between their online direct sales and sales of third-party merchant products on their marketplace platforms.

Since the promulgation of the Administrative Measures for Online Trading, the SAIC had issued a number of guidelines and implementing rules aimed at adding greater specificity to these regulations. The relevant governmental authorities continue to consider and issue guidelines and implementing rules, and we expect that regulation in this industry will further develop. For example, three PRC governmental authorities (the Ministry of Finance, General Administration of Customs and State Administration of Taxation) issued a notice on March 24, 2016 to regulate cross-border e-commerce trading which has experienced rapid growth in recent years. The New Cross-Border E-commerce Tax Notice, which became effective on April 8, 2016, introduced the concept of the Cross-Border E-Commerce Retail Importation Goods Inventory, or the Cross-Border E-Commerce Goods Inventory, which is to be issued and updated by the three authorities together with other relevant authorities from time to time. Goods outside the scope of the Cross-Border E-commerce Goods Inventory will have no tax codes

and be effectively removed from cross-border e-commerce platforms. Two versions of the Cross-Border E-Commerce Goods Inventory have been issued on April 6, 2016 and April 15, 2016, respectively.

Cosmetics imported for the first time, nutrition supplements and other special food products required to be registered with the National Medical Products Administration, formerly known as State Drug Administration or State Food and Drug Administration, are excluded from the Cross-Border E-Commerce Goods Inventory and will not be able to be sold on the relevant cross-border e-commerce platforms. However, pursuant to a transition policy issued by the General Administration of Customs, goods that have been imported to or in transit to the bonded areas and special regulated areas of customs before April 8, 2016 can still be sold on the cross-border e-commerce platforms no matter whether these goods are included in the Cross-Border E-Commerce Goods Inventory or not. Furthermore, pursuant to the Notice of Relevant Matters on Implementation of New Cross-Border E-Commerce Retail Importation Supervision and Administration Requirements, or the New Cross-Border E-Commerce Tax Implementation Notice, issued by the General Administration of Customs on May 24, 2016, the implementation of certain provisions of the New Cross-Border E-commerce Tax Notice will be suspended until the expiration of a transition period, which was supposed to conclude by the end of 2017. According to the New Cross-Border E-Commerce Tax Implementation Notice, the requirement of presenting customs clearance for bonded goods purchased online is suspended in ten cities, and the requirement of presenting first-time import license, registration or filing for online purchased cosmetics imported for the first time, nutrition supplements and other special food products, are suspended until the end of the transition period. Furthermore, according to an official MOFCOM news release issued on March 17, 2017, from January 1, 2018 retail goods imported on cross-border e-commerce platforms will be temporarily treated as personal items that are not subject to stricter regulation and higher tax rates applicable to normal imported goods in 15 cross-border e-commerce trial areas. On September 20, 2017, the State Council decided to extend the transition period for cross-border e-commerce retail import regulations to the end of 2018, during which period cross-border e-commerce retail import goods were to be temporarily regulated as personal items in ten pilot cities. Furthermore, according to a December 7, 2017 statement by the Ministry of Commerce, starting on January 1, 2018, the transitional period policy will be extended to 15 pilot cities. On November 28, 2018, the MOFCOM, the National Development and Reform Commission, and the Ministry of Finance jointly issued the Notice on Improving the Supervision over Cross-border E-commerce Retail Imports, which came into effect on January 1, 2019. According to this notice, the transitional period policy continued to be adopted in 37 cross-border e-commerce pilot areas, which means the retail goods imported on cross-border e-commerce platforms will still be regulated as personal items, and the registration or filing requirements for goods imported for the first time will not apply, except for goods that are temporarily prohibited from being imported from epidemic areas and goods for which risk emergency response is initiated to address major risks in product quality and safety. Cross-Border E-Commerce Goods Inventory was also revised on November 20, 2018 to reflect this change.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-commerce Law, which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. According to the E-commerce Law, e-commerce operators who provide search results based on consumers' characteristics such as hobbies and consumption habits shall also provide consumers with options that are not targeted at their personal characteristics at the same time, respect and fairly protect the legitimate interests of the consumers. The E-commerce Law requires the e-commerce platform operators to:

- verify and register the identities, addresses, contacts and licenses of merchants who apply to provide goods or services on its platform, establish registration archives and update this information on a regular basis;
- record and retain information of the products and services published on its platform, as well as transaction information, for a no less than three years unless otherwise provided by laws and regulations, and ensure the completeness, confidentiality and availability of this information;

- use noticeable labels to clearly distinguish the products or services provided by the platform operators from those provided by merchants;
- submit the identification information of the merchants on its platform to market regulatory administrative authorities as required and remind the merchants to complete the registration with market regulatory administrative authorities;
- submit identification information and tax-related information to tax authorities as required in accordance with the laws and regulations regarding the administration of tax collection and remind the individual merchants to complete the tax registration;
- display the platform service agreement and the transaction rules or links to this information on the homepage of the platform;
- establish a credit evaluation system and publish the credit evaluation rules, and provide consumers with methods to evaluate products sold or services provided on the platform; and
- establish intellectual property rights protection rules, and take necessary measures against infringement of intellectual property rights by merchants on its platform.

In addition, e-commerce platform operators are not allowed to impose unreasonable restrictions over or add unjustified conditions to transactions concluded on their platforms by merchants, or charge merchants operating on its platform any unreasonable fees.

According to the E-commerce Law, e-commerce platform operators are required to assume joint liability with the merchants and may be subject to warnings and fines up to RMB2,000,000 where (i) they fail to take necessary actions when they know or should have known that the products or services provided by the merchants on the platform do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights; or (ii) they fail to take necessary actions, such as deleting and blocking information, disconnecting, terminating transactions and services, when they know or should have known that the merchants on the platform infringe upon the intellectual property rights of others. With respect to products or services affecting consumers' health and safety, e-commerce platform operators will be held liable if they fail to review the qualifications of merchants or fail to safeguard the interests of consumers, and may be subject to warnings and fines up to RMB2,000,000.

#### ***Regulation of Mobile Apps***

On June 28, 2016, the Cyberspace Administration of China promulgated the Regulations for the Administration of Mobile Internet Application Information Services, which came into effect on August 1, 2016, requiring ICPs who provide information services through mobile Internet applications, or "Apps," to:

- verify the real identities of registered users through mobile phone numbers or other similar channels;
- establish and improve procedures for protection of user information;
- establish and improve procedures for information content censorship;
- ensure that users are given adequate information concerning an App, and are able to choose whether an App is installed and whether or not to use an installed App and its functions;
- respect and protect intellectual property rights; and
- keep records of users' logs for 60 days.

If an ICP who provides information services through Apps violates these regulations, mobile app stores through which the ICP distributes its Apps may issue warnings, suspend the release of its Apps, or terminate the sale of its Apps, and/or report the violations to governmental authorities.

## ***Regulation of Internet Content***

The PRC government has promulgated measures relating to Internet content through various ministries and agencies, including the MIIT, the News Office of the State Council, the Ministry of Culture and Tourism and the General Administration of Press and Publication. In addition to various approval and license requirements, these measures specifically prohibit Internet activities that result in the dissemination of any content that is found to contain pornography, promote gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC or compromise State security or secrets. ICPs must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the content immediately, keep a record of it and report to the relevant authorities. If an ICP violates these measures, the PRC government may impose fines and revoke any relevant business operation licenses.

### ***Regulations on Broadcasting Audio/Video Programs through the Internet***

On April 13, 2005, the State Council announced Several Decisions on Investment by Non-state-owned Companies in Culture-related Business in China. These decisions encourage and support non-state-owned companies to enter certain culture-related business in China, subject to restrictions and prohibitions for investment in audio/video broadcasting, website news and certain other businesses by non-state-owned companies. These decisions authorize the State Administration of Radio, Film, and Television, or the SARFT, the Ministry of Culture and the General Administration of Press and Publication, to adopt detailed implementing rules according to these decisions.

On December 20, 2007, the SARFT and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect on January 31, 2008 and was amended on August 28, 2015. Among other things, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled. According to relevant official answers to press questions published on the SARFT's website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that the providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. These policies have been reflected in the Application Procedure for Audio/Video Program Transmission License.

On March 17, 2010, the SARFT issued the Internet Audio/Video Program Services Categories (Provisional), or the Provisional Categories, which were amended on March 10, 2017. The amended Provisional Categories classified Internet audio/video programs into four categories, which are further divided into seventeen sub-categories.

In 2009, the SARFT released a Notice on Strengthening the Administration of Online Audio/Video Content. This notice reiterated, among other things, that all movies and television shows released or published online must comply with relevant regulations on the administration of radio, film and television. In other words, these movies and television shows, whether produced in the PRC or overseas, must be pre-approved by the SARFT, and the distributors of these movies and television shows must obtain an applicable permit before releasing any of these movies or television shows. In 2012, the SARFT and the State Internet Information Office of the PRC issued a Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. In 2014, the General Administration of Press and Publication, Radio, Film and Television, or GAPPRFT (which was split into the National Radio and Television Administration, or NRTA, and the State Administration of News and Publication in March 2018) released a Supplemental Notice on Improving the Administration of Online Audio/Video Content Including Internet Drama and Micro Films. This notice stresses that entities producing online audio/video content, such as Internet dramas and micro films, must obtain a permit for radio and television program production and operation, and that online audio/video content service providers should not release any Internet dramas or micro films that were produced by any entity lacking the permit. For Internet dramas or micro films produced and uploaded by individual users, the online audio/video service providers transmitting this content will be deemed responsible as the producer. Furthermore, under this notice, online audio/video service providers can only transmit content uploaded by individuals whose identity has been verified and the content must comply

with the relevant content management rules. This notice also requires that online audio/video content, including Internet drama and micro films, be filed with the relevant authorities before release.

On September 2, 2014, the GAPPRT promulgated a Notice on Further Implementing the Relevant Provisions for the Administration of Broadcasting Foreign Films and TV dramas. The notice stresses that any foreign film or TV drama must have a License for Film Publication or a TV drama Issuance License before being broadcast online, and that the annual total number of foreign films and TV dramas broadcast by a website must not exceed 30% of the total amount of domestic films and TV dramas broadcast by the relevant website in the preceding year. Furthermore, online video operators are required to report their annual plans for the import of foreign films and TV dramas to the GAPPRT before the end of the preceding year. If the online video operators' import plans are approved, the samples, contracts, copyright certificates, plot summaries and other materials relevant to the foreign films and TV dramas are subject to further content examination before the issuance of Licenses for Film Publication or the TV drama Issuance Licenses. The notice also requires these online video operators to upload information about the foreign films and TV dramas to be broadcast to a unified platform for registration before March 31, 2015. Since April 1, 2015, unregistered foreign films and TV dramas are no longer allowed to be broadcast online.

On April 25, 2016, the GAPPRT promulgated the Administration Measures on Audio/Video Program Services via Special Network and Directional Transmission, or Circular 6, which came into effect on June 1, 2016 and replaced the Rules for the Administration of Broadcasting of Audio/Video Programs through the Internet and Other Information Networks, which were promulgated in July 2004. Pursuant to Circular 6, providers of audio/video program services via special network and directional transmission, including content providing, integrated broadcasting controlling and transmission and delivery, must obtain an audio/video program transmission license, with a term of three years, issued by the GAPPRT and operate pursuant to the scope as provided in these licenses. Foreign invested enterprises are not allowed to engage in these businesses.

On March 16, 2018, the GAPPRT promulgated the Notice on Further Regulating the Transmission of Internet Audio/Video Programs, which requires that, among other things, audio/video platforms must: (i) not re-edit, re-dub, re-caption or otherwise ridicule classic works, radio and television programs, or original Internet audio/video programs without authorization, (ii) not broadcast clips and trailers of audio/video programs without due approval or those already sanctioned by the GAPPRT, (iii) not transmit re-edited programs that unfairly distort the original content, (iv) strictly monitor the adapted content uploaded by platform users and not provide transmission channels for illicit content, and (v) immediately take down unauthorized content upon receipt of complaints from copyright owners, radio and television stations, or film and television production institutions.

Pursuant to this notice, online audio/video programs may not cooperate with entities that illegally conduct Internet audio/video program services without approval, including accepting sponsorship or endorsement from these entities.

On December 27, 2018, the NRTA issued the Notice on the Upgrading of the Network Audio/Visual Program Information Filing System. According to this notice, since February 15, 2019, a producer shall submit relevant information, such as name, type, content outline and budget, of any major network movie or teleplay (including network plays, network movies and network animations) to the NRTA's "Major Network Movies and Teleplays Information Filing System" before producing the movie or teleplay. Major network movies and teleplays include any network series, and network animations, with total investment of over RMB5 million, and any network movie with an investment of over RMB1 million. After shooting and production of any major network movie or teleplay, the producers shall file the relevant information, such as the expected broadcasting platform, amount of actual investment and actor's remuneration, with the above-mentioned filing system, and submit the finished program to the relevant radio and television administrative departments. An online filing number will be assigned to a major network series after the content passes the review of the relevant radio and television administrative department. Major network series, network movies and network animations with online filing numbers are permitted to be broadcasted and promoted on the home pages of various audio-visual program websites, and may be used for promoting investment, membership recommendation, online recommendation and program optimization of audio-visual program websites.

***Regulations on Internet Publication***

The SARFT is responsible for nationwide supervision and administration of publishing activities in China. On February 4, 2016, the GAPPRFT, the SARFT's predecessor, and the MIIT jointly promulgated the Online Publication Service Administration Rules, or the Online Publication Rules, which took effect on March 10, 2016 and replaced the Internet Publication Tentative Administrative Measures, which were promulgated in June 2002.

Pursuant to the Online Publication Rules, an online publication service provider must obtain the Online Publication Service License from the GAPPRFT. The term "online publication service" is defined as the provision of online publications to the public through information networks. The term "online publications" is defined as digital works characteristic of publishing such as editing, production or processing provided to the public through information networks, and primarily includes:

- original digital works such as texts, pictures, maps, games, cartoons and audio-visual reading materials in the fields of literature, art, science, etc., that are of knowledge or ideology;
- digital works, the content of which is the same as that which has already been published, such as books, newspapers, periodicals and electronic publications;
- digital works such as online document databases formed by way of selecting, compiling or collecting the abovementioned works; and
- other types of digital works determined by the GAPPRFT.

The Online Publication Rules expressly prohibit foreign invested enterprises from providing online publication services. In addition, if an online publication service provider intends to cooperate for an online publication services project with foreign invested enterprises, overseas organizations or overseas individuals, it must report to the GAPPRFT and obtain an approval in advance. Also, an online publication service provider is prohibited from lending, leasing, selling or otherwise transferring the Online Publication Service License, or to allow any other online information service provider to provide online publication services in its name.

Pursuant to the Online Publication Rules, book, audio-visual, electronic, newspaper or periodical publishers who intend to engage in online publication services must have:

- a specific publishing platform, such as domain name and smart terminal application, for conducting online publication business;
- a specific online publication service scope; and
- necessary technical equipment for the provision of online publication services, with the related server and storage equipment located within the territory of the PRC.

Other entities that intend to engage in online publication services must have:

- a specific name and articles of association that is not identical to those of any other publication service provider;
- a legal representative and key responsible persons who shall be PRC citizens living permanently in the PRC who have full civil capacity to act, and at least one of these legal representatives or key responsible persons must have a mid-level or higher professional qualification in the field of publication;
- at least eight full-time editing and publishing staff, other than the legal representative and key responsible persons, who have professional qualifications in publishing or other relevant fields recognized by the GAPPRFT and meet the needs of the entity's scope of online publication services, among whom at least three must have mid-level or higher professional qualification;
- a content review system meeting the needs of the provision of online publication services;
- fixed working premises; and

- other items as required by relevant laws, administrative regulations or the GAPPRFT.

#### ***Regulations on Internet Drug Information Service***

The State Food and Drug Administration, or the SFDA, the predecessor of the National Medical Products Administration, promulgated the Administrative Measures on Internet Drug Information Service in July 2004 and further amended the same in November 2017. Since the promulgation of the Administrative Measures on Internet Drug Information Service, the SFDA had issued certain implementing rules and notices aimed at adding specificity to these regulations. These measures set out regulations governing the classification, application, approval, content, qualifications and requirements for Internet drug information services. An ICP service operator that provides information regarding drugs or medical equipment must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level counterpart of the National Medical Products Administration.

#### ***Regulations on Internet News Information Services***

Publishing and disseminating news through the Internet are highly regulated in the PRC. On November 6, 2000, the State Council Information Office, or SCIO, and the MIIT jointly promulgated the Provisional Measures for Administrating Internet Websites Carrying on the News Publication Business, or Internet News Measures.

These measures require an ICP operator (other than a government authorized news unit) to obtain the approval from SCIO to publish news on its website or disseminate news through the Internet. Furthermore, any disseminated news is required to be obtained from government-approved sources based on contracts between the ICP operator and these sources. The copies of these contracts must be filed with relevant government authorities.

On September 25, 2005, the SCIO and the MIIT jointly issued the Provisions on the Administration of Internet News Information Services, requiring Internet news information service organizations to provide services as approved by the SCIO, subject to annual inspection under the new provisions. These Provisions also provide that no foreign invested enterprise, whether jointly or wholly owned by the foreign investor, may be an Internet news information service organization, and no cooperation between Internet news information service organizations and foreign invested enterprises is allowed before the SCIO completes the security evaluation.

On May 2, 2017, the Cyberspace Administration issued the Administrative Provisions on Internet News Information Services, or the 2017 Internet News Information Provisions, which came into effect on June 1, 2017 and redefine news information as reports and commentary on political, economic, military, diplomatic and other social and public affairs, as well as reports and commentary on emergency social events. Pursuant to the 2017 Internet News Information Provisions, the Cyberspace Administration and its local counterparts replaced the SCIO as the government department in charge of supervision and administration of Internet news information. Furthermore, an ICP operator must obtain approval from the Cyberspace Administration in order to provide Internet news information services, including through websites, applications, forums, blogs, microblogs, public accounts, instant messaging tools, and webcasts.

#### ***Regulations on Internet Culture Activities***

On February 17, 2011, the Ministry of Culture, the predecessor of the Ministry of Culture and Tourism, promulgated the Internet Culture Administration Tentative Measures, or the Internet Culture Measures, which was most recently amended in December 2017. The Internet Culture Measures require ICP operators engaging in "Internet culture activities" to obtain a permit from the Ministry of Culture and Tourism. The term "Internet culture activities" includes, among other things, online dissemination of Internet cultural products (such as audio-video products, gaming products, performances of plays or programs, works of art and cartoons) and the production, reproduction, importation, publication and broadcasting of Internet cultural products.

On November 20, 2006, the Ministry of Culture issued Several Suggestions of the Ministry of Culture on the Development and Administration of Internet Music, or the Suggestions, which became effective on November 20, 2006. The Suggestions, among other things, reiterate the requirement for an Internet service provider to obtain an

Internet culture business permit to carry on any business relating to Internet music products. In addition, foreign investors are prohibited from operating Internet culture businesses. However, the laws and regulations on Internet music products are still evolving, and there have not been any provisions stipulating whether or how music videos will be regulated by the Suggestions.

On August 12, 2013, the Ministry of Culture promulgated the Notice on Implementing the Administrative Measures for the Content Self-examination of Internet Culture Business Entities. According to this notice, any cultural product or service shall be reviewed by the provider before being released to the public and the review process shall be done by persons who have obtained the relevant content review certificate.

On October 23, 2015, the Ministry of Culture promulgated the Notice on Further Strengthening and Improving the Content Review of Online Music, which took effect on January 1, 2016 and stipulated that ICPs shall carry out self-examination in respect of the content management of online music, which shall be regulated by the cultural administration departments in process or afterwards. According to this notice, ICP operators are required to submit their content administrative system, review procedures, and work standards to the provincial culture administrative department where they are located for filing within a prescribed period.

#### ***Regulations on Producing Audio/Video Programs***

On July 19, 2004, the SARFT promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs, effective as of August 20, 2004 and amended on August 28, 2015. These Measures provide that anyone who wishes to produce or operate radio or television programs must first obtain an operating permit for their business.

On December 25, 2001, the State Council promulgated the Regulations for the Administration of Films, or the Film Regulations, which became effective on February 1, 2002. The Film Regulations set forth the general regulatory guidelines for China's film industry and address practical issues with respect to production, censorship, distribution and screening. They also establish the SARFT as the sector's regulatory authority, and serve as the foundation for all other legislation promulgated in this area. The Film Regulations provide the framework for an industry-wide licensing system operated by the SARFT, under which separate permits (and permit application procedures) apply.

#### ***Regulation of Express Delivery Services***

The PRC Postal Law, which took effect in October 2009 and was most recently amended in 2015, sets forth the fundamental rules on the establishment and operation of an express delivery company. According to the Postal Law, an enterprise that operates and provides express delivery services is required to obtain a Courier Service Operation Permit. Pursuant to the Postal Law, "delivery" refers to delivery of correspondence, parcels, printed materials and other items to specific individuals or entities according to the names and addresses on the envelopes or packages, including mail acceptance, sorting, transportation, delivery, and "express delivery" refers to rapid mail "delivery" within a specified time limit. The above-mentioned requirements are also provided for in the Administrative Measures for Express Delivery Market, which were promulgated by the Ministry of Transport in January 2013 and became effective in March 2013.

The PRC Postal Law also requires that a company operating express delivery services must apply for and obtain the Courier Service Operation Permit prior to applying for its business license. Pursuant to the Administrative Measures on Courier Service Operation Permits, which were promulgated by the Ministry of Transport in June 2015 and amended in October 2018, any entity engaging in express delivery services is required to obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. The express delivery business must be operated within the permitted scope and the valid term of the Courier Service Operation Permit.

On March 2, 2018, the State Council promulgated the Provisional Regulations for Express Delivery, or the Provisional Regulations, which came into effect on May 1, 2018 and was amended on March 2, 2019. The

Provisional Regulations reiterate that a company operating express delivery services must obtain the Courier Service Operation Permit and sets forth specific rules and security requirements for express delivery operations.

### ***Regulation of Internet Security***

The Decision in Relation to Protection of Internet Security enacted by the Standing Committee of the National People's Congress of China on December 28, 2000 provides that the following activities conducted through the Internet are subject to criminal punishment:

- gaining improper entry into a computer or system of strategic importance;
- disseminating politically disruptive information or obscenities;
- leaking State secrets;
- spreading false commercial information; or
- infringing intellectual property rights.

The Administrative Measures on the Security Protection of Computer Information Network with International Connections, issued by the Ministry of Public Security on December 16, 1997 and amended on January 8, 2011, prohibit the use of the Internet in a manner that would result in the leakage of State secrets or the spread of socially destabilizing content. The Provisions on Technological Measures for Internet Security Protection, or the Internet Security Protection Measures, promulgated on December 13, 2005 by the Ministry of Public Security require all ICPs to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Communication Network Security Protection Administrative Measures, which were promulgated by the MIIT on January 21, 2010, require that all communication network operators, including telecommunications service providers and Internet domain name service providers, divide their own communication networks into units. These communication network units shall be rated in accordance with degree of damage to national security, economic operation, social order and public interest in the event a unit is damaged. Communication network operators must file the division and ratings of their communication networks with MIIT or its local counterparts. If a communication network operator violates these measures, the MIIT or its local counterparts may order rectification or impose a fine up to RMB30,000 in case a violation is not duly rectified.

Internet security in China is also regulated and restricted from a national security standpoint. On July 1, 2015, the National People's Congress Standing Committee promulgated the New National Security Law, which took effect on the same date and replaced the former National Security Law promulgated in 1993. According to the New National Security Law, the state shall ensure that the information system and data in important areas are secure and controllable. In addition, according to the New National Security Law, the state shall establish national security review and supervision institutions and mechanisms, and conduct national security reviews of key technologies and IT products and services that affect or may affect national security. There are uncertainties on how the New National Security Law will be implemented in practice.

On November 7, 2016, the National People's Congress Standing Committee promulgated the Cybersecurity Law, which came into effect on June 1, 2017, and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines "networks" as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with

certain rules and procedures. "Network operators," who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations including:

- complying with security protection obligations in accordance with tiered cybersecurity system's protection requirements, which include formulating internal security management rules and manual, appointing cybersecurity responsible personnel, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status, cybersecurity events, retaining user logs for at least six months and adopting measures such as data classification, key data backup and encryption, for the purpose of securing networks from interference, vandalization, or unauthorized visit and preventing network data from leakage, theft or tampering;
- verifying user's identities before signing agreements or providing services such as network access, domain name registration, landline telephone or mobile phone access, information publishing or real-time communication services;
- formulating cybersecurity emergency response plans, timely handling security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities; and
- providing technical assistance and support for public security and national security authorities for protection of national security and criminal investigations.

According to the Cybersecurity Law, network service providers must inform users about and report to the relevant authorities any known security defects and bugs, and must provide continuous security maintenance services for their products and services. Network products and service providers shall not contain or provide malware.

Network service providers who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On April 11, 2017, the Cyberspace Administration of China released the draft Measures on Security Assessment of the Cross-Border Transfer of Personal Information and Important Data, or the draft Cross-Border Transfer Measures, which require personal information and important data collected by and produced by all network operators during the course of their operations within China to be stored within China. According to the draft Cross-Border Transfer Measures, self-assessment by network operators or assessment by industrial regulatory authority or the national cyberspace authority under certain circumstances must be completed before transferring personal information or important data overseas.

According to the draft Cross-Border Transfer Measures, personal information or important data may not be transferred overseas without consent from the concerned individual(s), or if the transfer endangers the interests of individuals, the public or national security. The export of the following data shall be pre-assessed by industrial regulatory authority or the national cyberspace authority:

- personal information of 500,000 individuals or more;
- data with volume of 1,000 gigabytes or more;
- data in relation to nuclear facilities, chemistry and biology, national defense and military, health of the population, mega project activities, ocean environment, and sensitive geographical information;
- network security information involving system bugs and security protection of key information infrastructure;
- personal information and important data provided by key information infrastructure operators; and
- other data that may affect national security and societal public interests, and considered by the industrial administration authority or regulatory authority necessary to be subject to their assessment.

The Cyberspace Administration of China completed the solicitation of comments on the draft Cross-Border Transfer Measures in May 2017 but has not promulgated the final measures. There are still substantial uncertainties with respect to its final content and enactment timetable.

On May 2, 2017, the Cyberspace Administration issued the Measures for Security Review of Cyber Products and Services, or the Cybersecurity Review Measures, which came into effect on June 1, 2017. According to the Cybersecurity Review Measures, the following cyber products and services will be subject to cybersecurity review:

- important cyber products and services purchased by networks and information systems related to national security; and
- the purchase of cyber products and services by operators of critical information infrastructure in important industries and fields such as public communications and information services, energy, transportation, water resources, finance, public service and electronic administration, and other critical information infrastructure, which may affect national security.

The Cyberspace Administration is responsible for organizing and implementing cybersecurity reviews, while the competent departments in key industries such as finance, telecommunications, energy and transport shall be responsible for organizing and implementing security review of cyber products and services in their respective industries or fields. There are still substantial uncertainties with respect to the interpretation and implementation of the Cybersecurity Review Measures.

On November 15, 2018, the Cyberspace Administration issued the Provisions on Security Assessment of the Internet Information Services with Public Opinion Attributes or Social Mobilization Capacity, which came into effect on November 30, 2018. The provisions require ICPs to conduct security assessments on their Internet information services if their services include forums, blogs, microblogs, chat rooms, communication groups, public accounts, short-form videos, online live-streaming, information sharing, mini programs or other functions that provide channels for the public to express opinions or have the capability of mobilizing the public to engage in specific activities. ICPs must conduct self-assessment on, among other things, the legality of new technology involved in the services and the effectiveness of security risk prevention measures, and file the assessment report with the local competent cyberspace administration authority and public security authority.

### ***Regulation of Privacy Protection***

Under the ICP Measures, ICPs are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes upon the lawful rights and interests of others.

Depending on the nature of the violation, ICPs may face criminal charges or sanctions by PRC security authorities for these acts, and may be ordered to suspend temporarily their services or have their licenses revoked.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT on December 29, 2011, ICPs are also prohibited from collecting any personal user information or providing any information to third parties without the consent of the user. The Cybersecurity Law provides an exception to the consent requirement where the information is anonymous, not personally identifiable and unrecoverable. ICPs must expressly inform the users of the method, content and purpose of the collection and processing of user personal information and may only collect information necessary for its services. ICPs are also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, ICPs must take remedial measures immediately and report any material leak to the telecommunications regulatory authority.

In addition, the Decision on Strengthening Network Information Protection promulgated by the Standing Committee of the National People's Congress on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private data. The decision requires ICPs to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, MIIT's Rules on Protection of Personal Information of Telecommunications and Internet Users promulgated on July 16, 2013 contain detailed requirements on the use and collection of personal information as well as the security measures to be taken by ICPs.

The PRC government retains the power and authority to order ICPS to provide an Internet user's personal information if a user posts any prohibited content or engages in any illegal activities through the Internet.

According to the Cybersecurity Law, individuals may request that network operators make corrections to or delete their personal information in case the information is wrong or was collected or used beyond an individuals' agreement with network operators.

### ***Regulation of Consumer Protection***

Our online and mobile commerce business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law, as amended and effective as of March 15, 2014, and the Administrative Measures for Online Trading, both of which have imposed stringent requirements and obligations on business operators, including Internet business operators and platform service providers like us. For example, consumers are entitled to return goods purchased online, subject to certain exceptions, within seven days upon receipt of goods for no reason. On January 6, 2017, the SAIC issued the Interim Measures for No Reason Return of Online Purchased Commodities within Seven Days, which came into effect on March 15, 2017, further clarifying the scope of consumers' rights to make returns without a reason, including exceptions, return procedures and online marketplace platform providers' responsibility to formulate seven-day no-reason return rules and related consumer protection systems, and supervise the merchants for compliance with these rules. To ensure that merchants and service providers comply with these laws and regulations, we, as platform operators, are required to implement rules governing transactions on our platform, monitor the information posted by merchants and service providers, and report any violations by merchants or service providers to the relevant authorities. In addition, online marketplace platform providers may, pursuant to PRC consumer protection laws, be subject to liabilities if the lawful rights and interests of consumers are infringed in connection with consumers' purchase of goods or acceptance of services on online marketplace platforms and the platform service providers fail to provide consumers with the contact information of the merchant or manufacturer. In addition, platform service providers may be jointly and severally liable with merchants and manufacturers if they are aware or should be aware that the merchant or manufacturer is using the online platform to infringe upon the lawful rights and interests of consumers and fail to take measures necessary to prevent or stop this activity.

Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of a fine, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

### ***Regulation of Pricing***

In China, the prices of a very small number of products and services are guided or fixed by the government. According to the Pricing Law, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive consumers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warning, orders to cease unlawful activities, payment of compensation to consumers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe. Merchants on Tmall and Taobao Marketplace undertake the primary obligation under the Pricing Law. However, in some cases, we have been and may in the future be held liable and be subject to fines or other penalties if the authorities determine that, as the platform operator, our guidance for platform-wide promotional activities resulted in unlawful pricing activities by the merchants on our platforms or if the pricing information we provided for platform-wide promotional activities was determined to be untrue or misleading.

***Regulation of Intellectual Property Rights***

***Patent***

Patents in the PRC are principally protected under the Patent Law of the PRC. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

***Copyright***

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks, which was most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

***Trademark***

Registered trademarks are protected under the Trademark Law of the PRC and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

***Domain Name***

Domain names are protected under the Administrative Measures on Internet Domain Names promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

***Regulation of Anti-counterfeiting***

According to the Trademark Law of the PRC, counterfeit or unauthorized production of the label of another person's registered trademark, or sale of any label that is counterfeited or produced without authorization will be deemed as an infringement of the exclusive right to use a registered trademark. The infringing party will be ordered to cease infringement immediately, a fine may be imposed and the counterfeit goods will be confiscated. The infringing party may also be held liable for damages suffered by the owner of the intellectual property rights, which will be equal to the gains obtained by the infringing party or the losses suffered by the owner as a result of the infringement, including reasonable expenses incurred by the owner in connection with enforcing its rights.

Under the Tort Liability Law of the PRC, an Internet service provider may be subject to joint liability if it is aware that an Internet user is infringing upon the intellectual property rights of others through its Internet services, such as selling counterfeit products, and fails to take necessary measures to stop that activity. If an Internet service provider receives a notice from an infringed party regarding an infringement, the Internet service provider is required to take certain measures, including deleting, blocking and unlinking the infringing content, in a timely manner.

In addition, under the Administrative Measures for Online Trading issued by the SAIC on January 26, 2014, as an operator of an online trading platform, we must adopt measures to ensure safe online transactions, protect consumers' rights and prevent trademark infringement.

***Tax Regulations***

***PRC Enterprise Income Tax***

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules, both of which became effective on January 1, 2008 and were most recently amended on December 29, 2018 and April 23, 2019, respectively. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTes, to enjoy a reduced 15% enterprise income tax rate subject to these HNTes meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%. A number of our PRC subsidiaries and operating entities enjoy these types of preferential tax treatment.

Uncertainties exist with respect to how the EIT Law applies to the tax residence status of Alibaba Group and our offshore subsidiaries. Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in the same manner as a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise, the only official guidance for this definition currently available is set forth in Circular 82 issued by the State Administration of Taxation in April 2009 and most recently amended in December 2017. Circular 82 provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Alibaba Group Holding Limited does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of Circular 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in Circular 82 to evaluate the tax residence status of Alibaba Group and our subsidiaries organized outside the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met:

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

We do not believe that we meet any of the conditions outlined in the immediately preceding paragraph. Alibaba Group Holding Limited and our offshore subsidiaries are incorporated outside the PRC. As a holding company, our key assets and records, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that have been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we believe that Alibaba Group Holding Limited and our offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties

remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income."

In the event that Alibaba Group Holding Limited or any of our offshore subsidiaries is considered to be a PRC resident enterprise:

- Alibaba Group Holding Limited or our offshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income;
- dividend income that Alibaba Group Holding Limited or our offshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and
- dividends paid to our overseas shareholders or ADS holders who are non-PRC resident enterprises as well as gains realized by these shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of up to 10%, subject to any reduction or exemption set forth in relevant tax treaties, and similarly, dividends paid to our overseas shareholders or ADS holders who are non-PRC resident individuals, as well as gains realized by these shareholders or ADS holders from the transfer of our shares or ADSs, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%, subject to any reduction or exemption set forth in relevant tax treaties.

Bulletin 7 was issued by the State Administration of Taxation on February 3, 2015 and most recently amended pursuant to Bulletin 37, which was issued by the State Administration of Taxation on October 17, 2017 and became effective as of December 1, 2017. Pursuant to Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from an indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or a place of business in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7. If Bulletin 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with Bulletin 7 or to establish that the relevant transactions should not be taxed under Bulletin 7, which may materially and adversely affect us. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company."

According to Bulletin 37, if a non-PRC resident fails to comply with the tax payment obligations, the tax authority may seek the payment of tax arrears and late fees payable from other income of the non-PRC resident within the territory of China.

### ***PRC Business Tax and Value-Added Tax***

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In May and December 2013, April 2014, March 2016 and July 2017, the Ministry of Finance and the State Administration of Taxation promulgated Circular 37, Circular 106, Circular 43, Circular 36 and Circular 58 to further expand the scope of services that are to be subject to Value-Added Tax, or VAT, instead of business tax. Pursuant to these tax rules, from August 1, 2013, a VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of the People's Republic of China on Value Added Tax to reflect the normalization of the pilot program. A VAT rate of 6% applies to revenue derived from the provision of certain services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

Accordingly, although the 6% VAT rate is higher than the previously applicable 5% business tax rate, no materially different tax cost to us has resulted nor do we expect one to result from the replacement of the business tax with a VAT on our services.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform, or Announcement 39, which came into effect on April 2019, to further slash VAT rates. According to Announcement 39, (i) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

### ***PRC Import Tax***

Consumer goods imported through cross-border e-commerce platforms were originally classified as "personal baggage or postal articles" under the Notice on Pilot Bonded Area Import Pattern of Cross-Border Trade E-Commerce Services issued by PRC General Administration of Customs on March 4, 2014. A personal baggage or postal articles tax was levied on these goods before the online retailers could deliver the same to buyers. The personal baggage or postal articles tax was exempted if the payable amount was lower than RMB50. The rate of personal baggage or postal articles tax was respectively 10%, 20%, 30% and 50% for different categories of products imported. Under this tax pattern, a quota of RMB1,000 for each purchase order was imposed on online buyers, otherwise the imported goods were classified as normal goods, which are subject to value-added tax, consumption tax and tariff.

The above-mentioned notice was abolished pursuant to the New Cross-Border E-commerce Tax Notice. The goods imported through cross-border e-commerce platforms are now treated as normal goods rather than "personal

baggage or postal articles" and subject to the usual value-added tax, consumption tax and tariff. In general, a value-added tax at the rate of 17% (before May 1, 2018) and 16% (from May 1, 2018 onwards) is levied on most products sold on the cross-border e-commerce platform and a 15% consumption tax on high-end cosmetics, while no consumption tax is levied on skin care products, maternity and baby care products. As a preferential tax treatment, the Notice on Improving the Tax Policies on Cross-Border E-Commerce Retail Imports, which was issued on November 29, 2018 provides that, if the goods imported through cross-border e-commerce platforms are within the quota of RMB5,000 per purchase order and RMB26,000 per year per buyer, there is a 30% discount off the applicable value-added tax and the consumption tax, and the tariff is waived.

### ***PRC Export Tax***

According to the Notice on the Taxation Policies for Cross-border E-Commerce Retail Export, or the E-Commerce Export Taxation Notice, which was jointly issued by the Ministry of Finance and the State Administration of Taxation and took effect as of January 1, 2014, an e-commerce export enterprise may be exempt from or refunded with consumption tax and VAT upon satisfaction of the following conditions:

- it is a general VAT taxpayer, and has been granted the export tax refund/exemption eligibility;
- the customs export declarations (specifically for export tax refund) for exported goods have been obtained and information thereon is consistent with the electronic information of the customs export declarations;
- the foreign exchange for the exported goods is received prior to the deadline of tax refund or tax exemption; and
- where the e-commerce export enterprise is a foreign trade enterprise, it must have obtained corresponding special VAT invoices, special payment statements for consumption tax (split pages) or special customs statements for payment of import VAT or consumption tax for purchase of the goods for export, and relevant information on the foregoing documents shall be consistent with that contained in the customs export declarations (specifically for export tax refunds).

Even if an e-commerce export enterprise does not satisfy the foregoing conditions, it may also be exempt from consumption tax and VAT if it meets the following requirements:

- it has completed tax registration;
- it has obtained customs export declarations for the exported goods; and
- it has obtained legal and valid proof for purchase of the exported goods.

Third-party e-commerce platforms providing transaction services for e-commerce export enterprises are not eligible for a tax refund or exemption under the E-Commerce Export Taxation Notice.

### ***Regulation of Foreign Exchange and Dividend Distribution***

#### ***Foreign Exchange Regulation***

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or

SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. In addition, SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of SAFE Circular 142. Under SAFE Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of RMB capital may not be changed without SAFE's approval, and RMB capital may not in any case be used to repay RMB loans if the proceeds of the loans have not been used.

To further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, SAFE issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas in July 2014, which became effective on August 4, 2014. This circular suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in these areas with a business scope including "investment" to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC. SAFE released the Notice on the Reform of the Administration Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or SAFE Circular 19, in March 2015, which came into force and superseded SAFE Circular 142 on June 1, 2015. Circular 19 allows foreign invested enterprises to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation and provides the procedures for foreign invested companies to use Renminbi converted from foreign currency-denominated capital for equity investment. Nevertheless, Circular 19 also reiterates the principle that Renminbi converted from foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, which became effective on June 1, 2015. Under SAFE Circular 13, the current foreign exchange procedures will be further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

In June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, which took effect on the same day. Compared to Circular 19, Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties). However, there still exist substantial uncertainties with respect to the interpretation and implementation of Circular 16 in practice.

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On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, which took effect on the same day. Circular 3 sets out various measures, including the following:

- relaxing the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation, including:
  - expanding the scope of foreign exchange settlement for domestic foreign exchange loans,
  - allowing the capital repatriation for offshore financing against domestic guarantee,
  - facilitating the centralized management of foreign exchange funds of multinational companies, and
  - allowing offshore institutions within pilot free trade zones to settle foreign exchange in domestic foreign exchange accounts; and
- tightening genuineness and compliance verification of cross-border transactions and cross-border capital flow, including:
  - improving the statistics of current account foreign currency earnings deposited offshore,
  - requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US\$50,000,
  - strengthening genuineness and compliance verification of foreign direct investments, and
  - implementing full scale management of offshore loans in Renminbi and foreign currencies by requiring the total amount of offshore loans be no higher than 30% of the onshore lender's equity shown on its audited financial statements of the last year.

We typically do not need to use our offshore foreign currency to fund our PRC operations. In the event we need to do so, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiaries' distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements as described above.

### *SAFE Circular 37*

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released SAFE Circular 13, under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015. There exist substantial uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation, and pursuant to Circular 37, we have periodically filed and updated foreign exchange registration, on behalf of certain employee shareholders whom we know are PRC residents. However, we may not be aware of the identities of all our beneficial owners who are PRC residents. In addition, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular 37. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 may subject these beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or amend the registration may also limit our ability to contribute additional capital to our PRC subsidiaries or receive dividends or other distributions from our PRC subsidiaries or other proceeds from disposal of our PRC subsidiaries, or we may be penalized by SAFE.

#### *Share option rules*

Under the Administration Measures on Individual Foreign Exchange Control issued by the People's Bank of China, or the PBOC, on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies, or the Share Option Rules, issued by SAFE on February 15, 2012, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches, (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants, and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

#### *Regulation of dividend distribution*

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law of the PRC, as amended, the Wholly Foreign-owned Enterprise Law and its implementation regulations and the Chinese-foreign Equity Joint Venture Law and its implementation regulations. Under these laws, rules and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC enterprises are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

#### ***Labor Laws and Social Insurance***

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

In addition, according to the PRC Social Insurance Law and the Regulations on the Administration of Housing Funds, employers in China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

### ***Anti-monopoly Law***

The PRC Anti-monopoly Law, which took effect on August 1, 2008, prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

#### ***Monopoly Agreement***

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed).

#### ***Abuse of Dominant Market Position***

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

#### ***Concentration of Undertakings***

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration.

Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — Anti-monopoly and unfair competition claims against us may result in our being subject to fines as well as constraints on our business."

### ***Anti-Terrorism Law***

The PRC Anti-Terrorism Law, which was promulgated on December 27, 2015, came into effect on January 1, 2016 and was amended on April 27, 2018, imposing obligations on telecommunication business operators and Internet service providers to provide technical interfaces and technical assistance in decryption and other efforts to public and national security authorities in terrorism prevention and investigation. Also, the Anti-Terrorism Law requires Internet service providers to implement network security and information and content monitoring systems and adopt technical security measures to prevent the dissemination of information containing terrorist or extremist content. Once content of this type is detected, Internet service providers shall cease the transmission of the information, keep the relevant records, delete the information and report to public and national security bodies. In addition, the Anti-Terrorism Law requires telecommunication business operators and Internet service providers to verify the identity of their clients, and not to provide services to anyone whose identity is unclear or who declines to verify his/her identity. However, the Anti-Terrorism Law does not further specify the required verification

measures. Since the Anti-Terrorism Law was promulgated recently, there exist substantial uncertainties with respect to its interpretation and implementation by governmental authorities.

### ***Regulation Applicable to Alipay***

#### ***Regulation of Non-financial Institution Payment Services***

According to the Administrative Measures for the Payment Services Provided by Non-financial Institutions, or the Payment Services Measures, promulgated by the PBOC on June 14, 2010 and effective as of September 1, 2010, a payment institution, a non-financial institution providing monetary transfer services as an intermediary between payees and payers, including online payment, issuance and acceptance of prepaid cards or bank cards, and other payment services specified by the PBOC, is required to obtain a payment business license. Any non-financial institution or individual engaged in the payment business without this license may be ordered to cease its payment services and be subject to administrative sanctions and even criminal liabilities. Applications for payment business licenses are examined by the local branches of the PBOC and then submitted to the PBOC for approval. The registered capital of an applicant that engages in a nationwide payment business must be at least RMB100 million, while that of an applicant engaging in a payment business within a province must be at least RMB30 million.

A payment institution is required to conduct its business within the scope of business indicated in its payment business license, and may not undertake any business beyond that scope or outsource its payment business. No payment institution may transfer, lease or lend its payment business license.

On January 20, 2015, the SAFE promulgated the Guiding Opinions on the Pilot Services of Cross-Border Foreign Exchange Payment by Payment Institutions, or the Guiding Opinions, which replaced the previous guiding opinion issued by SAFE on February 1, 2013. Pursuant to the Guiding Opinions, a payment institution is required to obtain approval from the SAFE in order to engage in pilot cross-border foreign exchange payment services and may only provide cross-border foreign exchange payment services for trade in goods or trade in services with real and legitimate transaction background. The payment institution must also verify the real names and identity information of the customers involved in the cross-border transactions, maintain records of the relevant transactions and make monthly reports to the local branch of the SAFE.

In addition, on December 28, 2015, the PBOC promulgated the Administrative Measures for the Online Payment Business of Non-bank Payment Institutions, or the Online Payment Measures, which came into effect on July 1, 2016. The Online Payment Measures require online payment institutions to conduct "know your client" checks and implement the real name system for payment accounts. The Online Payment Measures classify online payment accounts into three categories and require online payment institutions to impose real-name based, classified management, including imposing limits on annual payment volume with respect to different categories of online payment accounts. In addition, a payment account can only be opened by a payment institution with Internet payment business license at the request of customers.

On January 13, 2017, the PBOC issued the Notice on Matters Related to Implementation of Centralized Custody of Clients' Reserve Funds of Payment Institutions, which requires that from April 17, 2017, payment institutions transfer a portion of customer reserve funds to a specifically designated bank account upon the request of the PBOC and that no interest shall accrue upon the transferred customer reserve funds. On June 29, 2018, the PBOC issued the Notice on Matters Related to Fully-centralized Custody of Clients' Reserve Funds of Payment Institutions, which requires payment institutions to deposit 100% of their customer reserve funds by January 14, 2019.

We rely on Alipay to provide payment services on our marketplaces and Alipay has obtained a payment business license from the PBOC as well as approval for cross-border foreign exchange payment services from the SAFE.

#### ***Anti-money Laundering Regulations***

The PRC Anti-money Laundering Law, which became effective on January 1, 2007, sets forth the principal anti-money laundering requirements applicable to both financial and non-financial institutions with anti-money

laundering obligations, such as Alipay, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, preservation of clients' identification information and transactions records, and reports on block transactions and suspicious transactions. The Payment Services Measures also require that the payment institution follow the rules associated with anti-money laundering and comply with their anti-money laundering obligations.

In addition, the PBOC promulgated the Administrative Measures for Payment Institutions Regarding Anti-money Laundering and Counter Terrorism Financing on March 5, 2012, or the Anti-money Laundering Measures, according to which the payment institution must establish and improve unified anti-money laundering internal control systems and file their systems with the local branch of the PBOC. The Anti-money Laundering Measures also require the payment institution to set up an anti-money laundering department or designate an internal department to be responsible for anti-money laundering and counter terrorism financing work.

Alipay is in the process of expanding its business internationally, and it may become subject to additional laws, rules and regulations of the jurisdictions in which it chooses to operate. These regulatory regimes may be complex and require extensive time and resources to ensure compliance.

#### ***Data Protection Regulation in Europe***

On May 25, 2018, EU Directive 95/46/EEC was replaced by the GDPR on the protection of natural persons with regard to the processing and free movement of personal data. The GDPR applies directly in all EU member states from May 25, 2018 and applies to companies with an establishment in the European Economic Area, or the EEA, and to certain other companies not in the EEA that offer or provide goods or services to individuals located in the EEA or monitor individuals located in the EEA. The GDPR implements more stringent operational requirements for controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information and pseudonymized data, increased cyber security requirements, mandatory data breach notification requirements and higher standards for controllers to demonstrate that they have obtained a valid legal basis for certain data processing activities.

The activities of data processors will be regulated for the first time, and companies undertaking processing activities are required to offer certain guarantees in relation to the security of processing and the handling of personal data. Contracts with data processors will also need to be updated to include certain terms prescribed by the GDPR, and negotiating these updates may not be fully successful in all cases. Failure to comply with EU laws, including failure under the GDPR and other laws relating to the security of personal data may result in fines up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, if greater, and other administrative penalties including criminal liability.

#### ***Disclosure of Iranian Activities under Section 13(r) of the Exchange Act***

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, including, among other matters, transactions or dealings relating to the government of Iran. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

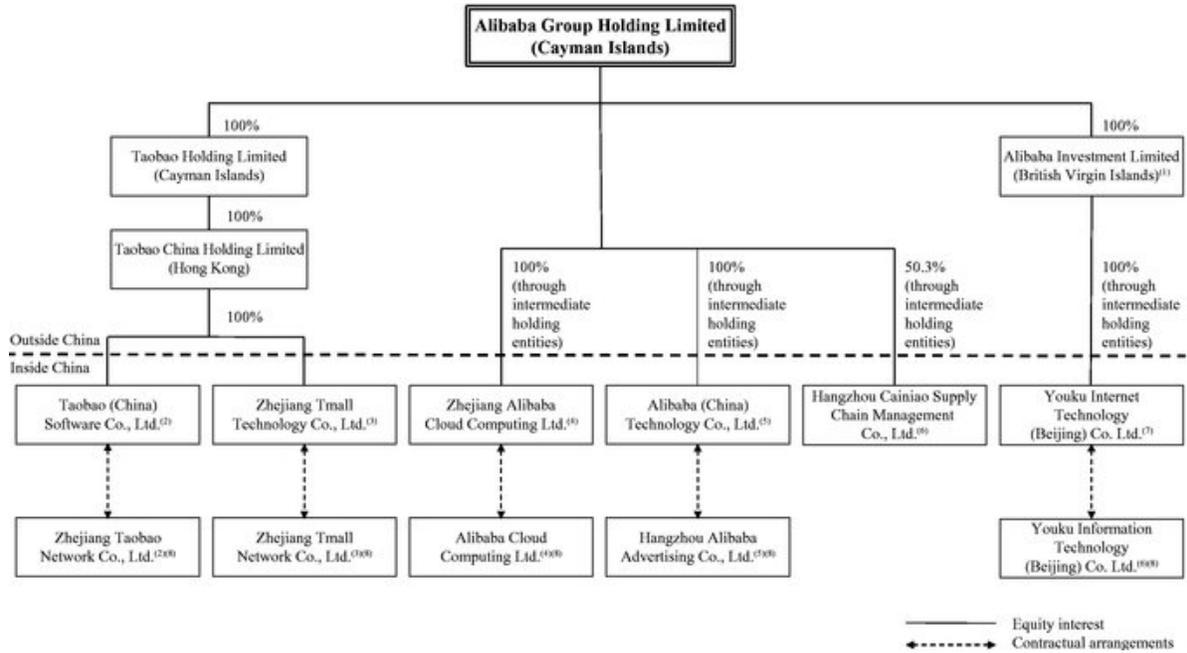
SoftBank is one of our substantial shareholders. During fiscal year 2019, SoftBank, through one of its non-U.S. subsidiaries, provided roaming services in Iran through Telecommunications Services Company (MTN Irancell), which is or may be a government-controlled entity. During fiscal year 2019, SoftBank had no gross revenues from these services and no net profit was generated. This subsidiary also provided telecommunications services in the ordinary course of business to accounts affiliated with the Embassy of Iran in Japan. During fiscal year 2019, SoftBank estimates that gross revenues and net profit generated by these services were both under US\$17,000. We were not involved in, and did not receive any revenue from, any of these activities. These activities have been conducted in accordance with applicable laws and regulations, and they are not sanctionable under U.S.

or Japanese law. Accordingly, with respect to Telecommunications Services Company (MTN Irancell), the relevant SoftBank subsidiary intends to continue these activities. With respect to services provided to accounts affiliated with the Embassy of Iran in Japan, the relevant SoftBank subsidiary is obligated under contract to continue these services.

In addition, during fiscal year 2019, SoftBank, through one of its non-U.S. indirect subsidiaries, provided office supplies to the Embassy of Iran in Japan. SoftBank estimates that gross revenue and net profit generated by these services were under US\$10,000 and US\$2,000, respectively. We were not involved in, and did not receive any revenue from any of these activities. The relevant SoftBank subsidiary intends to continue these activities.

**C. Organizational Structure**

As of March 31, 2019, we conducted our business operations across approximately 700 subsidiaries and consolidated entities incorporated in China and approximately 520 subsidiaries and consolidated entities incorporated in other jurisdictions. Like many large scale, multinational companies with businesses around the world and across industries, we conduct our business through a large number of Chinese and foreign operating entities as we continue to expand through organic growth and acquisitions and consolidations of new businesses. The chart below summarizes our corporate legal structure and identifies our significant subsidiaries, as that term is defined under Section 1-02 of Regulation S-X under the Securities Act, and other subsidiaries and variable interest entities that are material to our business:



- (1) The principal holding company for our strategic investments.
- (2) Primarily involved in the operation of Taobao Marketplace.
- (3) Primarily involved in the operation of Tmall.
- (4) Primarily involved in the operation of our cloud computing business.
- (5) Primarily involved in the operation of Alibaba.com, 1688.com and AliExpress.
- (6) Primarily involved in the operation of Cainiao Network's business.
- (7) Primarily involved in the operation of Youku's business.
- (8) Each of these variable interest entities is owned by PRC citizens or PRC entities owned and/or controlled by PRC citizens.

**Contractual Arrangements among Our Wholly-Owned Entities, Variable Interest Entities and the Variable Interest Entity Equity Holders**

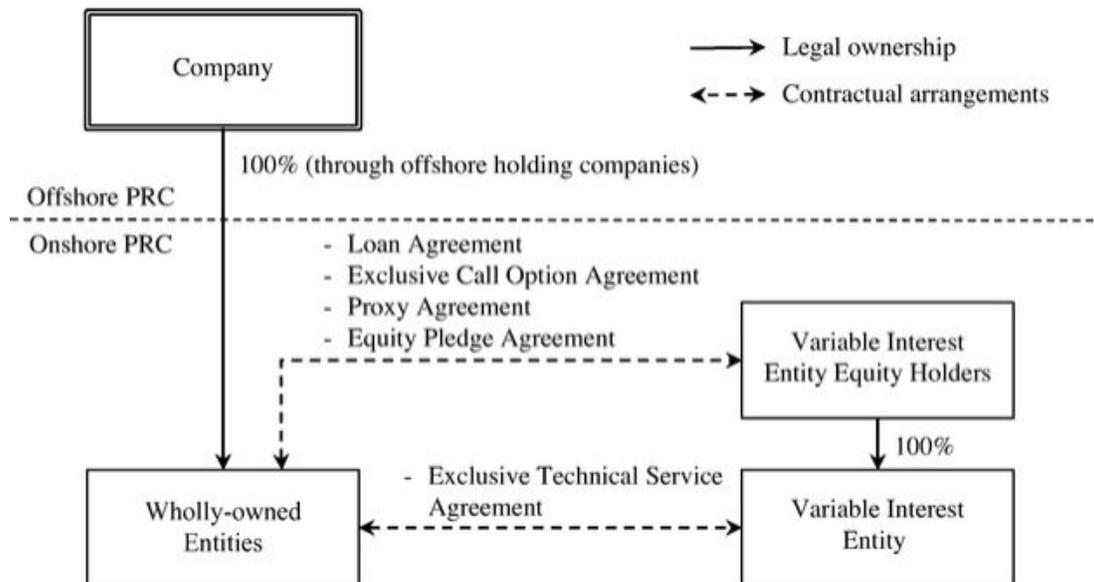
Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunications services, which include the operations of Internet content providers, or ICPs, we, similar to all other entities with foreign-incorporated holding company structures operating in our industry in China, operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited in the PRC through various contractual arrangements with VIEs that are incorporated and 100% owned by PRC citizens or by PRC entities owned and/or controlled by PRC citizens. The relevant variable interest entities hold the ICP licenses and other regulated licenses and operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited. Specifically, our variable interest entities that are material to our business are Zhejiang Taobao Network Co., Ltd., Zhejiang Tmall Network Co., Ltd., Alibaba Cloud Computing Ltd., Hangzhou Alibaba Advertising Co., Ltd. and Youku Information Technology (Beijing) Co., Ltd. We have entered into certain contractual arrangements, as described in more detail below, which collectively enable us to exercise effective control over the variable interest entities and realize substantially all of the economic risks and benefits arising from the variable interest entities. As a result, we include the financial results of each of the variable interest entities in our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries.

Other than the ICP licenses and other licenses and approvals for businesses in which foreign ownership is restricted or prohibited that are held by our variable interest entities, we hold our material assets in, conduct our material operations and generate the significant majority of revenues through, our wholly-owned entities, which primarily provide technology and other services to our customers. We primarily generate our revenue directly through our wholly-owned entities, which directly capture the profits and associated cash flow from operations without having to rely on contractual arrangements to transfer cash flow from the variable interest entities to our wholly-owned entities.

**VIE Structure Enhancement**

**Overview**

The following diagram is a simplified illustration of the typical ownership structure and contractual arrangements for variable interest entities:



We are in the process of enhancing the structure we use to hold our variable interest entities so that we can better ensure the stability and proper governance of our variable interest entities as an integral part of our company, or the VIE Structure Enhancement. The VIE Structure Enhancement maintains the primary legal framework that we and many peer companies in our industry have adopted to operate businesses in which foreign investment is restricted or prohibited in the PRC. We have completed the VIE Structure Enhancement for four of our five material variable interest entities.

Upon the completion of the VIE Structure Enhancement for each VIE, the equity interest of each variable interest entity will, instead of being held by a few individuals, be directly held by a PRC limited liability company, which in turn will be indirectly held (through a layer of PRC limited partnerships) by selected members of the Alibaba Partnership or our management who are PRC citizens. This new structure institutionalizes the governance framework of our VIEs.

Compared with the existing VIE shareholder structure we and many peer companies in our industry have adopted, which uses natural persons to serve as direct or indirect equity holders of the variable interest entity, we have designed the VIE Structure Enhancement to:

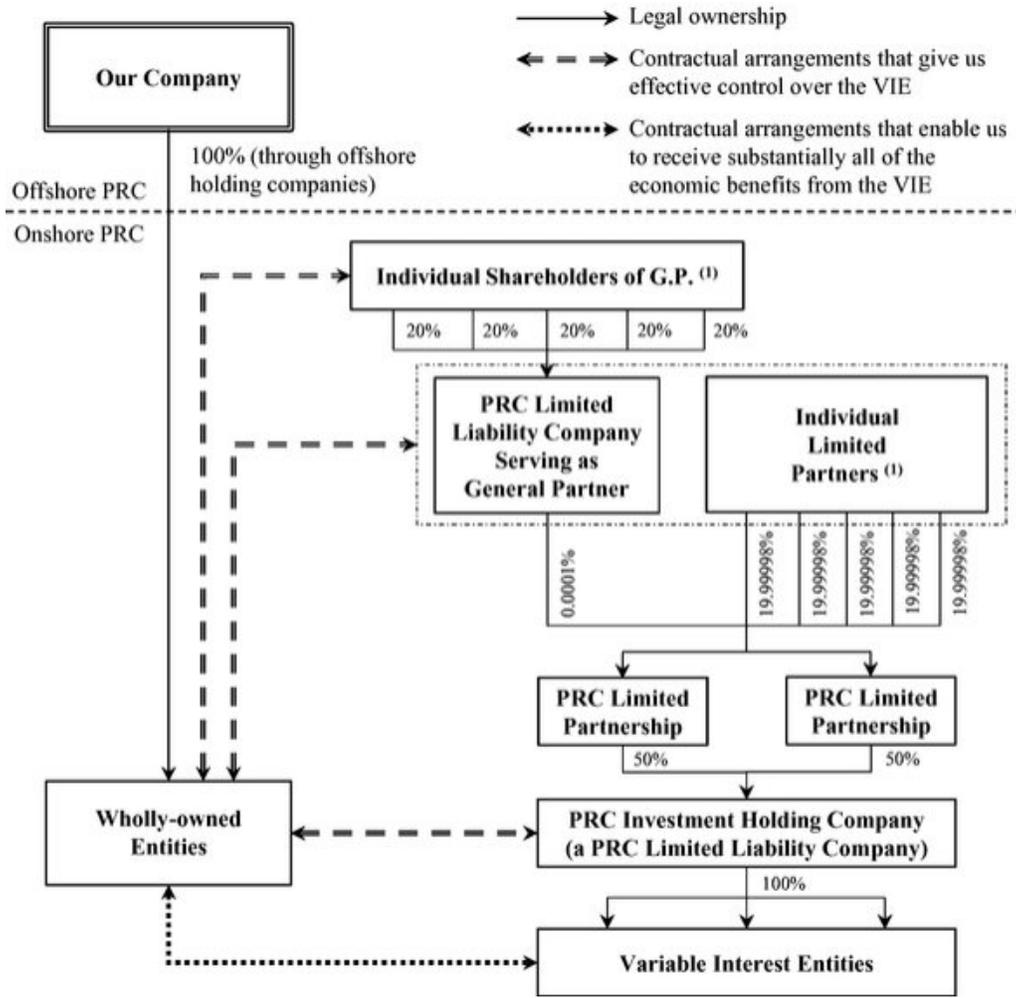
- reduce the key man and succession risks associated with natural person VIE equity holders, through a new structure that has widely dispersed interests among natural person interest holders;
- create a VIE ownership structure that is more stable and self-sustaining, by distancing the natural person interest holders with the VIE with multiple layers of legal entities, including a partnership structure; and
- further enhance our control over the VIEs through multiple layers of contractual arrangements.

***VIE equity holders after the VIE Structure Enhancement***

Prior to the VIE Structure Enhancement, our material variable interest entities were owned by natural persons.

Following the VIE Structure Enhancement, a material variable interest entity will be held by a PRC limited liability company. This PRC limited liability company will in turn be directly or indirectly owned by two PRC limited partnerships, each of which will hold 50% of the equity interest. Each of these partnerships is comprised of (i) a PRC limited liability company, as general partner (which is formed by a number of selected members of the Alibaba Partnership and our management who are PRC citizens), and (ii) the same group of natural persons, as limited partners. Under the terms of the relevant partnership agreements, the natural person limited partners must be members of the Alibaba Partnership or our management who are PRC citizens and as designated by the general partner of the partnership. We may also create additional holding structures in the future in connection with the VIE Structure Enhancement.

The following diagram is a simplified illustration of the typical ownership structure and contractual arrangements of the VIEs following the VIE Structure Enhancement.



(1) Selected members of the Alibaba Partnership or our management who are PRC citizens.

Following the VIE Structure Enhancement, the designated wholly-owned entity, on the one hand, and the corresponding VIE and the multiple layers of legal entities above the VIE, as well as the natural persons described above, on the other hand, will enter into contractual arrangements, which are substantially similar to the contractual arrangements we have historically used for our variable interest entities. See "— Contracts that Give us Effective Control of the Variable Interest Entities" and "— Contracts that Enable us to Receive Substantially All of the Economic Benefits from the Variable Interest Entities" below.

Although we believe the VIE Structure Enhancement will further improve our control over our variable interest entities, there continue to be risks associated with the VIE structure in general, as well as with the completion of the VIE Structure Enhancement. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure."

The following is a summary of our typical contractual arrangements.

## **Contracts that Give Us Effective Control of the Variable Interest Entities**

### ***Loan agreements***

Pursuant to the relevant loan agreement, our respective wholly-owned entity has granted a loan to the relevant variable interest entity equity holders, which may only be used for the purpose of its business operation activities agreed by our wholly-owned entity. Our wholly-owned entity may require acceleration of repayment at its absolute discretion. When the variable interest entity equity holders make early repayment of the outstanding amount, our wholly-owned entity or a third-party designated by it may purchase the equity interests in the variable interest entity at a price equal to the outstanding amount of the loan, subject to any applicable PRC laws, rules and regulations. The variable interest entity equity holders undertake not to enter into any prohibited transactions in relation to the variable interest entity, including the transfer of any business, material assets, intellectual property rights or equity interests in the variable interest entity to any third-party. The parties to the loan agreement for each of our material variable interest entities are the PRC citizens or entities that are shareholders of those entities (in respect of the existing VIE structure) or, following the VIE Structure Enhancement, the relevant PRC limited liability company, on the one hand, and Taobao (China) Software Co., Ltd., Zhejiang Tmall Technology Co., Ltd., Alibaba (China) Technology Co., Ltd., Zhejiang Alibaba Cloud Computing Ltd. and Youku Internet Technology (Beijing) Co., Ltd., our respective wholly-owned entity, on the other hand.

### ***Exclusive call option agreements***

The variable interest entity equity holder has granted our wholly-owned entity an exclusive call option to purchase its equity interest in the variable interest entity at an exercise price equal to the higher of (i) the paid-in registered capital in the variable interest entity; and (ii) the minimum price as permitted by applicable PRC laws. Each relevant variable interest entity has further granted our relevant wholly-owned entity an exclusive call option to purchase its assets at an exercise price equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher. Following the VIE Structure Enhancement, each relevant variable interest entity and its equity holders will also jointly grant our relevant wholly-owned entity (A) an exclusive call option to request the relevant variable interest entity to decrease its registered capital at an exercise price equal to the higher of (i) the paid-in registered capital in the relevant variable interest entity and (ii) the minimum price as permitted by applicable PRC law, or the capital decrease price, and (B) an exclusive call option to subscribe for the increased capital of relevant variable interest entity at a price equal to the sum of the capital decrease price and the unpaid registered capital, if applicable, as of the capital decrease. Our wholly-owned entity may nominate another entity or individual to purchase the equity interest or assets, or to subscribe for the relevant increased capital, if applicable, under the call options. Execution of each call option shall not violate the applicable PRC laws, rules and regulations. Each variable interest entity equity holders has agreed that the following amounts, to the extent in excess of the original registered capital that they contributed to the variable interest entity (after deduction of relevant tax expenses), belong to and shall be paid to our relevant wholly-owned entities: (i) proceeds from the transfer of its equity interests in the variable interest entity, (ii) proceeds received in connection with a capital decrease in the variable interest entity, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the variable interest entity upon termination or liquidation. Moreover, any profits, distributions or dividends (after deduction of relevant tax expenses) received by the variable interest entity equity holder also belong to and shall be paid to our wholly-owned entity. The exclusive call option agreements remain in effect until the equity interest or assets that are the subject of these agreements are transferred to our wholly-owned entity. The parties to the exclusive call option agreement for each of our material variable interest entities are the relevant variable interest entity equity holders, the relevant variable interest entity and its corresponding wholly-owned entity.

### ***Proxy agreements***

Pursuant to the relevant proxy agreement, each of the variable interest entity equity holders irrevocably authorizes any person designated by our wholly-owned entity to exercise his rights as the equity holder of the variable interest entity, including without limitation the right to vote and appoint directors. The parties to the proxy agreement for

each of our material variable interest entities are the relevant variable interest entity equity holder, the relevant variable interest entity and its corresponding wholly-owned entity.

***Equity pledge agreements***

Pursuant to the relevant equity pledge agreement, the relevant variable interest entity equity holders have pledged all of their interests in the equity of the variable interest entity as a continuing first priority security interest in favor of the corresponding wholly-owned entity to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by the variable interest entity and/or its equity holders under the other structure contracts. Each wholly-owned entity is entitled to exercise its right to dispose of the variable interest entity equity holders' pledged interests in the equity of the variable interest entity and has priority in receiving payment by the application of proceeds from the auction or sale of the pledged interests, in the event of any breach or default under the loan agreement or other structure contracts, if applicable. These equity pledge agreements remain in force until the later of (i) the full performance of the contractual arrangements by the relevant parties, and (ii) the full repayment of the loans made to the relevant variable interest entity equity holders. The parties to the equity pledge agreement for each of our material variable interest entities are the relevant variable interest entity equity holders, the relevant variable interest entity and its corresponding wholly-owned entity.

**Contracts that Enable Us to Receive Substantially All of the Economic Benefits from the Variable Interest Entities**

***Exclusive technology services agreements or exclusive services agreements***

Each relevant variable interest entity has entered into an exclusive technology services agreement or, following the VIE Structure Enhancement, an exclusive service agreement with the respective wholly-owned entity, pursuant to which our relevant wholly-owned entity provides exclusive services to the variable interest entity. In exchange, the variable interest entity pays a service fee to our wholly-owned entity, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by our wholly-owned entity, resulting in a transfer of substantially all of the profits from the variable interest entity to our wholly-owned entity.

The exclusive call option agreements described above also entitle our wholly-owned entity to all profits, distributions or dividends (after deduction of relevant tax expenses) to be received by the variable interest entity equity holder, and the following amounts, to the extent in excess of the original registered capital that they contributed to the variable interest entity (after deduction of relevant tax expenses) to be received by each variable interest entity equity holder: (i) proceeds from the transfer of its equity interests in the variable interest entity, (ii) proceeds received in connection with a capital decrease in the variable interest entity, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the variable interest entity upon termination or liquidation.

In the opinion of Fangda Partners, our PRC legal counsel:

- the ownership structures of our material wholly-owned entities and our material variable interest entities in China do not and will not violate any applicable PRC law, regulation, or rule currently in effect; and
- the contractual arrangements between our material wholly-owned entities, our material variable interest entities and the variable interest entity equity holders governed by PRC laws are valid, binding and enforceable in accordance with their terms and applicable PRC laws, rules, and regulations currently in effect, and will not violate any applicable PRC law, regulation, or rule currently in effect.

However, we have been further advised by our PRC legal counsel, Fangda Partners, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. Accordingly, the possibility that the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the opinion of our PRC legal counsel cannot be ruled out. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our Internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure."

## **D. Property, Plant and Equipment**

As of March 31, 2019, we occupied facilities around the world with an aggregate gross floor area of office buildings, logistics warehouses, retail space and other facilities owned by us totaling approximately 6.3 million square meters, reflecting the continuous expansion of our business through organic growth and acquisitions and consolidation of new businesses. We maintain offices in many countries and regions, including China, Hong Kong, Singapore and the United States. In addition, we maintain data centers in a number of countries including China, Indonesia, Malaysia, India, Australia, Singapore, Dubai, Germany, the United Kingdom, Japan, the United States and others.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not Applicable.

## **ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **A. Operating Results**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report and in particular, "Item 4. Information on the Company — B. Business Overview." This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information — D. Risk Factors" and elsewhere in this annual report. We have prepared our financial statements in accordance with U.S. GAAP. Our fiscal year ends on March 31 and references to fiscal years 2017, 2018 and 2019 are to the fiscal years ended March 31, 2017, 2018 and 2019, respectively.

#### **Overview**

We achieved significant growth and strong operating results in fiscal year 2019. Our total revenue increased by 58% from RMB158,273 million in fiscal year 2017 to RMB250,266 million in fiscal year 2018, and further increased by 51% to RMB376,844 million (US\$56,152 million) in fiscal year 2019. Our net income increased by 49% from RMB41,226 million in fiscal year 2017 to RMB61,412 million in fiscal year 2018, and further increased by 31% to RMB80,234 million (US\$11,955 million) in fiscal year 2019.

Our non-GAAP net income, which excludes the effect of disposal and revaluation gains, share-based compensation and certain other items, increased by 44% from RMB57,871 million in fiscal year 2017 to RMB83,214 million in fiscal year 2018, and further increased by 12% to RMB93,407 million (US\$13,918 million) in fiscal year 2019. For further information on non-GAAP financial measures we use in evaluating our operating results and for financial and operational decision-making purposes, see "Item 3. Key Information — A. Selected Financial Data — Non-GAAP Measures."

#### **Our Operating Segments**

We organize and report our business in four operating segments:

- Core commerce;
- Cloud computing;
- Digital media and entertainment; and
- Innovation initiatives and others.

This presentation reflects how we manage our business to maximize efficiency in allocating resources. This presentation also provides further transparency to our various businesses that are executing different phases of growth and operating leverage trajectories.

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We present segment information after elimination of inter-company transactions. In general, revenue, cost of revenue and operating expenses are directly attributable, and are allocated, to each segment. We allocate costs and expenses that are not directly attributable to individual segments, such as those that support infrastructure across different operating segments, to different operating segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant costs and expenses.

In discussing the operating results of these four segments, we present each segment's revenue, income from operations and adjusted earnings before interest, taxes and amortization ("adjusted EBITA").

Our reported segments are described below:

- **Core commerce.** The core commerce segment is comprised of platforms operating in retail and wholesale commerce in China, retail and wholesale commerce — cross-border and global, logistics services, local consumer services and others.
- **Cloud computing.** The cloud computing segment is comprised of Alibaba Cloud, which offers a complete suite of cloud services to customers worldwide, including elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, a machine learning platform and IoT services.
- **Digital media and entertainment.** The digital media and entertainment businesses leverage our deep data insights to serve the broader interests of consumer through two key distribution platforms, Youku and UC Browser, and through Alibaba Pictures and our other diverse content platforms that provide online videos, films, live events, news feeds, literature and music, among other areas.
- **Innovation initiatives and others.** The innovation initiatives and others segment includes businesses such as Amap, DingTalk, Tmall Genie and others.

The table below sets forth supplemental financial information of our reported segments for fiscal year 2019:

	Year ended March 31, 2019						
	Core commerce RMB	Cloud computing RMB	Digital media and entertainment RMB	Innovation initiatives and others RMB	Unallocated <sup>(1)</sup> RMB	Consolidated RMB	US\$
Revenue	323,400	24,702	24,077	4,665	—	376,844	56,152
Income (loss) from operations	109,312	(5,508)	(20,046)	(11,795)	(14,879)	57,084	8,506
Add: Share-based compensation expense	17,694	4,332	2,988	5,774	6,703	37,491	5,586
Add: Amortization of intangible assets	9,161	18	1,262	50	236	10,727	1,599
Add: Settlement of U.S. federal class action lawsuit <sup>(2)</sup>	—	—	—	—	1,679	1,679	250
Adjusted EBITA	136,167	(1,158)	(15,796)	(5,971)	(6,261)	106,981	15,941
Adjusted EBITA margin	42%	(5)%	(66)%	(128)%		28%	

(1) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(2) For a description of the relevant federal class action lawsuit and settlement, see "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings."

**Our Monetization Model**

Our marketplaces and businesses are highly synergetic which create a digital economy that enables consumers, merchants, brands, retailers, other businesses, third party service providers and strategic partners to interconnect and interact with each other. We leverage our leading technologies to provide various value propositions to participants in our digital economy and realize monetization by offering different services and creating value under each of our business segments.

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We derive most of our revenue from our core commerce segment, which accounted for 85%, 86% and 86% of our total revenue in fiscal year 2017, 2018 and 2019, respectively, while cloud computing, digital media and entertainment, and innovation initiatives and others contributed in aggregate 15%, 14% and 14% in fiscal year 2017, 2018 and 2019, respectively.

The following table sets forth the principal components of our revenue for the periods indicated:

	Year ended March 31,					
	2017		2018		2019	
	RMB	% of revenue	RMB	% of revenue	RMB	US\$
	(in millions, except percentages)					
<b>Core commerce:</b>						
China commerce retail	114,109	72%	176,559	71%	247,615	36,896
China commerce wholesale	5,679	4%	7,164	3%	9,988	1,488
International commerce retail	7,336	5%	14,216	6%	19,558	2,914
International commerce wholesale	6,001	4%	6,625	2%	8,167	1,217
Cainiao logistics services	—	—	6,759	3%	14,885	2,218
Local consumer services	—	—	—	—	18,058	2,691
Others	755	0%	2,697	1%	5,129	764
<b>Total core commerce</b>	<b>133,880</b>	<b>85%</b>	<b>214,020</b>	<b>86%</b>	<b>323,400</b>	<b>48,188</b>
Cloud computing	6,663	4%	13,390	5%	24,702	3,681
Digital media and entertainment	14,733	9%	19,564	8%	24,077	3,588
Innovation initiatives and others	2,997	2%	3,292	1%	4,665	695
<b>Total</b>	<b>158,273</b>	<b>100%</b>	<b>250,266</b>	<b>100%</b>	<b>376,844</b>	<b>56,152</b>

Our monetization and profit model primarily consists of the following elements:

**Core Commerce**

Our core commerce segment is primarily comprised of our China commerce retail, China commerce wholesale, retail commerce — cross-border and global, wholesale commerce — cross-border and global, logistics services, local consumer services and others. The marketplaces of our core commerce business attract and retain a large number of consumers and merchants. We primarily generate revenue from merchants.

**China Commerce Retail**

We generate revenue from merchants by leveraging our data technology and consumer insights which enable brands and merchants to attract, retain and engage consumers, complete transactions, improve their branding, enhance operating efficiency, and offer various services.

The revenue model of our China commerce retail business is primarily performance-based marketing services that are typically set by market-based bidding systems. Revenue from this model primarily consists of customer management revenue, commission and other revenue. The following table sets forth the revenue from our China commerce retail business, in absolute amounts and as percentages of our total revenue, for the fiscal years presented:

	Year ended March 31,					
	2017		2018		2019	
	RMB	% of revenue	RMB	% of revenue	RMB	US\$
	(in millions, except percentages)					
<b>China commerce retail</b>						
Customer management	77,530	49%	114,285	46%	145,684	21,708
Commission	34,066	21%	46,525	19%	61,847	9,215
Others	2,513	2%	15,749	6%	40,084	5,973
<b>Total</b>	<b>114,109</b>	<b>72%</b>	<b>176,559</b>	<b>71%</b>	<b>247,615</b>	<b>36,896</b>

### *Customer management*

We derive a substantial majority of our China commerce retail revenue from customer management, which primarily consists of:

- *P4P marketing services* , where merchants primarily bid for keywords through our online auction system that matches product or service listings appearing in search or browser results on a cost-per-click, or CPC, basis. Whether and where the listing will be displayed, and the corresponding prices for the display are determined by the algorithm of our online auction system based on a number of factors with various weights and through a market-based bidding mechanism.
- *Display marketing services* , where merchants bid for display positions at fixed prices or prices established by a market-based bidding system on a cost-per-thousand impression, or CPM, basis.

In addition to the above-mentioned P4P marketing services and display marketing services directly provided on our marketplaces, we also provide these services through collaboration with other third-party marketing affiliates. These third parties are primarily third-party online media, such as search engines, news feeds and video entertainment websites and mobile apps. These third-party online media enter into agreements with us to connect their designated online resources to our online auction system so that the merchants' listings or other marketing information can be displayed on those third-party online resources. Revenue from P4P and display marketing services provided through third-party marketing affiliates represented 3%, 2% and 1% of our total revenue in fiscal years 2017, 2018 and 2019, respectively.

- *Taobaoke program* , where we collaborate with shopping guide platforms, medium- and small-sized websites and mobile apps, individuals and other third parties, collectively "Taobaokes," to offer marketing services. Taobaokes display the marketing information of our merchants on their media which facilitate our merchants to market and transact. Merchants pay commissions to the Taobaokes based on a percentage of transaction value generated from users under the Taobaoke program. Commissions to the Taobaokes are set by the merchants. Revenue from the Taobaoke program represented 3%, 3% and 2% of our total revenue in fiscal years 2017, 2018 and 2019, respectively.

### *Commissions on transactions*

In addition to purchasing customer management services, merchants also pay a commission based on a percentage of transaction value generated on Tmall and certain other marketplaces. The commission percentages typically range from 0.3% to 5.0% depending on the product category.

### *Other*

Other revenue from our China commerce retail is primarily generated by our New Retail and direct sale businesses, mainly Freshippo, Intime, Tmall Global and Tmall Mart, and primarily consists of revenue from product sales, commissions on transactions and software service fees.

### *China Commerce Wholesale*

We generate revenue from our China commerce wholesale business primarily through membership fees, value-added services and customer management services. Revenue from membership fees are primarily fixed annual fees from the sale of China TrustPass memberships for paying members to reach customers, provide quotations and transact. Paying members may also purchase additional value-added services, such as premium data analytics and upgraded storefront management tools, the prices of which are determined based on the types and duration of the value-added services. Revenue from customer management services is primarily derived from P4P marketing services.

### ***International Commerce Retail***

We generate revenue from our international commerce retail businesses primarily through direct sales, commissions, logistics and customer management services from Lazada and AliExpress. Merchants pay a commission based on a percentage of the transaction value they generate, mainly on AliExpress. The commissions on AliExpress are typically 5% to 8% of the transaction value. In addition, we generate revenue from logistics services provided by Lazada and customer management services, primarily from AliExpress's collaboration with third-party websites and mobile apps.

### ***International Commerce Wholesale***

We generate revenue from our wholesale commerce — cross-border and global primarily through membership fees, value-added services and customer management services. Revenue from membership fees are primarily fixed annual fees from the sale of Gold Supplier memberships for paying members to reach customers, provide quotations and transact. Revenue from value-added services primarily consists of fees for services such as customs clearance services, the prices of which are determined based on the types, usage and duration of the value-added services. Revenue from customer management services is primarily derived from P4P marketing services.

### ***Logistics Services***

We charge merchants and third-party logistics service providers fees based on the number of contracted orders completed and other value-added services we provide.

### ***Local Consumer Services***

We generate revenue from local consumer services primarily through platform commissions and on-demand delivery service fees by Ele.me.

### ***Cloud Computing***

We primarily generate cloud computing revenue from enterprise customers based on the duration and usage of the services.

### ***Digital Media and Entertainment***

Revenue from digital media and entertainment business is primarily comprised of customer management services and membership subscription fees. Customer management services fees are generally generated from businesses and advertising agencies and the monetization model is substantially similar to the customer management services fees for our China commerce retail business. Membership subscription fees are mainly generated from paying consumers.

### ***Innovation Initiatives and Others***

In this segment we primarily generate revenue from enterprise customers and consumers. For example, Amap charges a software service fee to enterprise customers, and Tmall Genie generates revenue from product sale. Other revenue includes annual fees payable by Ant Financial or its affiliates in relation to the SME loans business that we transferred to Ant Financial in February 2015. See "Item 7.B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and Its Subsidiaries."

## Factors Affecting Our Results of Operations

***Our Ability to Create Value for Our Users and Generate Revenue.*** Our ability to create value for our users and generate revenue is driven by the factors described below:

- ***Number and engagement of consumers.*** Consumers are attracted to our platforms by the breadth of curated products and services, personalized content and the interactive user experience these platforms offer. Our platforms include a comprehensive selection of product and service offerings as well as engaging content, such as news feeds on our Taobao app and UC Browser and entertainment content on Youku. Consumers enjoy an engaging social experience by interacting with each other and with merchants, brands and key opinion leaders on our platforms. We leverage our data insights to further optimize the relevance of this rich content we provide to our users. The engagement of consumers in our digital economy is affected by our ability to continue to enhance and expand our product and service offerings and improve user experience.
- ***Broader value offered to merchants, brands, retailers and other businesses.*** Merchants, brands, retailers and other businesses use our products and services to help them reach, acquire and retain customers, build brand awareness and engagement, complete transactions, and enhance their operating efficiency. We offer merchants and retailers a complete suite of services and tools, powered by our consumer insights, to help them effectively engage consumers, efficiently manage their operations and provide a seamless online and offline consumer experience. With our proprietary data and technologies, we also facilitate the digital transformation of traditional merchants and retailers. In addition, we empower businesses of different sizes across various industries through our comprehensive enterprise cloud service offerings.
- ***Empowering data and technology.*** Our ability to engage consumers and empower merchants, brands, retailers and other businesses is affected by the breadth and depth of our consumer insights, such as the accuracy of our shopping recommendations and of our targeted marketing, and our technology capabilities and infrastructure, such as cloud computing, and our continued ability to develop scalable products and services that adapt to the quickly evolving industry trends and consumer preferences.

***Operating Leverage of Our Business Model.*** Our primary business model has significant operating leverage and our digital economy enables us to realize structural cost savings. For example, Taobao Marketplace drives significant traffic to Tmall as Tmall product listings also appear on Taobao Marketplace search result pages. Furthermore, the large number of consumers on our marketplaces attracts a large number of merchants, who become customers for our customer management and storefront services. In addition, the vast consumer base of our digital economy presents cross-selling opportunities across our various platforms. For example, we can offer consumer services, such as Ele.me, and promote our digital media and entertainment services, including Youku, to consumers on our marketplaces. These network effects allow for lower traffic acquisition costs and provide synergies across our businesses.

***Our Investment in User Base, Technology, People, Infrastructure, and Innovative Business Model.*** We have made, and will continue to make, significant investments in our platforms and digital economy to attract consumers and merchants, enhance user experience and expand the capabilities and scope of our platforms. We expect our investments will include expanding our core commerce offerings, implementing our New Retail initiatives, enhancing our cloud computing business, acquiring content and users to further develop our digital media and entertainment business, cultivating innovation initiatives and new technologies as well as executing our globalization strategy. Our operating leverage and margin levels enable us to continue to invest in our people, particularly engineers, scientists and product management personnel, as well as in our technology capabilities and infrastructure. Our investment in the above mentioned new and existing businesses has and will continue to lower our margins but we believe the investment will deliver overall long-term growth.

***Strategic Investments and Acquisitions.*** We have made, and intend to make, strategic investments and acquisitions. We do not make investments and acquisitions for purely financial reasons. Our investment and acquisition strategy is focused on strengthening our digital economy, creating strategic synergies across our businesses, and enhancing

the overall value of our company. Our strategic investments and acquisitions may affect our future financial results, including our margins and our net income. For example, we expect that our acquisitions of Youku and controlling stakes in Lazada, Cainiao Network and Ele.me and our privatization of Intime will have a negative effect on our financial results, at least in the short term. In addition, some of our acquisitions and investments may not be successful. We have incurred impairment charges in the past and may incur impairment charges in the future.

### **Recent Investment, Acquisition and Strategic Alliance Activities**

In addition to organic growth, we have made, or have entered into agreements to make, strategic investments, acquisitions and alliances that are intended to further our strategic objectives. The financial results for these strategic transactions that were completed are reflected in our operating results beginning with the period of their respective completion. Investments in which we did not obtain control are accounted for under the equity method if we have significant influence over the investee through investment in common stock or in-substance common stock. Otherwise, investments are accounted for as investment securities based on our accounting policies over different categories of investments and merger and acquisition activities. For the details of our accounting policies for each category of our investments, see notes 2(d), 2(t) and 2(u) to our audited consolidated financial statements included elsewhere in this annual report.

We take a deliberate and staged approach to our investment and acquisition strategy. In some cases, we may begin with an initial minority investment followed by business cooperation. We have chosen to make minority investments in some circumstances instead of full acquisitions for one or more of the following reasons: (i) the investee has strong management, where we allow them to have operating independence and potential upside tied to their business in order to retain them; (ii) the investee does not fit within our core business operations but can generate strategic synergies through an equity relationship; and/or (iii) the investee demonstrates clear strategic value to us but capital or integration risk in the near term suggests a deliberate and phased-in approach. When the business results, cooperation and the overall relationship established with the management of the investee company show increasing value to our ongoing business strategy, we may increase our investment or acquire the investee company completely. Examples of this type of approach include our investments in UCWeb, Amap, Youku, Intime, Cainiao Network and Ele.me, where the period from initial investment to eventual acquisition and/or consolidation spanned more than one fiscal year.

We have funded our strategic acquisitions and investments primarily from cash generated from our operations and through debt and equity financing. Our debt financing primarily consists of unsecured senior notes and bank borrowings, including an aggregate of US\$8.0 billion unsecured senior notes issued in November 2014, of which US\$1.3 billion was repaid in November 2017, an additional aggregate US\$7.0 billion unsecured senior notes issued in December 2017, a five-year term loan facility of US\$4.0 billion drawn down in fiscal year 2017, the maturity of which has been extended to May 2024 in May 2019, as well as a US\$5.15 billion revolving credit facility which we have not yet drawn. Going forward, we expect to fund additional investments through cash generated from our operations and through debt and equity financing when opportunities arise in the future. Although we expect our margins to be negatively affected by acquisitions of target companies with lower or negative margins, such as our acquisitions and consolidations of Youku, Lazada, Intime, Cainiao Network and Ele.me, we do not expect our investment activities to have any significant negative impact on our liquidity or operations. We believe acquired businesses operating at a loss do not detract from the total value of our company because they bring clear strategic value to us in the long run. However, there can be no assurance that our future financial results would not be materially and adversely affected if our strategic investments and acquisitions are not successful. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — Sustained investment in our business, strategic acquisitions and investments as well as our focus on long-term performance and on maintaining the health of our digital economy may negatively affect our margins and our net income" and "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We face risks relating to our acquisitions, investments and alliances."

Our significant strategic investments and acquisitions (including those that are under definitive agreement but have not closed) in fiscal year 2019 and the period through the date of this annual report are set forth below. For those investments and acquisitions described below that have not yet closed, there can be no assurance that the closing conditions will be satisfied in a timely manner or at all.

### **Core Commerce and New Retail**

*Red Star Macalline Group Corporation Limited*, or Red Star, a leading home improvement and furnishings shopping mall operator in China that is listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. In May 2019, we completed the subscription of exchangeable bonds issued by the controlling shareholder of Red Star for a cash consideration of RMB4,359 million (US\$650 million). The exchangeable bonds have a term of five years and are exchangeable into ordinary shares of Red Star at an initial price of RMB12.28 per share. In addition, we acquired an approximately 2% equity interest in Red Star for a total consideration of HK\$447 million (US\$57 million).

*Focus Media Information Technology Co., Ltd.*, or Focus Media, operates a media network for advertisements, including within cinemas, and advertising posters and displays in elevators of office and residential buildings, and is listed on the Shenzhen Stock Exchange. During fiscal year 2019, we acquired a total equity interest of approximately 7% in Focus Media for a cash consideration of approximately RMB10.7 billion (US\$1.6 billion). We have also entered into an arrangement with Hangzhou Hanyun Xinling Equity Investment Fund (the "Onshore Retail Fund"), our affiliated investment fund, under which the Onshore Retail Fund will participate in the gain and loss related to a certain portion of the equity interest in Focus Media held by us. In addition, we agreed to acquire a 10% equity interest of an entity controlled by the founder and chairman of Focus Media, which holds an approximately 23% equity interest in Focus Media, for a cash consideration of US\$511 million. This transaction has not been completed as of the date of this annual report.

*Kaiyuan Commerce Co., Ltd.*, or Kaiyuan, a leading department store operator in the northwestern part of China. In April 2018, we acquired a 100% equity interest in Kaiyuan for a cash consideration of RMB3.4 billion (US\$501 million). We expect that the acquisition will complement our New Retail initiatives to reengineer the fundamentals of retail operations and transform the retail landscape.

*Shiji Retail Information Technology Co., Ltd.*, or Shiji Retail, a company that is engaged in the provision of retail information system solutions. In April 2018, we acquired a 38% equity interest of Shiji Retail for a cash consideration of US\$486 million.

### **Local Consumer Services**

*Rajax Holding*, or Ele.me (饿了么), a leading on-demand delivery and local services platform in China, and *Koubei Holding Limited*, or Koubei, one of China's leading restaurant and local services guide platforms for in-store consumption. In April and August 2017, we and Ant Financial, through a joint investment vehicle, invested a total of US\$1.2 billion in the preferred shares of Ele.me, of which our investment totaled US\$864 million. In May 2018, we invested, through the joint investment vehicle, a total of US\$5.5 billion to acquire all outstanding shares of Ele.me that it did not already own. Upon the completion of the transaction, Ele.me became our consolidated subsidiary. In December 2018, we completed the integration of Ele.me and Koubei under a newly-established holding company and paid a cash consideration of US\$465 million. Immediately prior to the integration, we held an approximately 90% equity interest in Ele.me and an approximately 38% equity interest in Koubei on a fully diluted basis. Upon the completion of the integration, we held an approximately 72% equity interest in this new holding company, which owns substantially all of the equity interest in Ele.me and Koubei. Subsequent to the integration and through the date of this annual report, we acquired additional equity interest in this holding company for a cash consideration of US\$2,355 million. Our local consumer services business is an important part of our consumer-facing platform, which leverages our massive consumer base to further penetrate the local consumer services market, increasing our ability to tap into China's ongoing consumption upgrade.

### **Cloud Computing**

*China TransInfo Technology Co Ltd*, or China TransInfo, a China-based smart city infrastructure and service provider, including intelligent transportation operation services. In May 2019, we agreed to acquire a 15% equity interest in China TransInfo for a cash consideration of RMB3,595 million (US\$536 million). The completion of the transaction is subject to customary closing conditions.

### ***Digital Media and Entertainment***

*Alibaba Pictures Group Limited*, or Alibaba Pictures, an Internet-driven integrated platform that covers content production, promotion and distribution, IP licensing and integrated management, cinema ticketing management and data services for the entertainment industry that is listed on the Hong Kong Stock Exchange. In March 2019, we subscribed for newly issued ordinary shares of Alibaba Pictures for a cash consideration of HK\$1,250 million (US\$159 million). Upon the completion of the transaction, our equity interest in Alibaba Pictures increased from approximately 49% to approximately 51%, and Alibaba Pictures became our consolidated subsidiary. We expect greater integration and synergies between Alibaba Pictures and related business in Alibaba Group on both content production and distribution to deliver high-quality entertainment experiences for consumers in China.

### ***Logistics***

*STO Express Co., Ltd.*, or STO Express, one of the leading express delivery services companies in China that is listed on the Shenzhen Stock Exchange. In March 2019, we made a loan to the controlling shareholder of STO Express with a principal amount of RMB5.0 billion (US\$745 million) for a term of three years. The controlling shareholder of STO Express has pledged a portion of its equity interest in STO Express in relation to the loan. In addition, we entered into a share purchase agreement to acquire a 49% equity interest in an investment vehicle to be established by the controlling shareholder, which will hold a 29.9% equity interest in STO Express for a cash consideration of RMB4.7 billion (US\$700 million). The completion of this transaction is subject to customary closing conditions.

*ZTO Express (Cayman) Inc.*, or ZTO Express, one of the leading express delivery services companies in China that is listed on the New York Stock Exchange. In June 2018, we completed an investment in newly issued ordinary shares of ZTO Express for a cash consideration of US\$1,100 million, representing an approximately 8% equity interest in ZTO Express. We expect that ZTO Express will complement other logistics businesses in our digital economy.

### ***International Expansion***

*PT Tokopedia*, or Tokopedia, a company that operates one of the leading e-commerce platforms in Indonesia. During fiscal year 2018, we completed a minority investment in existing and newly issued preferred shares of Tokopedia for a total cash consideration of US\$445 million. In connection with the initial investment, we also agreed to subscribe for additional preferred shares of Tokopedia if so elected by Tokopedia. Pursuant to the agreement, we acquired additional newly issued preferred shares of Tokopedia for a total cash consideration of US\$500 million in December 2018. Upon the completion of this investment, we held an approximately 29% equity interest in Tokopedia on a fully diluted basis. The investment in Tokopedia further expands our presence in the Southeast Asia consumer market.

*DSM Grup Danışmanlık İletişim ve Satış Ticaret A.Ş.*, or Trendyol, a leading online fashion retailer in Turkey. In July 2018, we acquired an approximately 85% equity interest in Trendyol for a cash consideration of US\$728 million. In connection with the transaction, we also entered into an agreement with the founders of Trendyol, allowing them to acquire additional equity interests in Trendyol from us or sell a portion of their equity interests in Trendyol to us in the future. In December 2018, we purchased additional equity interests in Trendyol for a cash consideration of US\$2 million. The investment underscores our commitment to international expansion.

*Daraz Singapore Private Limited*, or Daraz, a leading e-commerce platform in South Asia. In May 2018, we acquired a 100% equity interest in Daraz for a cash consideration of US\$194 million. The investment reflects our continued focus on implementing our globalization initiatives.

**Others**

*Huatai Securities Co., Ltd.*, or Huatai Securities, a leading integrated securities group in China that is listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange. In July 2018, we acquired an approximately 3% interest in Huatai Securities for a cash consideration of RMB3.5 billion (US\$522 million).

*Huitongda Network Co., Ltd.*, or Huitongda, a company that operates a rural online services platform in China. In April 2018, we acquired existing and newly issued shares of Huitongda for a cash consideration of RMB4.5 billion (US\$671 million), representing a 20% equity interest in Huitongda. The investment in Huitongda complements our strategic initiative in rural expansion.

**Intangible Assets and Goodwill**

When we make an acquisition, consideration that exceeds the fair value of the acquired assets and liabilities is allocated to intangible assets and goodwill. We have and will continue to incur amortization expenses as we amortize intangible assets over their estimated useful life on a straight-line basis. We do not amortize goodwill. We test intangible assets and goodwill periodically for impairment, and any impairment may materially and adversely affect our financial condition and results of operations. Some of our acquisitions and investments may not be successful, and we may incur impairment charges in the future. For additional information, see "— Critical Accounting Policies and Estimates — Impairment Assessment on Goodwill and Intangible Assets" and "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We face risks relating to our acquisitions, investments and alliances."

**Components of Results of Operations**

**Revenue**

The following table sets forth the principal components of our revenue for the periods indicated:

	Year ended March 31,					
	2017		2018		2019	
	RMB	% of revenue	RMB	% of revenue	RMB	US\$
	(in millions, except percentages)					
<b>Core commerce:</b>						
China commerce retail	114,109	72%	176,559	71%	247,615	36,896
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Innovation initiatives and others	2,997	2%	3,292	1%	4,665	695
<b>Total</b>	<b>158,273</b>	<b>100%</b>	<b>250,266</b>	<b>100%</b>	<b>376,844</b>	<b>56,152</b>

We generate most of our revenue from our core commerce segment. We also earn revenue from services associated with our cloud computing segment, digital media and entertainment segment as well as innovation initiatives and others segment. A substantial majority of our revenue is attributable to our businesses in China. See "— Our Monetization Model" for additional information regarding our revenue.

### ***Cost of Revenue***

The principal components of our cost of revenue include: logistics costs; cost of inventories; expenses associated with the operation of our mobile platforms and websites, such as bandwidth and co-location fees, and depreciation and maintenance expenses for our servers and computers, call centers and other equipment; content acquisition costs paid to third parties and production costs of original content for our online media properties; salaries, bonuses, benefits and share-based compensation expense relating to customer service, mobile platform and platform operation personnel as well as payment processing consultants; traffic acquisition costs paid to third-party marketing affiliates either at a fixed price or on a revenue-sharing basis; payment processing fees paid to Alipay or other financial institutions; and other miscellaneous costs.

### ***Product Development Expenses***

Product development expenses primarily include salaries, bonuses, benefits and share-based compensation expense for research and development personnel and other expenses that are directly attributable to the development of new technologies and products for our businesses, such as the development of the Internet infrastructure, applications, operating systems, software, databases and networks. We expense all of our product development costs as they are incurred.

### ***Sales and Marketing Expenses***

Sales and marketing expenses primarily consist of online and offline advertising expenses, promotion expenses, salaries, bonuses, benefits and share-based compensation expense for our employees engaged in sales and marketing functions, and sales commissions paid for membership acquisition for our wholesale marketplaces.

### ***General and Administrative Expenses***

General and administrative expenses consist mainly of salaries, bonuses, benefits and share-based compensation expense for our management and administrative employees, professional services fees, office facilities, other support overhead costs, charitable contributions, as well as non-recurring items, such as settlement of a U.S. federal class action lawsuit.

### ***Interest and Investment Income, Net***

Interest and investment income, net consists of interest income, gain or loss on deemed disposals, disposals and revaluation of our long term equity investments and impairment of equity investments. We obtained control over Cainiao Network in fiscal year 2018 and Koubei and Alibaba Pictures in fiscal year 2019. We recognized gains of RMB22,442 million in fiscal year 2018 and RMB27,815 million (US\$4,145 million) in fiscal year 2019 from the revaluation of our previously held equity interest in Cainiao Network, Koubei and Alibaba Pictures.

We adopted ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" beginning in fiscal year 2019. After the adoption of this new accounting update, equity investments other than those accounted for under the equity method or those that result in the consolidation of the investee are required to be measured at fair value, with subsequent changes in fair value recognized in the income statement. We have adopted this new accounting update using the modified retrospective method. The adoption of this new accounting update resulted in an increase of RMB10,610 million (US\$1,581 million) in interest and investment income, net for the fiscal year 2019.

### ***Interest Expense***

Our interest expense is comprised of interest payments and amortization of upfront fees and incidental charges primarily associated with our unsecured senior notes issued in November 2014, the US\$4.0 billion five-year term loan facility drawn down in fiscal year 2017 and an additional aggregate of US\$7.0 billion unsecured senior notes issued in December 2017. In addition, in April 2017, we obtained a new US\$5.15 billion revolving credit facility,

which we have not yet drawn as of the date of this annual report. Interest expense in fiscal year 2019 was RMB5,190 million (US\$773 million), an increase of 46% compared to RMB3,566 million in fiscal year 2018. The increase was primarily due to an increase in average debt outstanding in fiscal year 2019 as compared to fiscal year 2018, reflecting primarily an additional US\$7.0 billion of unsecured senior notes issued in December 2017.

***Other Income, Net***

Other income, net, primarily consists of royalty fees and software technology service fees paid by Ant Financial, exchange gain or loss, as well as government grants. Ant Financial pays us royalty fees and software technology service fees pursuant to an intellectual property and software technology services agreement, as amended in August 2014, or the 2014 IPLA. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and its Subsidiaries — Share and Asset Purchase Agreement — Alipay Intellectual Property License and Software Technology Services Agreement" for further information on the arrangements between us and Ant Financial. Exchange gain or loss, arising from our operations and treasury management activities, recognized in our income statement is largely a result of appreciation or depreciation of RMB, respectively. The amount is also partially affected by the currency movements on our hedging activities related to the portion that is deemed ineffective from an accounting perspective. Government grants primarily relate to grants by central and local governments in connection with our contributions to technology development and investments in local business districts. These grants may not be recurring in nature, and we recognize the income when the grants are received and no further conditions need to be met.

***Income Tax Expense***

Our income tax expense is comprised primarily of current tax expense, mainly attributable to certain profitable subsidiaries in China, and deferred tax expense, mainly including withholding tax on dividends to be distributed by our major subsidiaries operating in China.

**Taxation**

***Cayman Islands Tax***

Under Cayman Islands law, our company is not subject to income, corporation or capital gains tax, and no withholding tax is imposed upon the payment of dividends.

***Hong Kong Profits Tax***

Our company's subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% in fiscal years 2017, 2018 and 2019.

***PRC Income Tax***

Under the PRC Enterprise Income Tax Law, or EIT Law, the standard enterprise income tax rate is 25%.

Entities qualifying as High and New Technology Enterprises enjoy a preferential tax rate of 15%. Entities recognized as Software Enterprises are exempt from the EIT for two years beginning from their first profitable calendar year and are entitled to a 50% reduction in EIT for the following three calendar years. Furthermore, entities recognized as Key Software Enterprises within the PRC national plan enjoy a preferential EIT rate of 10%.

Certain subsidiaries received the above preferential tax treatments during calendar years 2016, 2017, 2018 and 2019. Three of our subsidiaries in China, Zhejiang Tmall Technology Co. Ltd., or Tmall China, Taobao (China) Software Co. Ltd., or Taobao China, and Alibaba (China) Technology Co. Ltd., or Alibaba China, which are our wholly-owned entities primarily involved in the operations of Tmall, Taobao Marketplace and wholesale

marketplaces, respectively, were recognized as Key Software Enterprises in calendar years of 2016 and 2017 and they were subject to an EIT rate of 10%.

Key Software Enterprise status is subject to review by the relevant authorities every year and the timing of annual review and notification by the relevant authorities may vary from year to year. The annual review and notification relating to the renewal of the Key Software Enterprise status for the calendar year of 2018 had not yet been obtained as of March 31, 2019. Accordingly Alibaba China, Taobao China and Tmall China continued to apply an EIT rate of 15% as High and New Technology Enterprises for the accounting of taxation during calendar year 2018. The related tax adjustments in relation to the change in applicable EIT rate will be accounted for in the period prospectively in which Key Software Enterprise status is recognized.

#### ***VAT and Other Levies***

Our major PRC subsidiaries are subject to VAT on revenue earned for our services under a national VAT reform program. In general, the applicable VAT rate on the revenue earned for services is 6% with companies entitled to credit VAT paid on certain purchases against VAT on sales. Revenue is recognized net of VAT in our consolidated income statement.

#### ***PRC Withholding Tax***

Pursuant to the EIT Law, a 10% withholding tax is generally levied on dividends declared by companies in China to their non-resident enterprise investors. A lower withholding tax rate of 5% is applicable for direct foreign investors incorporated in Hong Kong with at least 25% equity interest in the PRC company and meeting the relevant conditions or requirements pursuant to the tax arrangement between the PRC and Hong Kong. As the equity holders of our major subsidiaries in China are qualified Hong Kong incorporated companies, our deferred tax liabilities for distributable earnings are calculated at a 5% withholding tax rate. As of March 31, 2019, we have fully accrued the withholding tax on the earnings distributable by all of our subsidiaries in China, except for those being reserved for permanent reinvestment in China of RMB49.7 billion (US\$7.4 billion).

#### ***Share-based Compensation***

We have various equity incentive plans pursuant to which the employees, consultants and directors of our company, our affiliates and certain other companies, such as Ant Financial, are awarded RSUs or granted options to acquire our ordinary shares. We believe share-based awards are vital to attract, incentivize and retain our employees and consultants. In addition to on-hire grants for new recruits above a specific job level, we also make performance grants on an annual basis and promotion grants on a semi-annual basis to our top performing employees. RSUs and options granted in the above categories are generally subject to a four-year vesting schedule. Depending on the nature and the purpose of the grant, RSUs and options generally vest 25% upon the first anniversary of the vesting commencement date or 50% upon the second anniversary of the vesting commencement date, and thereafter 25% every year. Certain RSUs and options granted to our senior management members are subject to a six-year vesting schedule. We believe share-based awards are the appropriate tool to align the interests of the grantees with those of our shareholders.

In addition, since March 2014, Junhan has granted certain share-based awards similar to share appreciation awards linked to the valuation of Ant Financial to our employees, and since April 2018, Ant Financial, through its subsidiary, has granted certain RSU awards to our employees. The awards granted by Junhan will be settled in cash by Junhan upon disposal of these awards by the holders. The awards granted by the Ant Financial subsidiary may be settled in equity or cash by the Ant Financial subsidiary upon vesting of the awards. These awards are generally subject to a four year vesting schedule as determined by the administrator of the plan. Depending on the nature and the purpose of the grant, these awards generally vest 25% or 50% upon the first or second anniversary of the vesting commencement date, respectively, as provided in the grant agreement, and 25% every year thereafter. Certain awards granted to our senior management members are subject to a six-year vesting schedule. We have no obligation to reimburse Junhan, Ant Financial or its subsidiaries for the cost associated with these

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awards. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transaction — Agreements and Transactions Related to Ant Financial and its Subsidiaries — Equity-based Award Arrangements."

We recognized share-based compensation expense of RMB15,995 million, RMB20,075 million and RMB37,491 million (US\$5,586 million) in fiscal years 2017, 2018 and 2019, respectively, representing 10%, 8% and 10% of our revenue in those respective periods. The following table sets forth an analysis of share-based compensation expense by function for the periods indicated.

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
Cost of revenue	3,893	5,505	8,915	1,328
Product development expenses	5,712	7,374	15,378	2,291
Sales and marketing expenses	1,772	2,037	4,411	657
General and administrative expenses	4,618	5,159	8,787	1,310
<b>Total</b>	<b>15,995</b>	<b>20,075</b>	<b>37,491</b>	<b>5,586</b>

Share-based compensation expense increased in fiscal year 2019 as compared to fiscal year 2018. The increase is primarily due to a general increase in the average fair market value of the awards granted. In addition, as a result of "mark-to-market" accounting required under U.S. GAAP, the increase in share-based compensation expense also reflected the increase in the fair value relating to share-based awards relating to Ant Financial granted to our employees by Junhan or Ant Financial's subsidiary. The following table sets forth an analysis of share-based compensation expense by type of awards:

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
Alibaba Group share-based awards granted to:				
— Our employees	11,810	15,267	21,942	3,269
— Ant Financial employees and other consultants <sup>(1)</sup>	1,277	1,603	785	117
Ant Financial share-based awards granted to our employees <sup>(1)</sup>	2,188	2,278	12,855	1,915
Others	720	927	1,909	285
<b>Total share-based compensation expense</b>	<b>15,995</b>	<b>20,075</b>	<b>37,491</b>	<b>5,586</b>

(1) Awards subject to mark-to-market accounting treatment.

The expense arising from share-based awards relating to Ant Financial granted to our employees represents a non-cash charge that will not result in any economic costs or equity dilution to our shareholders. We believe that the grant of these equity awards to our employees will encourage mutually beneficial cooperation between us and Ant Financial.

We expect that our share-based compensation expense will continue to be affected by changes in the fair value of our shares, our subsidiaries' share-based awards and the quantity of awards we grant to our employees and consultants in the future. Furthermore, we expect that our share-based compensation expense will continue to be affected by future changes in the valuation of Ant Financial. See "— Critical Accounting Policies and Estimates — Share-based Compensation Expense and Valuation of the Underlying Awards" for additional information regarding our share-based compensation expense.

**Results of Operations**

The following table sets out our consolidated results of operations for the periods indicated:

	Year ended March 31,			
	2017	2018		2019
	RMB	RMB	RMB	US\$
	(in millions, except per share data)			
<b>Revenue</b>				
Core commerce	133,880	214,020	323,400	48,188
Cloud computing	6,663	13,390	24,702	3,681
Digital media and entertainment	14,733	19,564	24,077	3,588
Innovation initiatives and others	2,997	3,292	4,665	695
Total	158,273	250,266	376,844	56,152
Cost of revenue	(59,483)	(107,044)	(206,929)	(30,833)
Product development expenses	(17,060)	(22,754)	(37,435)	(5,578)
Sales and marketing expenses	(16,314)	(27,299)	(39,780)	(5,928)
General and administrative expenses	(12,239)	(16,241)	(24,889)	(3,708)
Amortization of intangible assets	(5,122)	(7,120)	(10,727)	(1,599)
Impairment of goodwill	—	(494)	—	—
Income from operations	48,055	69,314	57,084	8,506
Interest and investment income, net	8,559	30,495	44,106	6,572
Interest expense	(2,671)	(3,566)	(5,190)	(773)
Other income, net	6,086	4,160	221	32
Income before income tax and share of results of equity investees	60,029	100,403	96,221	14,337
Income tax expenses	(13,776)	(18,199)	(16,553)	(2,466)
Share of results of equity method investees	(5,027)	(20,792)	566	84
Net income	41,226	61,412	80,234	11,955
Net loss attributable to noncontrolling interests	2,449	2,681	7,652	1,140
Net income attributable to Alibaba Group Holding Limited	43,675	64,093	87,886	13,095
Accretion of mezzanine equity	—	(108)	(286)	(42)
Net income attributable to ordinary shareholders	43,675	63,985	87,600	13,053
<b>Earnings per share/ADS attributable to ordinary shareholders:</b>				
Basic	17.52	25.06	33.95	5.06
Diluted	16.97	24.51	33.38	4.97

	Year ended March 31,		
	2017	2018	2019
	%	%	%
	(as percentage of revenue)		
Revenue			
Core commerce	85	86	86
Cloud computing	4	5	7
Digital media and entertainment	9	8	6
Innovation initiatives and others	2	1	1
Total	100	100	100
Cost of revenue	(38)	(43)	(55)
Product development expenses	(11)	(9)	(10)
Sales and marketing expenses	(10)	(11)	(11)
General and administrative expenses	(8)	(6)	(6)
Amortization of intangible assets	(3)	(3)	(3)
Impairment of goodwill	—	—	—
Income from operations	30	28	15
Interest and investment income, net	6	12	12
Interest expense	(2)	(1)	(1)
Other income, net	4	1	—
Income before income tax and share of results of equity investees	38	40	26
Income tax expenses	(9)	(7)	(5)
Share of results of equity investees	(3)	(8)	—
Net income	26	25	21
Net loss attributable to noncontrolling interests	2	1	2
Net income attributable to Alibaba Group Holding Limited	28	26	23
Accretion of mezzanine equity	—	—	—
Net income attributable to ordinary shareholders	28	26	23

#### Segment Information for Fiscal Years 2017, 2018 and 2019

The table below sets forth certain financial information of our operating segments for the periods indicated:

	Year ended March 31, 2019						
	Core commerce	Cloud computing	Digital media and entertainment	Innovation initiatives and others	Unallocated <sup>(1)</sup>	Consolidated	
	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except percentages)						
Revenue	323,400	24,702	24,077	4,665	—	376,844	56,152
Income (loss) from operations	109,312	(5,508)	(20,046)	(11,795)	(14,879)	57,084	8,506
Add: Share-based compensation expense	17,694	4,332	2,988	5,774	6,703	37,491	5,586
Add: Amortization of intangible assets	9,161	18	1,262	50	236	10,727	1,599
Add: Settlement of U.S. federal class action lawsuit <sup>(2)</sup>	—	—	—	—	1,679	1,679	250
Adjusted EBITA	136,167	(1,158)	(15,796)	(5,971)	(6,261)	106,981	15,941
Adjusted EBITA margin	42%	(5)%	(66)%	(128)%		28%	

	Year ended March 31, 2018					Consolidated RMB
	Core commerce RMB	Cloud computing RMB	Digital media and entertainment RMB	Innovation initiatives and others RMB	Unallocated (1) RMB	
	(in millions, except percentages)					
Revenue	214,020	13,390	19,564	3,292	—	250,266
Income (loss) from operations	102,743	(3,085)	(14,140)	(6,901)	(9,303)	69,314
Add: Share-based compensation expense	8,466	2,274	2,142	3,707	3,486	20,075
Add: Amortization of intangible assets	2,891	12	3,693	198	326	7,120
Add: Impairment of goodwill	—	—	—	—	494	494
Adjusted EBITA	114,100	(799)	(8,305)	(2,996)	(4,997)	97,003
Adjusted EBITA margin	53%	(6)%	(42)%	(91)%		39%

	Year ended March 31, 2017					Consolidated RMB
	Core commerce RMB	Cloud computing RMB	Digital media and entertainment RMB	Innovation initiatives and others RMB	Unallocated (1) RMB	
	(in millions, except percentages)					
Revenue	133,880	6,663	14,733	2,997	—	158,273
Income (loss) from operations	74,180	(1,681)	(9,882)	(6,798)	(7,764)	48,055
Add: Share-based compensation expense	5,994	1,201	1,454	3,017	4,329	15,995
Add: Amortization of intangible assets	2,258	4	1,886	656	318	5,122
Adjusted EBITA	82,432	(476)	(6,542)	(3,125)	(3,117)	69,172
Adjusted EBITA margin	62%	(7)%	(44)%	(104)%		44%

(1) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(2) For a description of the relevant federal class action lawsuit and settlement, see "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings."

**Comparison of Fiscal Years 2018 and 2019**

**Revenue**

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
<b>Core commerce:</b>				
China commerce retail	176,559	247,615	36,896	40%
China commerce wholesale	7,164	9,988	1,488	39%
International commerce retail	14,216	19,558	2,914	38%
International commerce wholesale	6,625	8,167	1,217	23%
Cainiao logistics services	6,759	14,885	2,218	120%
Local consumer services	—	18,058	2,691	N/A
Others	2,697	5,129	764	90%
<b>Total core commerce</b>	<b>214,020</b>	<b>323,400</b>	<b>48,188</b>	<b>51%</b>
Cloud computing	13,390	24,702	3,681	84%
Digital media and entertainment	19,564	24,077	3,588	23%
Innovation initiatives and others	3,292	4,665	695	42%
<b>Total revenue</b>	<b>250,266</b>	<b>376,844</b>	<b>56,152</b>	<b>51%</b>

Total revenue increased by 51% from RMB250,266 million in fiscal year 2018 to RMB376,844 million (US\$56,152 million) in fiscal year 2019. The increase was mainly driven by the robust revenue growth of our China commerce retail business, the consolidation of newly acquired businesses, mainly Ele.me, as well as the strong revenue growth of Alibaba Cloud.

**Core commerce segment**

*China commerce retail*

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
<b>Revenue</b>				
<b>China commerce retail business</b>				
Customer management	114,285	145,684	21,708	27%
Commission	46,525	61,847	9,215	33%
Others	15,749	40,084	5,973	155%
<b>Total</b>	<b>176,559</b>	<b>247,615</b>	<b>36,896</b>	<b>40%</b>

Revenue from our China commerce retail business in fiscal year 2019 was RMB247,615 million (US\$36,896 million), an increase of 40% compared to RMB176,559 million in fiscal year 2018. Revenue from our China retail marketplaces continued to see strong growth. Combined customer management and commission revenues grew 29% year-over-year, which represents an increase of 27% in customer management revenue and an increase of 33% in commission revenue. The growth of customer management revenue was primarily the result of increases in the volume of paid clicks and to a lesser extent an increase in price per click. The growth of commission revenue was primarily due to strong 31% year-over-year growth of Tmall physical goods GMV (excluding unpaid orders). "Others" revenue in fiscal year 2019 was RMB40,084 million (US\$5,973 million), a significant increase compared to RMB15,749 million in fiscal year 2018, primarily driven by contributions from

direct sale businesses, including Tmall Direct Import and Freshippo. We expect that the proportion of revenue of our direct sales businesses will continue to increase as we further implement our New Retail strategy.

*China commerce wholesale*

Revenue from our China commerce wholesale business in fiscal year 2019 was RMB9,988 million (US\$1,488 million), an increase of 39% compared to RMB7,164 million in fiscal year 2018. The increase was primarily due to an increase in average revenue from paying members on 1688.com, our domestic wholesale marketplace.

*International commerce retail*

Revenue from our international commerce retail business in fiscal year 2019 was RMB19,558 million (US\$2,914 million), an increase of 38% compared to RMB14,216 million in fiscal year 2018. The increase was primarily due to an increase in revenue from Lazada, our consolidation of Trendyol, Turkey's leading e-commerce platform, as well as an increase in revenue from AliExpress.

*International commerce wholesale*

Revenue from our international commerce wholesale business in fiscal year 2019 was RMB8,167 million (US\$1,217 million), an increase of 23% compared to RMB6,625 million in fiscal year 2018. The increase was primarily due to increases in average revenue from paying members and the number of paying members on Alibaba.com, our global wholesale marketplace.

*Cainiao logistics services*

Revenue from Cainiao logistics services, which represents revenue from domestic and international one-stop-shop logistics services and supply chain management solutions provided by Cainiao Network, after elimination of inter-company transactions, was RMB14,885 million (US\$2,218 million) in fiscal year 2019, an increase of 120% compared to RMB6,759 million in fiscal year 2018. The increase mainly reflected the full year effect of consolidation of Cainiao in fiscal year 2019. We started to consolidate Cainiao Network in mid-October 2017.

*Local consumer services*

Revenue from local consumer services, which primarily represents platform commissions, fees from provision of delivery services and other services provided by our on-demand delivery and local services platform Ele.me, was RMB18,058 million (US\$2,691 million). We started to consolidate Ele.me in May 2018 and Koubei in December 2018.

*Cloud computing segment*

Revenue from our cloud computing business in fiscal year 2019 was RMB24,702 million (US\$3,681 million), an increase of 84% compared to RMB13,390 million in fiscal year 2018, primarily driven by an increase in average spending per customer.

*Digital media and entertainment segment*

Revenue from our digital media and entertainment business in fiscal year 2019 was RMB24,077 million (US\$3,588 million), an increase of 23% compared to RMB19,564 million in fiscal year 2018. The increase was primarily due to an increase in revenue from mobile value-added services provided by UCWeb, such as mobile search and game publishing, and an increase in subscription revenue from Youku.

*Innovation initiatives and others segment*

Revenue from innovation initiatives and others in fiscal year 2019 was RMB4,665 million (US\$695 million), an increase of 42% compared to RMB3,292 million in fiscal year 2018. The increase was mainly due to an increase in revenue from Tmall Genie and Amap.

### Cost of Revenue

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
Cost of revenue	107,044	206,929	30,833	93%
Percentage of revenue	43%	55%		
Share-based compensation expense included in cost of revenue	5,505	8,915	1,328	62%
Percentage of revenue	2%	2%		
Cost of revenue excluding share-based compensation expense	101,539	198,014	29,505	95%
Percentage of revenue	41%	53%		

Our cost of revenue increased by 93% from RMB107,044 million in fiscal year 2018 to RMB206,929 million (US\$30,833 million) in fiscal year 2019. The increase was primarily due to an increase of RMB34,347 million in logistic costs related to the on-demand delivery service provided by Ele.me and the fulfillment services provided by Cainiao Network, an increase of RMB24,411 million in cost of inventory in relation to our New Retail businesses and Lazada, an increase of RMB10,416 million in bandwidth and co-location fees and depreciation expenses as a result of our investments in our cloud computing and core commerce business and an increase of RMB8,534 million in content acquisition costs for online media properties. Without the effect of share-based compensation expense, cost of revenue as a percentage of revenue would have increased from 41% in fiscal year 2018 to 53% in fiscal year 2019. This increase was primarily due to our consolidation of newly acquired businesses, mainly Ele.me and Cainiao, as well as an increase of the cost of inventory and logistics from our New Retail and direct sale businesses. As we continue to invest in New Retail, globalization, user acquisition, user experience and infrastructure, we expect our cost of revenue will increase in absolute dollar amounts and will likely increase as a percentage of revenue.

### Product Development Expenses

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
Product development expenses	22,754	37,435	5,578	65%
Percentage of revenue	9%	10%		
Share-based compensation expense included in product development expenses	7,374	15,378	2,291	109%
Percentage of revenue	3%	4%		
Product development expenses excluding share-based compensation expense	15,380	22,057	3,287	43%
Percentage of revenue	6%	6%		

Our product development expenses increased by 65% from RMB22,754 million in fiscal year 2018 to RMB37,435 million (US\$5,578 million) in fiscal year 2019. The increase was primarily due to an increase in payroll and benefits expenses, including share-based compensation expense. Without the effect of share-based compensation expense, product development expenses as a percentage of revenue would have remained stable at 6% in fiscal year 2019 and 2018. We expect our product development expenses will increase in absolute amounts and may increase as a percentage of revenue, as we increase our investments in technology, research and development.

### Sales and Marketing Expenses

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
Sales and marketing expenses	27,299	39,780	5,928	46%
Percentage of revenue	11%	11%		
Share-based compensation expense included in sales and marketing expenses	2,037	4,411	657	117%
Percentage of revenue	1%	2%		
Sales and marketing expenses excluding share-based compensation expense	25,262	35,369	5,271	40%
Percentage of revenue	10%	9%		

Our sales and marketing expenses increased by 46% from RMB27,299 million in fiscal year 2018 to RMB39,780 million (US\$5,928 million) in fiscal year 2019. The increase was primarily due to an increase in marketing and promotional spending for user acquisition that led to the significant increase in annual active consumers and MAUs in fiscal year 2019. Without the effect of share-based compensation expense, sales and marketing expenses as a percentage of revenue would have decreased from 10% in fiscal year 2018 to 9% in fiscal year 2019. We expect our sales and marketing expenses will increase in absolute amounts and may increase as a percentage of revenue as we continue to invest in marketing and promotion.

### General and Administrative Expenses

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
General and administrative expenses	16,241	24,889	3,708	53%
Percentage of revenue	6%	6%		
Share-based compensation expense included in general and administrative expenses	5,159	8,787	1,310	70%
Percentage of revenue	2%	2%		
General and administrative excluding share-based compensation expense	11,082	16,102	2,398	45%
Percentage of revenue	4%	4%		

Our general and administrative expenses increased by 53% from RMB16,241 million in fiscal year 2018 to RMB24,889 million (US\$3,708 million) in fiscal year 2019. The increase was primarily due to an increase in payroll and benefits expenses, including share-based compensation, as well as settlement of a U.S. federal class action lawsuit of US\$250 million. Without the effect of share-based compensation expense, general and administrative expenses as a percentage of revenue would have remained stable at 4% in fiscal year 2019 and 2018.

**Amortization of Intangible Assets**

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
Amortization of intangible assets	7,120	10,727	1,599	51%
Percentage of revenue	3%	3%		

Amortization of intangible assets increased by 51% from RMB7,120 million in fiscal year 2018 to RMB10,727 million (US\$1,599 million) in fiscal year 2019. This increase was due to an increase in amortization of intangible assets acquired from business combinations of Ele.me and Koubei. As we consolidate newly acquired businesses, we expect that our amortization of intangible assets will increase in the future.

**Income from Operations and Operating Margin**

	Year ended March 31,			% Change
	2018	2019		
	RMB	RMB	US\$	
	(in millions, except percentages)			
Income from operations	69,314	57,084	8,506	(18)%
Percentage of revenue	28%	15%		
Share-based compensation expense included in income from operations	20,075	37,491	5,586	87%
Percentage of revenue	8%	10%		
Settlement of U.S. federal class action lawsuit <sup>(1)</sup>	—	1,679	250	N/A
Percentage of revenue	—	0%		
Income from operations excluding share-based compensation expense and settlement of U.S. federal class action lawsuit <sup>(1)</sup>	89,389	96,254	14,342	8%
Percentage of revenue	36%	25%		

(1) For a description of the relevant federal class action lawsuit and settlement, see "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings."

Our income from operations decreased by 18% from RMB69,314 million, or 28% of revenue, in fiscal year 2018 to RMB57,084 million (US\$8,506 million), or 15% of revenue, in fiscal year 2019. The decrease was primarily due to an increase in share-based compensation expense and settlement of a U.S. federal class action lawsuit of US\$250 million. Without the effect of share-based compensation expense and settlement of the U.S. federal class action lawsuit, our income from operations would have increased by 8% from RMB89,389 million in fiscal year 2018 to RMB96,254 million (US\$14,342 million) in fiscal year 2019.

**Adjusted EBITA and adjusted EBITA margin**

Adjusted EBITA and adjusted EBITA margin by segments are set forth in the table below. See the section entitled "— Segment Information for Fiscal Years 2017, 2018 and 2019" above for a reconciliation of income from operations to adjusted EBITA.

	Year ended March 31,			
	2018		2019	
	RMB	% of Segment Revenue	RMB	% of Segment Revenue
	(in millions, except percentages)			
Core commerce	114,100	53%	136,167	42%
Cloud computing	(799)	(6)%	(1,158)	(5)%
Digital media and entertainment	(8,305)	(42)%	(15,796)	(66)%
Innovation initiatives and others	(2,996)	(91)%	(5,971)	(128)%

**Core commerce segment**

Adjusted EBITA increased by 19% to RMB136,167 million (US\$20,290 million) in fiscal year 2019, compared to RMB114,100 million in fiscal year 2018. Marketplace-based core commerce adjusted EBITA increased by 31% year-over-year to RMB161,589 million (US\$24,078 million). Adjusted EBITA margin decreased to 42% in fiscal year 2019 from 53% in fiscal year 2018 due to strategic investments, primarily including aggressive investment in local consumer services and gradual revenue mix shift towards self-operated New Retail and direct sale businesses, where revenue is recorded on a gross basis including the cost of inventory. We expect that our core commerce adjusted EBITA margin will continue to be affected by the pace of our investments in new businesses and revenue mix shift to self-operated New Retail and direct sale businesses.

**Cloud computing segment**

Adjusted EBITA in fiscal year 2019 was a loss of RMB1,158 million (US\$172 million), compared to a loss of RMB799 million in fiscal year 2018. Adjusted EBITA margin improved to negative 5% in fiscal year 2019 from negative 6% in fiscal year 2018.

**Digital media and entertainment segment**

Adjusted EBITA in fiscal year 2019 was a loss of RMB15,796 million (US\$2,354 million), compared to a loss of RMB8,305 million in fiscal year 2018. Adjusted EBITA margin decreased to negative 66% in fiscal year 2019 from negative 42% in fiscal year 2018, primarily due to our continued investments in licensing rights and the production of original content and an increase in impairment charges on licensed copyrights.

**Innovation initiatives and others segment**

Adjusted EBITA in fiscal year 2019 was a loss of RMB5,971 million (US\$890 million), compared to a loss of RMB2,996 million in fiscal year 2018. Adjusted EBITA margin was negative 128% in fiscal year 2019, as compared to negative 91% in fiscal year 2018. The increase in adjusted EBITA loss was primarily due to investments in new business initiatives, including Tmall Genie and our investments in technological research and innovation.

**Interest and Investment Income, Net**

Our interest and investment income, net, increased from RMB30,495 million in fiscal year 2018 to RMB44,106 million (US\$6,572 million) in fiscal year 2019, which mainly included non-cash gains of RMB21,990 million (US\$3,277 million) and RMB5,825 million (US\$868 million) arising from the revaluation of our previously held equity interest in Koubei and Alibaba Pictures when we obtained control in December 2018 and March 2019, respectively, as well as net gains arising from change in fair value of certain equity investments. These gains were

partly offset by impairment charges of RMB10,867 million (US\$1,619 million) on certain investments. The above-mentioned gains and impairment charges were excluded from our non-GAAP net income.

**Interest Expense**

Our interest expense increased by 46% from RMB3,566 million in fiscal year 2018 to RMB5,190 million (US\$773 million) in fiscal year 2019. The increase in interest expense was primarily due to an increase in average debt outstanding in fiscal year 2019 as compared to fiscal year 2018, reflecting primarily an additional US\$7.0 billion of unsecured senior notes issued in December 2017.

**Other Income, Net**

Our other income, net decreased by 95% from RMB4,160 million in fiscal year 2018 to RMB221 million (US\$32 million) in fiscal year 2019. The decrease was primarily due to a decrease in income recognized in respect of royalty fees and software technology services fees from Ant Financial, which was RMB517 million (US\$77 million) in fiscal year 2019, compared to RMB3,444 million in fiscal year 2018 as Ant Financial continued its strategic investments to expand its user base significantly.

**Income Tax Expenses**

Our income tax expenses decreased by 9% from RMB18,199 million in fiscal year 2018 to RMB16,553 million (US\$2,466 million) in fiscal year 2019. Our effective tax rate decreased to 17% in fiscal year 2019 from 18% in fiscal year 2018. Excluding share-based compensation expense, investment gain/loss and impairment of investments, our effective tax rate would have remained at 17% in fiscal year 2019, as compared to 18% in fiscal year 2018.

**Share of Results of Equity Investees**

Share of results of equity investees in fiscal year 2019 was a profit of RMB566 million (US\$84 million), compared to a loss of RMB20,792 million in fiscal year 2018. As previously disclosed, the loss in fiscal year 2018 was primarily due to an impairment loss of RMB18,116 million with respect to Alibaba Pictures. The increase in share of profit of other equity investees in fiscal year 2019, compared to fiscal year 2018, was primarily due to an increase in our share of profit in Suning. We record our share of results of equity investees one quarter in arrears.

Share of results of equity investees in fiscal years 2018 and 2019 consisted of the following:

	Year ended March 31,		
	2018	2019	
	RMB	RMB	US\$
	(in millions)		
Share of (loss) profit of equity investees:			
Koubei <sup>(1)</sup>	(1,340)	—	—
Cainiao Network <sup>(2)</sup>	(518)	—	—
Others	1,040	2,997	446
Impairment loss	(18,153)	(493)	(73)
Dilution loss	(128)	(185)	(28)
Others <sup>(3)</sup>	(1,693)	(1,753)	(261)
	<u>(20,792)</u>	<u>566</u>	<u>84</u>

(1) We started to consolidate Koubei in December 2018 after obtaining control over Koubei.

(2) We started to consolidate Cainiao Network in mid-October 2017 after obtaining control over Cainiao Network.

(3) Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

**Net Income**

As a result of the foregoing, our net income increased by 31% from RMB61,412 million in fiscal year 2018 to RMB80,234 million (US\$11,955 million) in fiscal year 2019.

**Comparison of Fiscal Years 2017 and 2018**

**Revenue**

	Year ended March 31,		% Change
	2017 RMB	2018 RMB	
	(in millions, except percentages)		
<b>Core commerce:</b>			
China commerce retail	114,109	176,559	55%
China commerce wholesale	5,679	7,164	26%
International commerce retail	7,336	14,216	94%
International commerce wholesale	6,001	6,625	10%
Cainiao logistics services	—	6,759	N/A
Others	755	2,697	257%
Total core commerce	133,880	214,020	60%
Cloud computing	6,663	13,390	101%
Digital media and entertainment	14,733	19,564	33%
Innovation initiatives and others	2,997	3,292	10%
Total revenue	158,273	250,266	58%

Total revenue increased by 58% from RMB158,273 million in fiscal year 2017 to RMB250,266 million in fiscal year 2018. The increase was mainly driven by the continued rapid growth of our China and international commerce retail businesses, Alibaba Cloud as well as the consolidation of newly acquired businesses, mainly Cainiao Network and Intime.

**Core commerce segment**

**China commerce retail**

	Year ended March 31,		% Change
	2017 RMB	2018 RMB	
	(in millions, except percentages)		
<b>Revenue</b>			
China commerce retail business			
Customer management	77,530	114,285	47%
Commission	34,066	46,525	37%
Others	2,513	15,749	527%
Total	114,109	176,559	55%

Revenue from our China commerce retail business increased by 55% from RMB114,109 million in fiscal year 2017 to RMB176,559 million in fiscal year 2018. The robust revenue growth reflected the growth of our New Retail initiatives, including the Freshippo fresh food grocery business, the import business and Intime. In addition, revenue from our China retail marketplaces continued to see strong growth. The growth was primarily driven by the robust growth of customer management revenue, which increased by 47% from RMB77,530 million in fiscal year 2017 to RMB114,285 million in fiscal year 2018. The growth reflected our ability to deliver more relevant content to consumers through our improved data technology, which enabled merchants, brands and retailers to more effectively attract, engage, acquire and retain their customers.

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These value propositions resulted in higher spending on our customer management services by an increasing number of brands and merchants. Commission revenue increased by 37% from RMB34,066 million in fiscal year 2017 to RMB46,525 million in fiscal year 2018, primarily due to the strong growth in physical goods GMV on Tmall. Other revenue was RMB15,749 million in fiscal year 2018, a significant increase compared to RMB2,513 million in fiscal year 2017, primarily driven by our New Retail businesses, including the consolidation of Intime and contribution from Tmall Global and Freshippo.

### *China commerce wholesale*

Revenue from our China commerce wholesale business increased by 26% from RMB5,679 million in fiscal year 2017 to RMB7,164 million in fiscal year 2018. The increase was due to an increase in average revenue from paying members on our 1688.com platform.

### *International commerce retail*

Revenue from our international commerce retail business increased by 94% from RMB7,336 million in fiscal year 2017 to RMB14,216 million in fiscal year 2018. The increase was primarily due to an increase in revenue generated from Lazada and AliExpress, primarily driven by robust GMV growth on these two marketplaces.

### *International commerce wholesale*

Revenue from our international commerce wholesale business increased by 10% from RMB6,001 million in fiscal year 2017 to RMB6,625 million in fiscal year 2018. The increase was due to an increase in customer management revenue and membership fees.

### *Cainiao logistics services*

Revenue from Cainiao logistics services represents revenue from the domestic and international one-stop-shop logistics services and supply chain management solutions provided by Cainiao Network, after elimination of inter-company transactions. We started to consolidate Cainiao Network in mid-October 2017.

### *Cloud computing segment*

Revenue from our cloud computing business in fiscal year 2018 was RMB13,390 million, an increase of 101% compared to RMB6,663 million in fiscal year 2017, primarily driven by an increase in the number of paying customers and also an increase in their usage of and spending on our cloud computing services, including more complex offerings, such as our network virtualization and database services.

### *Digital media and entertainment segment*

Revenue from our digital media and entertainment business in fiscal year 2018 was RMB19,564 million, an increase of 33% compared to RMB14,733 million in fiscal year 2017. The increase was primarily due to an increase in revenue from mobile value-added services provided by UCWeb, such as news feeds and mobile search, and an increase in subscription revenue from Youku.

### *Innovation initiatives and others segment*

Revenue from innovation initiatives and others in fiscal year 2018 was RMB3,292 million, an increase of 10% compared to RMB2,997 million in fiscal year 2017. Starting from fiscal year 2018, we have reclassified Freshippo, previously reported under this segment, as revenue from China commerce retail because Freshippo has moved beyond the incubation stage.

**Cost of Revenue**

	Year ended March 31,		% Change
	2017	2018	
	RMB	RMB	
	(in millions, except percentages)		
Cost of revenue	59,483	107,044	80%
Percentage of revenue	38%	43%	
Share-based compensation expense included in cost of revenue	3,893	5,505	41%
Percentage of revenue	2%	2%	
Cost of revenue excluding share-based compensation expense	55,590	101,539	83%
Percentage of revenue	36%	41%	

Our cost of revenue increased by 80% from RMB59,483 million in fiscal year 2017 to RMB107,044 million in fiscal year 2018. The increase was primarily due to an increase of RMB13,439 million in cost of inventory in relation to our New Retail businesses and Lazada, an increase of RMB11,796 million in logistics costs relating to fulfillment services provided by Cainiao Network, an increase of RMB6,111 million in bandwidth and co-location fees and depreciation expenses as a result of investments in our cloud computing and core commerce businesses, an increase of RMB4,751 million in content acquisition costs for online media properties. Without the effect of share-based compensation expense, cost of revenue as a percentage of revenue would have increased from 36% in fiscal year 2017 to 41% in fiscal year 2018. This increase was primarily due to an increase in cost of inventory incurred by our New Retail businesses and Lazada, as well as investments in Cainiao Network and our spending in growing user base and improving user experience.

**Product Development Expenses**

	Year ended March 31,		% Change
	2017	2018	
	RMB	RMB	
	(in millions, except percentages)		
Product development expenses	17,060	22,754	33%
Percentage of revenue	11%	9%	
Share-based compensation expense included in product development expenses	5,712	7,374	29%
Percentage of revenue	4%	3%	
Product development expenses excluding share-based compensation expense	11,348	15,380	36%
Percentage of revenue	7%	6%	

Our product development expenses increased by 33% from RMB17,060 million in fiscal year 2017 to RMB22,754 million in fiscal year 2018. The increase was largely due to an increase in payroll and benefits expenses, including share-based compensation expense. Without the effect of share-based compensation expense, product development expenses as a percentage of revenue would have decreased from 7% in fiscal year 2017 to 6% in fiscal year 2018, due to operating leverage.

**Sales and Marketing Expenses**

	Year ended March 31,		% Change
	2017 RMB	2018 RMB	
	(in millions, except percentages)		
Sales and marketing expenses	16,314	27,299	67%
Percentage of revenue	10%	11%	
Share-based compensation expense included in sales and marketing expenses	1,772	2,037	15%
Percentage of revenue	1%	1%	
Sales and marketing expenses excluding share-based compensation expense	14,542	25,262	74%
Percentage of revenue	9%	10%	

Our sales and marketing expenses increased by 67% from RMB16,314 million in fiscal year 2017 to RMB27,299 million in fiscal year 2018. The increase was due primarily to an increase in marketing and promotional spending for user acquisition that led to the significant increase in annual active consumers and MAUs in fiscal year 2018. Without the effect of share-based compensation expense, sales and marketing expenses as a percentage of revenue would have increased from 9% in fiscal year 2017 to 10% in fiscal year 2018.

**General and Administrative Expenses**

	Year ended March 31,		% Change
	2017 RMB	2018 RMB	
	(in millions, except percentages)		
General and administrative expenses	12,239	16,241	33%
Percentage of revenue	8%	6%	
Share-based compensation expense included in general and administrative expenses	4,618	5,159	12%
Percentage of revenue	3%	2%	
General and administrative excluding share-based compensation expense	7,621	11,082	45%
Percentage of revenue	5%	4%	

Our general and administrative expenses increased by 33% from RMB12,239 million in fiscal year 2017 to RMB16,241 million in fiscal year 2018. The increase was primarily due to an increase in payroll and benefits expenses, including share-based compensation, as well as an increase in other administrative expenses. Without the effect of share-based compensation expense, general and administrative expenses as a percentage of revenue would have decreased from 5% in fiscal year 2017 to 4% in fiscal year 2018.

**Amortization of Intangible Assets**

	Year ended March 31,		% Change
	2017 RMB	2018 RMB	
	(in millions, except percentages)		
Amortization of intangible assets	5,122	7,120	39%
Percentage of revenue	3%	3%	

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Amortization of intangible assets increased by 39% from RMB5,122 million in fiscal year 2017 to RMB7,120 million in fiscal year 2018. This increase was due to an increase in intangible assets recognized relating to our strategic acquisitions and investments.

**Income from Operations and Operating Margin**

	Year ended March 31,		% Change
	2017	2018	
	RMB	RMB	
	(in millions, except percentages)		
Income from operations	48,055	69,314	44%
Percentage of revenue	30%	28%	
Share-based compensation expense included in income from operations	15,995	20,075	26%
Percentage of revenue	10%	8%	
Income from operations excluding share-based compensation expense	64,050	89,389	40%
Percentage of revenue	40%	36%	

Our income from operations increased by 44% from RMB48,055 million, or 30% of revenue, in fiscal year 2017 to RMB69,314 million, or 28% of revenue, in fiscal year 2018. Without the effect of share-based compensation expense, our operating margin would have decreased from 40% in fiscal year 2017 to 36% in fiscal year 2018, primarily due to our investments in New Retail, the consolidation of Cainiao Network, investments in Lazada and spending in growing our user base and improving user experience.

**Adjusted EBITA and adjusted EBITA margin**

Adjusted EBITA and adjusted EBITA margin by segments are set forth in the table below. See the section entitled "— Segment Information for Fiscal Years 2017, 2018 and 2019" above for a reconciliation of income from operations to adjusted EBITA.

	Year ended March 31,			
	2017		2018	
	RMB	% of Segment Revenue	RMB	% of Segment Revenue
	(in millions, except percentages)			
Core commerce	82,432	62%	114,100	53%
Cloud computing	(476)	(7)%	(799)	(6)%
Digital media and entertainment	(6,542)	(44)%	(8,305)	(42)%
Innovation initiatives and others	(3,125)	(104)%	(2,996)	(91)%

**Core commerce segment**

Adjusted EBITA increased by 38% to RMB114,100 million in fiscal year 2018, compared to RMB82,432 million in fiscal year 2017. Adjusted EBITA margin decreased to 53% in fiscal year 2018 from 62% in fiscal year 2017. Core commerce adjusted EBITA margin was lower mainly due to our investments in New Retail, the consolidation of Cainiao Network, investments in Lazada and spending in growing our user base and improving user experience. Excluding New Retail, the consolidation of Cainiao Network and investments in Lazada, adjusted core commerce EBITA margin would have been 63% for fiscal year 2018. Our New Retail businesses primarily include Intime, Freshippo and Tmall Global.

***Cloud computing segment***

Adjusted EBITA in fiscal year 2018 was a loss of RMB799 million, compared to a loss of RMB476 million in fiscal year 2017. Adjusted EBITA margin improved to negative 6% in fiscal year 2018 from negative 7% in fiscal year 2017.

***Digital media and entertainment segment***

Adjusted EBITA in fiscal year 2018 was a loss of RMB8,305 million, compared to a loss of RMB6,542 million in fiscal year 2017. Adjusted EBITA margin improved to negative 42% in fiscal year 2018 from negative 44% in fiscal year 2017, primarily due to improved results from UCWeb and other media and entertainment businesses, partially offset by an increase in content acquisition costs of Youku.

***Innovation initiatives and others segment***

Adjusted EBITA in fiscal year 2018 was a loss of RMB2,996 million, compared to a loss of RMB3,125 million in fiscal year 2017. Adjusted EBITA margin was negative 91% in fiscal year 2018, as compared to negative 104% in fiscal year 2017.

***Interest and Investment Income, Net***

Our net interest and investment income increased from RMB8,559 million in fiscal year 2017 to RMB30,495 million in fiscal year 2018. The increase was primarily due to a non-cash gain of RMB22,442 million arising from the revaluation of our previously held equity interest in Cainiao Network when we acquired control over Cainiao Network in mid-October 2017.

***Interest Expense***

Our interest expense increased by 34% from RMB2,671 million in fiscal year 2017 to RMB3,566 million in fiscal year 2018. The increase in interest expense was primarily due to an increase in average debt outstanding, including an additional US\$7.0 billion unsecured senior notes issued in December 2017.

***Other Income, Net***

Our other income, net decreased by 32% from RMB6,086 million in fiscal year 2017 to RMB4,160 million in fiscal year 2018. The decrease was primarily due to an increase in foreign exchange loss, partly offset by an increase in income recognized in respect of royalty fees and software technology services fees from Ant Financial, which increased from RMB2,086 million in fiscal year 2017 to RMB3,444 million in fiscal year 2018.

***Income Tax Expenses***

Our income tax expenses increased by 32% from RMB13,776 million in fiscal year 2017 to RMB18,199 million in fiscal year 2018. Our effective tax rate decreased to 18% in fiscal year 2018 from 23% in fiscal year 2017. Income before income tax and share of results of equity investees in fiscal year 2018 included a gain of RMB22,442 million from revaluation of our previously held equity interest in Cainiao Network when we acquired control over Cainiao Network in mid-October 2017, which was non-taxable, leading to a lower effective tax rate in fiscal year 2018. Excluding share-based compensation expense, impairment of goodwill and investments, as well as other unrealized investment gain/loss, our effective tax rate would have remained stable at 18% in fiscal year 2018, compared to fiscal year 2017.

**Share of Results of Equity Investees**

Share of results of equity investees in fiscal years 2017 and 2018 consisted of the following:

	Year ended March 31,	
	2017	2018
	RMB	RMB
	(in millions)	
Share of (loss) profit of equity investees:		
Koubei	(990)	(1,340)
Cainiao Network <sup>(1)</sup>	(1,056)	(518)
Others	(838)	1,040
Impairment loss	(245)	(18,153)
Dilution loss	(336)	(128)
Others <sup>(2)</sup>	(1,562)	(1,693)
	<u>(5,027)</u>	<u>(20,792)</u>

(1) We started to consolidate Cainiao Network in mid-October 2017 after obtaining control over Cainiao Network.

(2) Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

During fiscal year 2018, we took an impairment loss of RMB18,116 million with respect to Alibaba Pictures, our affiliated movie production business. The impairment represented the difference between the market value and our carrying value of this investment as of December 31, 2017. In June 2015, following a financing transaction that diluted our shareholding from a controlling position to minority investment, we were required to write up the carrying value to the substantially increased market value of Alibaba Pictures at the time. As a result, we booked a non-cash accounting gain of RMB24,734 million, which increased the carrying value of our investment in Alibaba Pictures from RMB4,818 million to RMB29,552 million. Since July 2015, the market value of Alibaba Pictures has declined and remained below our increased carrying value. The continued low market price combined with Alibaba Pictures' strategic decision made in early 2018 to increase investments and expenses for market share growth of its online movie ticketing business caused us to conclude that the decline in market value against our carrying value may be "other-than-temporary," which led us to take the impairment in fiscal year 2018.

**Net Income**

As a result of the foregoing, our net income increased by 49% from RMB41,226 million in fiscal year 2017 to RMB61,412 million in fiscal year 2018.

**B. Liquidity and Capital Resources**

We fund our operations and strategic investments from cash generated from our operations and through debt and equity financing. We generated RMB82,854 million, RMB125,805 million and RMB150,975 million (US\$22,496 million) of cash from operating activities for fiscal years 2017, 2018 and 2019, respectively. As of March 31, 2019, we had cash and cash equivalents and short-term investments of RMB189,976 million (US\$28,308 million) and RMB3,262 million (US\$486 million), respectively. Short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year and investments in money market funds or other investments whereby we have the intention to redeem within one year.

In November 2014, we issued unsecured senior notes, including floating rate and fixed rate notes, with varying maturities for an aggregate principal amount of US\$8.0 billion. Interest on the unsecured senior notes is payable in arrears, quarterly for the floating rate notes and semiannually for the fixed-rate notes. We used the proceeds from the issuance of the unsecured senior notes to refinance our previous syndicated loan arrangements in the same amount. We are not subject to any financial covenant or other significant operating covenants under the unsecured senior notes. See note 20 to our audited consolidated financial statements included elsewhere in this annual report for further information.

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In March 2016, we signed a five-year US\$3.0 billion syndicated loan agreement with a group of eight lead arrangers, which we subsequently drew down in April 2016. The loan was upsized from US\$3.0 billion to US\$4.0 billion in May 2016 through a general syndication and the upsized portion was subsequently drawn down in August 2016. The loan had a five-year bullet maturity and was priced at 110 basis points over LIBOR. In May 2019, we amended the pricing of the loans to 85 basis points over LIBOR and extended the maturity to May 2024. The use of proceeds of the loan is for general corporate and working capital purposes (including funding our acquisitions).

In April 2017, we entered into a revolving credit facility agreement with certain financial institutions for an amount of US\$5.15 billion, which we have not yet drawn down. The interest rate for this credit facility is calculated based on LIBOR plus 95 basis points. This loan facility is reserved for future general corporate and working capital purposes (including funding our acquisitions).

In November 2017, we repaid US\$1.3 billion of our US\$8.0 billion unsecured senior notes that became due. In December 2017, we issued an additional aggregate of US\$7.0 billion unsecured senior notes.

As of March 31, 2019, we also had other bank borrowings of RMB16,003 million (US\$2,385 million), primarily used for the construction of corporate campuses and office facilities and other working capital purposes. See note 19 to our audited consolidated financial statements included elsewhere in this annual report for further information.

We believe that our current levels of cash and cash flows from operations will be sufficient to meet our anticipated cash needs for at least the next twelve months. However, we may need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions, which may include investing in technology, infrastructure, including data management and analytics solutions, or related talent. If we determine that our cash requirements exceed our amounts of cash on hand or if we decide to further optimize our capital structure, we may seek to issue additional debt or equity securities or obtain credit facilities or other sources of funding.

The following table sets out a summary of our cash flows for the periods indicated:

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
Net cash provided by operating activities <sup>(1)</sup>	82,854	125,805	150,975	22,496
Net cash used in investing activities <sup>(1)</sup>	(79,579)	(83,764)	(151,060)	(22,509)
Net cash provided by (used in) financing activities	32,914	20,359	(7,392)	(1,101)

- (1) We adopted ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," beginning in the first quarter of fiscal year 2019. As a result of adopting this new accounting update, we retrospectively adjusted the consolidated statements of cash flows to include restricted cash and escrow receivables in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The impact of our retrospective reclassification on cash flows from operating activities for the years ended March 31, 2017 and 2018 was an increase of RMB2,528 million and RMB634 million, respectively, and the impact of our retrospective reclassification on cash flows from investing activities for the years ended March 31, 2017 and 2018 was a decrease of RMB1,215 million and an increase of RMB126 million, respectively.

### Cash Flows from Operating Activities

Cash provided by operating activities in fiscal year 2019 was RMB150,975 million (US\$22,496 million) and primarily consisted of net income of RMB80,234 million (US\$11,955 million), as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included share-based compensation expense of RMB37,491 million (US\$5,586 million), revaluation gains on previously held equity interests of RMB30,187 million (US\$4,498 million), amortization of intangible assets and licensed copyrights of RMB22,118 million (US\$3,295 million), realized and unrealized gain of RMB16,082 million (US\$2,396 million) related to investment securities and depreciation and amortization of property and equipment and land use rights

of RMB14,962 million (US\$2,229 million). Changes in working capital and other activities primarily consisted of an increase of RMB24,355 million (US\$3,629 million) in accrued expenses, accounts payable and other liabilities as a result of the growth of our business and an increase of RMB8,639 million (US\$1,288 million) in deferred revenue and customer advances, partially offset by an increase of RMB10,185 million (US\$1,517 million) in prepayments, receivables and other assets.

Cash provided by operating activities in fiscal year 2018 was RMB125,805 million and primarily consisted of net income of RMB61,412 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included revaluation gains on previously held equity interests of RMB24,436 million, share of results of equity investees of RMB20,792 million, share-based compensation expense of RMB20,075 million, amortization of intangible assets and licensed copyrights of RMB13,231 million and depreciation and amortization of property and equipment and land use rights of RMB8,789 million. Changes in working capital and other activities primarily consisted of an increase of RMB23,158 million in accrued expenses, accounts payable and other liabilities as a result of the growth of our business, an increase of RMB6,610 million in income tax payable and an increase of RMB5,690 million in deferred revenue and customer advances, partially offset by an increase of RMB14,765 million in prepayments, receivables and other assets.

Cash provided by operating activities in fiscal year 2017 was RMB82,854 million and primarily consisted of net income of RMB41,226 million, as adjusted for non-cash items and the effects of changes in working capital and other activities. Adjustments for non-cash items primarily included share-based compensation expense of RMB15,995 million, amortization of intangible assets and licensed copyrights of RMB9,008 million, realized and unrealized gain of RMB5,488 million related to investment securities, depreciation and amortization of property and equipment and land use rights of RMB5,284 million and share of results of equity investees of RMB5,027 million. Changes in working capital and other activities primarily consisted of an increase of RMB5,312 million in accrued expenses, accounts payable and other liabilities as a result of the growth of our business, an increase of RMB4,698 million in income tax payable and an increase of RMB4,611 million in deferred revenue and customer advances, partially offset by an increase of RMB8,237 million in prepayments, receivables and other assets.

### **Cash Flows from Investing Activities**

Cash used in investing activities was RMB151,060 million (US\$22,509 million) in fiscal year 2019 and was primarily attributable to RMB119,766 million (US\$17,846 million) in acquisition of investment securities and equity investments mainly held for strategic purposes, including Focus Media and ZTO Express, and cash paid for business combinations, net of cash acquired, including Ele.me, capital expenditures of RMB49,643 million (US\$7,396 million) primarily in connection with the purchase of computer equipment and licensed copyrights, as well as our investments in data centers and infrastructure for logistic and New Retail businesses, partially offset by proceeds from disposal of subsidiaries, equity investees and investment securities of RMB10,329 million (US\$1,539 million).

Cash used in investing activities was RMB83,764 million in fiscal year 2018 and was primarily attributable to RMB66,129 million in acquisition of investment securities and equity investments mainly held for strategic purposes, including Sun Art Group Limited, Ele.me, Wanda Film, Easyhome and Tokopedia, and cash paid for business combinations, net of cash acquired, including Intime and Cainiao Network, capital expenditures of RMB29,836 million primarily in connection with the purchase of computer equipment and licensed copyrights, as well as the continued expansion of our corporate campuses, partially offset by proceeds from disposal of subsidiaries, equity investees and investment securities of RMB13,381 million.

Cash used in investing activities was RMB79,579 million in fiscal year 2017 and was primarily attributable to RMB77,554 million in acquisition of investment securities and equity investments mainly held for strategic purposes, including Suning, Ele.me, Didi Chuxing, Paytm and Weibo, and cash paid for business combinations, net of cash acquired, including Youku and Lazada, capital expenditures of RMB17,546 million primarily in connection

with the purchase of computer equipment and licensed copyrights, as well as the continued expansion of our corporate campuses, partially offset by proceeds from disposal of subsidiaries, equity investees and investment securities of RMB9,545 million and net decrease in short-term investments of RMB5,761 million.

### **Cash Flows from Financing Activities**

Cash used in financing activities was RMB7,392 million (US\$1,101 million) in fiscal year 2019, and was primarily attributable to cash used in share repurchase of RMB10,872 million (US\$1,620 million) and net repayment of borrowings of RMB4,231 million (US\$630 million), partly offset by cash injection from noncontrolling interests of RMB8,706 million (US\$1,297 million).

Cash provided by financing activities was RMB20,359 million in fiscal year 2018, and was primarily attributable to proceeds from issuance of senior notes of US\$7.0 billion, partly offset by net repayment of unsecured senior notes and bank borrowings of RMB12,192 million and cash used to acquire additional shares of non-wholly owned subsidiaries, primarily including Lazada and Intime, of RMB13,627 million.

Cash provided by financing activities was RMB32,914 million in fiscal year 2017, and was primarily attributable to net proceeds from borrowings of RMB29,333 million and proceeds from issuance of ordinary shares of RMB14,607 million, primarily representing shares issued to Suning, partially offset by cash used in share repurchase of RMB13,182 million.

### **Capital Expenditures**

Our capital expenditures have been incurred primarily in relation to (1) the acquisition of computer equipment and construction of data centers relating to our cloud computing business and the operation of our mobile platforms and websites; (2) infrastructure for logistic and New Retail businesses and (3) the acquisition of land use rights and construction of corporate campuses and office facilities in Hangzhou, Beijing, Guangzhou and Shenzhen. In fiscal years 2017, 2018 and 2019, our capital expenditures totaled RMB11,006 million, RMB19,628 million and RMB35,482 million (US\$5,286 million), respectively. In addition, our acquisitions of licensed copyrights and other intangible assets in fiscal years 2017, 2018 and 2019 were RMB6,540 million, RMB10,208 million and RMB14,161 million (US\$2,110 million), respectively.

### **Holding Company Structure**

We are a holding company with no operation other than ownership of operating subsidiaries in Hong Kong, China and elsewhere that own and operate our marketplaces and other businesses as well as a portfolio of intellectual property rights. As a result, we rely on dividends and other distributions paid by our operating subsidiaries, including funds to pay dividends to our shareholders or to service our outstanding debts. If our operating subsidiaries incur additional debt on their own behalf in the future, the instruments governing the debt may restrict the ability of our operating subsidiaries to pay dividends or make other distributions to us. In addition, applicable PRC law permits payment of dividends to us by our operating subsidiaries in China only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Moreover, our operating subsidiaries in China are also required to set aside a portion of their net income, if any, each year to fund general reserves for appropriations until this reserve has reached 50% of the related subsidiary's registered capital. These reserves are not distributable as cash dividends. In addition, registered share capital and capital reserve accounts are also restricted from distribution. As of March 31, 2019, these restricted net assets totaled RMB112.5 billion (US\$16.8 billion). See note 22 to our audited consolidated financial statements included elsewhere in this annual report.

Our holding company structure differs from some of our peers in that we hold our material assets and operations, except for ICP and other licenses for regulated activities as well as certain equity investments in restricted businesses, in our wholly-owned entities and most of our revenue is generated directly by our wholly-owned entities. As revenue is generated directly by our wholly-owned entities, our wholly-owned entities directly capture the profits and associated cash flow from operations, without having to rely on contractual arrangements to

transfer cash flow from the variable interest entities to our wholly-owned entities. In fiscal years 2017, 2018 and 2019, the significant majority of our revenues were generated by our wholly owned-entities in China. See "Item 4. Information on the Company — C. Organizational Structure" for a description of these contractual arrangements and the structure of our company.

### **Inflation**

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year increase in the consumer price index in calendar years 2016, 2017 and 2018 was 2.0%, 1.6% and 2.1%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher inflation rates in China.

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are set forth in note 2 to our audited consolidated financial statements included elsewhere in this annual report. The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Our management periodically re-evaluates these estimates and assumptions based on historical experience and other factors, including expectations of future events that they believe to be reasonable under the circumstances. Actual results may differ significantly from those estimates and assumptions. We have identified the following accounting policies as the most critical to an understanding of our financial position and results of operations, because the application of these policies requires significant and complex management estimates, assumptions and judgment, and the reporting of materially different amounts could result if different estimates or assumptions were used or different judgments were made.

#### ***Principles of Consolidation***

A subsidiary is an entity in which (i) we directly or indirectly control more than 50% of the voting power; or (ii) we have the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meetings of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders. However, there are situations in which consolidation is required even though these usual conditions of consolidation do not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between the entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a "VIE." We consolidate a VIE if we are determined to be the primary beneficiary of the VIE. The primary beneficiary has both (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

For the entities that we invested in or are associated with but in which the usual conditions of consolidation mentioned above do not apply, we continuously reassess whether these entities possess any of the characteristics of a VIE and whether we are the primary beneficiary.

We consolidate our subsidiaries and the VIEs of which we are the primary beneficiary. On a periodic basis, we reconsider the initial determination of whether a legal entity is a consolidated entity upon the occurrence of certain events provided in Accounting Standards Codification ("ASC") 810. We also continuously reconsider whether we are the primary beneficiary of our affiliated entities as facts and circumstances change.

#### ***Recognition of Revenue***

Revenue is principally comprised of customer management revenue, commissions on transactions, membership fees, logistics services revenue, cloud computing services revenue, sales of goods and other revenue. Revenue

represents the amount of consideration we are entitled to upon the transfer of promised goods or services in the ordinary course of our activities and is recorded net of VAT. Consistent with the criteria of ASC 606 "Revenue from Contracts with Customers," we recognize revenue when performance obligations are satisfied by transferring control of a promised good or service to a customer. For performance obligations that are satisfied at a point in time, we also consider the following indicators to assess whether control of a promised good or service is transferred to the customer: (i) right to payment, (ii) legal title, (iii) physical possession, (iv) significant risks and rewards of ownership and (v) acceptance of the good or service. For performance obligations satisfied over time, we recognize revenue over time by measuring the progress toward complete satisfaction of a performance obligation.

The application of various accounting principles related to the measurement and recognition of revenue requires us to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require relevant contract interpretation to determine the appropriate accounting treatment, including whether the promised goods and services specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether we are acting as the principal or the agent from an accounting perspective in a transaction.

For multiple element arrangements with customers, which primarily relate to the sale of membership packages and customer management services on our wholesale marketplace and Youku's platforms, significant judgment is required to determine whether each good and service element is a distinct performance obligation and is separately accounted for. To determine whether a performance obligation is distinct, we consider its level of integration, customization, interdependence and interrelation with other elements within the arrangement. If an arrangement involves multiple distinct performance obligations, each obligation is separately accounted for and the total consideration is allocated to each obligation based on the relative standalone selling prices at contract inception. If directly observable standalone selling prices are not available, we need to apply significant judgment and perform assessments on market conditions and entity-specific factors to estimate the standalone selling prices for each element. Changes in the estimated standalone selling price may cause the amount of revenue to be recognized for each performance obligation to differ, but the total amount of revenue to be recognized within a contract should not be affected. We periodically re-assess the standalone selling price of the elements as a result of changes in market conditions. Revenue recognition for P4P marketing service and display marketing on our China retail marketplaces does not require us to exercise significant judgment or estimate.

For certain arrangements, we apply significant judgment in determining whether we are acting as the principal or agent in a transaction. We are acting as the principal if we obtain control over the goods and services before they are transferred to customers. Generally, when we are primarily obligated in a transaction and are subject to inventory risk or have latitude in establishing prices, or have several but not all of these indicators, we act as the principal and record revenue on a gross basis. We act as the agent and record the net amount as revenue earned if we do not obtain control over the goods and services before they are transferred to the customers. We record P4P marketing services revenue and display marketing revenue generated through third-party marketing affiliate programs on a gross basis; and revenue relating to the Taobao program generated through third-party marketing affiliate partners' websites where we do not take inventory risks on a net basis. In addition, revenue generated from certain platforms in which we operate as a principal is reported on a gross basis while this revenue was insignificant for each of the periods presented.

#### ***Share-based Compensation Expense and Valuation of the Underlying Awards***

##### ***Granting of share-based awards relating to our ordinary shares***

We account for various types of share-based awards granted to the employees, consultants and directors of our company, our affiliates and certain other companies, such as Ant Financial, in accordance with the authoritative guidance on share-based compensation expense. Under the fair value recognition provision of this guidance, compensation for share-based awards granted, including RSUs, share options and restricted shares, is measured at the grant date, or at the future vesting dates in the case of consultants or other non-employee grantees, based on

the fair value of the awards and is recognized as expense over the requisite service period, which is generally the vesting period of the respective award, on an accelerated attribution method. In the case of share-based awards granted to non-employees, the fair value of the unvested portion is re-measured each period, with the resulting difference, if any, recognized as an expense during the period when the related services are rendered. Under the accelerated attribution method, each vesting installment of a graded vesting award is treated as a separate share-based award, and accordingly each vesting installment is separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated income statements and accordingly is recorded only for those share-based awards that are expected to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes when necessary. We revise our estimated forfeiture rate if actual forfeitures significantly differ from the initial estimates.

Determining the fair value of share-based awards requires significant judgment. The fair values of RSUs and restricted shares are determined based on the fair value of our ordinary shares. The market price of our publicly traded ADSs is used as an indicator of fair value for our ordinary shares.

We estimate the fair value of share options using the Black-Scholes valuation model, which requires inputs such as the fair value of our ordinary shares, risk-free interest rate, expected dividend yield, expected life and expected volatility.

If the fair value of the underlying equity and any of the assumptions used in the Black-Scholes model changes significantly, share-based compensation expense for future awards may differ materially compared with the awards granted previously.

#### ***Subscription for rights to acquire our restricted shares***

Beginning in 2013, we offered selected members of the Alibaba Partnership rights to acquire our restricted shares. The fair value of the rights is determined using the Black-Scholes valuation model. For the rights offered before 2016, a discount for post-vesting sales restriction was applied to arrive at the estimated value of the restricted shares. We record share-based compensation expense equivalent to the entire fair value of these rights less the initial subscription price in the period of subscription. For the rights offered since 2016, we recognize share-based compensation expense equivalent to the entire fair value of these rights over the requisite service period.

#### ***Share-based awards relating to Ant Financial***

Since March 2014, Junhan has granted certain share-based awards similar to share appreciation awards linked to the valuation of Ant Financial to our employees, and since April 2018, Ant Financial, through its subsidiary, has granted certain RSU awards to our employees. The awards granted by Junhan will be settled in cash by Junhan upon disposal of these awards by the holders. The awards granted by the Ant Financial subsidiary may be settled in equity or cash by the Ant Financial subsidiary upon vesting of the awards. Junhan and the Ant Financial subsidiary have the right to repurchase the vested awards (or any underlying shares of vested RSU awards) granted by them, as applicable, from the holders upon an initial public offering of Ant Financial or the termination of the holders' employment with us at a price to be determined based on the then fair market value of Ant Financial. We have no obligation to reimburse Junhan, Ant Financial or its subsidiaries for the cost associated with these awards.

These awards meet the definition of a financial derivative. The cost relating to these awards is recognized by us and the related expense is recognized over the requisite service period in the consolidated income statements with a corresponding credit to additional paid-in capital. Subsequent changes in the fair value of these awards are recorded in the consolidated income statements. The expenses relating to the awards granted by Junhan are re-measured at the fair value on each reporting date until their settlement dates. The expenses relating to the RSU awards granted by the Ant Financial subsidiary are re-measured at the fair value on each reporting date until their vesting dates. See note 8(d) to our audited consolidated financial statements included elsewhere in this annual report. The fair values of the underlying equity are primarily determined with reference to the business enterprise

value, or BEV, of Ant Financial which is based on the contemporaneous valuation reports or recent financing transactions. Given that the determination of the BEV of Ant Financial requires judgments and is beyond our control, the magnitude of the related accounting impact is unpredictable and may affect our consolidated income statements significantly.

As of March 31, 2019, total unamortized share-based compensation expense related to our ordinary shares that we expect to recognize was RMB23,484 million (US\$3,499 million), with a weighted-average remaining requisite service period of 2.0 years. To the extent the actual forfeiture rate is different from what we have anticipated, share-based compensation expense related to these awards will be different. Furthermore, share-based compensation expense was affected by changes in the fair value of our shares, as certain share-based awards were granted to non-employees for which the unvested portions of the awards were re-measured at each reporting date through the vesting dates. As of March 31, 2019, 1,878,835 outstanding RSUs and 76,550 outstanding share options were held by non-employees, who consist primarily of employees of Ant Financial. In addition, share-based compensation expense will also be affected by changes in the fair value of awards granted to our employees by Junhan and Ant Financial through its subsidiary. Ant Financial has informed us that they expect its wholly-owned subsidiary and Junhan will issue additional share-based awards to our employees from time to time in the future.

See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Agreements and Transactions Related to Ant Financial and Its Subsidiaries — Equity-based Award Arrangements." The expenses associated with these awards will be recognized across the functions in which the award recipients are employed and may continue to be significant in future periods.

#### ***Recognition of Income Taxes and Deferred Tax Assets/Liabilities***

We are mainly subject to income tax in China, but are also subject to taxation on profit arising in or derived from the tax jurisdiction where our subsidiaries are domiciled and operate outside China. Income taxes are assessed and determined on an entity basis. There are transactions (including entitlement to preferential tax treatment and deductibility of expenses) where the ultimate tax determination is uncertain until the final tax position is confirmed by relevant tax authorities. In addition, we recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes could be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Deferred income tax is recognized for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilized. Deferred income tax is provided in full, using the liability method. The deferred tax assets recognized are mainly related to the temporary differences arising from amortization of licensed copyrights and accrued expenses, which are not deductible until paid under the applicable PRC tax laws. We have also recognized deferred tax liabilities on the undistributed earnings generated by our subsidiaries in China, which are subject to withholding taxes when they resolve to distribute dividends to us. As of March 31, 2019, we have fully accrued the withholding tax on the earnings distributable by all of our subsidiaries in China, except for those undistributed earnings that we intend to reinvest indefinitely in China. If our intent changes or if these funds are in fact distributed outside of China, we would be required to accrue or pay the withholding tax on some or all of these undistributed earnings and our effective tax rate would be adversely affected.

#### ***Fair Value Determination Related to the Accounting for Business Combinations***

A component of our growth strategy has been to acquire and integrate complementary businesses into our digital economy. We complete business combinations from time to time that require us to perform purchase price allocations. In order to recognize the fair value of assets acquired and liabilities assumed, mainly consisting of intangible assets and goodwill, as well as the fair value of any contingent consideration to be recognized, we use valuation techniques such as discounted cash flow analysis and ratio analysis in comparison to comparable

companies in similar industries under the income approach, market approach and cost approach. Major factors considered include historical financial results and assumptions including future growth rates, an estimate of weighted average cost of capital and the effect of expected changes in regulation. Most of the valuations of our acquired businesses have been performed by independent valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. However, these assumptions are inherently uncertain and actual results could differ from those estimates.

***Fair Value Determination Related to Financial Instruments Accounted for at Fair Value***

We have a significant amount of financial instruments that are categorized within Level 2 and Level 3 according to ASC 820 "Fair Value Measurement." The valuations for financial instruments categorized within Level 2 relating to interest rate swap contracts are performed based on inputs derived from or corroborated by observable market data. Convertible bonds that do not have a quoted price are categorized within Level 3, of which the valuations are performed using valuation models such as the binomial model with unobservable inputs including risk-free interest rate and expected volatility. The valuation of contingent consideration categorized within Level 3 is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies in connection with the contingent consideration arrangements. Significant judgment is required to determine the appropriateness of those unobservable inputs.

Investments in privately held companies for which the company elected to record using the measurement alternative are recorded at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer that were completed on or after April 1, 2018, the date on which we have begun to apply the guidance under Accounting Standards Update ("ASU") 2016-01. The valuations of these investments are categorized within Level 3, and are estimated based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs including volatility, as well as rights and obligations of the securities that we hold. The determination of whether an observed transaction is orderly and similar to our investment, and the amount of adjustment considering the rights and obligations of the investment, requires significant judgment.

***Impairment Assessment on Goodwill and Intangible Assets***

We test annually, or whenever events or circumstances indicate that the carrying value of assets exceeds the recoverable amounts, whether goodwill and intangible assets have suffered any impairment in accordance with the accounting policy stated in note 2 to our audited consolidated financial statements included elsewhere in this annual report. For the impairment assessment on goodwill, we have elected to perform a qualitative assessment to determine whether the two-step impairment testing of goodwill is necessary. In this assessment, we identify the reporting units, consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed.

For the quantitative assessment of goodwill impairment, we compare the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill.

For intangible assets other than licensed copyrights, we perform an impairment assessment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. These assessments primarily use cash flow projections based on financial forecasts prepared by management and an estimated terminal value. The expected growth in revenues and operating margin, timing of future capital expenditures, an estimate of weighted average cost of capital and terminal growth rate are based on actual and prior year

performance and market development expectations. The periods of the financial forecasts generally range from three to five years or a longer period if necessary. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and the results of the impairment tests.

#### ***Impairment Assessment on Licensed Copyrights***

We evaluate the program usefulness of licensed copyrights pursuant to the guidance in ASC 920 "Entertainment — Broadcasters," which provides that the rights be reported at the lower of unamortized cost or estimated net realizable value. When there is a change in the expected usage of licensed copyrights, we estimate net realizable value of licensed copyrights to determine if any impairment exists. The net realizable value of licensed copyrights is determined by estimating the expected cash flows from advertising and membership fees, less any direct costs, over the remaining useful lives of the licensed copyrights. We monetize our licensed copyrights with branding customers based on the different content channels available on our entertainment distribution platforms. Therefore, we estimate these cash flows for each category of content separately, such as movies, television series, variety shows, animations and other video content. Estimates that impact these cash flows include anticipated levels of demand for our advertising services and the expected selling prices of advertisements. Judgment is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and the results of the impairment tests.

#### ***Impairment Assessment on Investments in Equity Investees***

We continually review our investments in equity investees to determine whether a decline in fair value below the carrying value is "other-than-temporary." The primary factors that we consider include:

- the severity and length of time that the fair value of the investment is below its carrying value;
- the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee companies; strategic collaboration with and the prospects of the investee companies;
- the geographic region, market and industry in which the investee companies operate; and
- other entity specific information such as recent financing rounds completed by the investee companies and post balance sheet date fair value of the investment.

Fair value of the listed securities is subject to volatility and may be materially affected by market fluctuations. Judgment is required to determine the weighting and impact of the abovementioned factors and changes to this determination can significantly affect the results of the impairment tests.

#### ***Impairment Assessment on Equity Securities***

Equity securities without readily determinable fair values that are accounted for using the measurement alternative are subject to periodic impairment reviews. Our impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities. Qualitative factors considered may include market environment and conditions, financial performance, business prospects, and other relevant events and factors. When indicators of impairment exist, we perform quantitative assessments of the fair value, which may include the use of market and income valuation approaches and the use of estimates, which may include discount rates, investees' liquidity and financial performance, and market data of comparable companies in similar industries. Judgment is required to determine the appropriateness of the valuation approaches and the weighting and impact of the abovementioned factors. Changes to this determination can significantly affect the results of the quantitative assessments.

### ***Depreciation and Amortization***

The costs of property and equipment and intangible assets are charged ratably as depreciation and amortization expenses, respectively, over the estimated useful lives of the respective assets using the straight-line method. We periodically review changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation and amortization rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore depreciation and amortization expenses in future periods.

### **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" and issued certain transitional guidance and subsequent amendments between January 2018 and March 2019 within ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, including ASU 2016-02, "ASC 842"). ASU 2016-02 creates a new topic in ASC 842 "Leases" to replace the current topic in ASC 840 "Leases," which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. ASU 842 affects both lessees and lessors, although for the latter the provisions are similar to the current model, but are updated to align with certain changes to the lessee model and also the new revenue recognition provisions contained in ASC 606. The new guidance is effective for us for the year ending March 31, 2020 and interim reporting periods during the year ending March 31, 2020. We adopted the new guidance beginning on April 1, 2019 using the modified retrospective method, and no adjustment will be made to the comparative periods. As permitted under the transition guidance, we will carry forward the assessment of whether the contracts contain or are leases, classification of the leases and remaining lease terms. Based on our portfolio of leases as of March 31, 2019, approximately RMB24.9 billion of right-of-use assets and RMB19.4 billion of liabilities, primarily relating to property leases, will be recognized on our consolidated balance sheet upon adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement on Credit Losses on Financial Instruments," and issued subsequent amendments to the initial guidance and transitional guidance between November 2018 and May 2019 within ASU 2018-19, ASU 2019-04 and ASU 2019-05. ASU 2016-13 introduces new guidance for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The new guidance also modifies the impairment model for available-for-sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. Further, the new guidance indicates that entities may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit loss exists. The new guidance is effective for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for us for the year ending March 31, 2020 and interim reporting periods during the year ending March 31, 2020. We are evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-04, "Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating step two from the goodwill impairment test. Step two of the goodwill impairment test measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with its carrying amount. The new guidance is effective prospectively for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," and issued subsequent amendments to the initial guidance or transitional

guidance within ASU 2019-04 in April 2019. ASU 2017-12 simplifies the application of hedge accounting and makes more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. The new guidance permits a qualitative effectiveness assessment for certain hedges instead of a quantitative test after the initial qualification, if the company can reasonably support an expectation of high effectiveness throughout the term of the hedge. Also, for cash flow hedges and net investment hedges, if the hedge is highly effective, all changes in the fair value of the derivative hedging instrument will be recorded in other comprehensive income. We adopted the new guidance prospectively beginning on April 1, 2019. At this time, we do not expect that the adoption of this guidance will have a material impact on our financial position, results of operations and cash flows.

In June 2018, the FASB issued ASU 2018-07, "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. An entity should apply the requirements of ASC 718 to non-employee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. We adopted the new guidance beginning on April 1, 2019. The adoption of this guidance will impact the accounting of the share-based awards granted to non-employees but we do not expect that the adoption of this guidance will have a material impact on our financial position, results of operations and cash flows.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement," which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The new guidance is effective for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for the adoption of either the entire standard or only the provisions that eliminate or modify the requirements. We are evaluating the effects, if any, of the adoption of this guidance on the fair value disclosure in the consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities," which provides guidance that indirect interests held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. These indirect interests were previously treated the same as direct interests. The consideration of indirect interests on a proportional basis is consistent with how indirect interests held through related parties under common control are treated when determining if a reporting entity within a related party group is the primary beneficiary of a VIE. The new guidance is effective retrospectively for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021 with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. We are evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

In November 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606." ASU 2018-18 clarifies that elements of collaborative arrangements could qualify as transactions with customers in the scope of ASC 606. The amendments require the application of existing guidance to determine the units of account in collaborative arrangement for purposes of identifying transactions with customers. For transactions outside the scope of ASC 606, companies can apply elements of ASC 606 or other relevant guidance by analogy, or apply a reasonable accounting policy if there is no appropriate analogy. ASU 2018-18 is effective retrospectively for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. We are evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

In March 2019, the FASB issued ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)".

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This guidance aligns the accounting guidance for production costs for (1) films and (2) episodic content produced for television series and streaming services. This new guidance also clarifies when a company should test films and license agreements for program material for impairment at the film-group level, amends the presentation and disclosure requirements for produced or licensed content and addresses statement of cash flows classification for license arrangements. The new guidance is effective prospectively for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. We are evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." Apart from the amendments to ASU 2016-13 and ASU 2017-12 mentioned above, the ASU also included subsequent amendments to ASU 2016-01, which we adopted in April 2018. The guidance in relation to the amendments to ASU 2016-01 is effective for us for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. We are evaluating the effects, if any, of the adoption of these guidance on our financial position, results of operations and cash flows.

### **C. Research and Development, Patents and Licenses, etc.**

#### **Research and Development**

We have built our core technology for our online and mobile commerce and cloud computing businesses in-house. We employ research and development personnel to build our technology platform and develop new online and mobile products. We recruit top and experienced talent locally and overseas, and we have advanced training programs designed specifically for new campus hires.

#### ***Intellectual Property***

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets, patents and other proprietary rights is critical to our business. We rely on a combination of trademark, fair trade practice, copyright and trade secret protection laws and patent protection in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. We also enter into confidentiality and invention assignment agreements with all of our employees, and we rigorously control access to our proprietary technology and information. As of March 31, 2019, we had 5,536 issued patents and 12,321 publicly filed patent applications in China and 2,874 issued patents and 9,163 publicly filed patent applications in various other countries and jurisdictions globally. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims.

#### **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the current fiscal year that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital reserves, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

#### **E. Off-Balance Sheet Arrangements**

We did not have any material off-balance sheet arrangements in fiscal years 2017, 2018 or 2019.

## F. Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of March 31, 2019.

	Payment due by period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
(in millions of RMB)					
<b>Contractual Obligations</b>					
Short-term borrowings <sup>(1)</sup>	7,358	7,358	—	—	—
Long-term borrowings <sup>(2)</sup>	8,647	—	1,935	1,136	5,576
US\$4.0 billion syndicated loan denominated in US\$ <sup>(3)</sup>	26,892	—	26,892	—	—
Unsecured senior notes <sup>(4)</sup>	92,106	15,127	10,084	4,706	62,189
<b>Contractual Commitments</b>					
Purchase of property and equipment	5,656	4,417	1,228	11	—
Construction of corporate campus	3,576	2,265	1,225	40	46
Leases for office facility and transportation equipment	31,005	4,984	6,326	4,349	15,346
Licensed copyrights, co-location, bandwidth fees and marketing expenses	49,023	21,768	15,023	7,268	4,964
Investment commitments <sup>(5)</sup>	23,954	23,954	—	—	—
<b>Total</b>	<b>248,217</b>	<b>79,873</b>	<b>62,713</b>	<b>17,510</b>	<b>88,121</b>

- (1) Excluding estimated interest payments of RMB87 million assuming the applicable interest rates in effect as of March 31, 2019. The majority of the borrowings are subject to floating interest rates.
- (2) Excluding estimated interest payments of RMB2,446 million in total (RMB405 million, RMB727 million, RMB599 million and RMB715 million over the periods of less than one year, one to three years, three to five years and more than five years from April 1, 2019, respectively), assuming the applicable interest rates in effect as of March 31, 2019. Substantially all of the borrowings are subject to floating interest rates.
- (3) Excluding estimated interest payments of RMB2,054 million in total (RMB982 million and RMB1,072 million over the periods of less than one year and one to three years from April 1, 2019, respectively), assuming the applicable interest rate in effect as of March 31, 2019. The syndicated loan is subject to a floating interest rate. In May 2019, we amended the pricing of the loans to 85 basis points over LIBOR and extended the maturity to May 2024.
- (4) Excluding estimated interest payments of RMB43,697 million in total (RMB3,094 million, RMB5,551 million, RMB4,951 million and RMB30,101 million over the periods of less than one year, one to three years, three to five years and more than five years from April 1, 2019, respectively). The unsecured senior notes are subject to fixed interest rates.
- (5) Including the consideration for the investments related to STO Express, Focus Media and the remaining committed capital of certain investment funds.

In addition, according to our partnership arrangement with the International Olympic Committee, we will provide at least US\$815 million worth of cash, cloud infrastructure services and cloud computing services, as well as marketing and media support through 2028, in connection with various Olympic initiatives, events and activities, including the Olympic Games and the Winter Olympic Games. As of March 31, 2019, the aggregate amount of cash to be paid and value of services to be provided in the future is approximately US\$738 million.

In May 2019, Hong Kong Cingleot Investment Management Limited ("Cingleot"), a company that is partially owned by Cainiao Network, entered into a facility agreement for a term loan of HK\$7.7 billion (US\$1.0 billion) to fund a logistics center project at Hong Kong International Airport. Alibaba acts as a guarantor for the term loan. As of the date of this annual report, Cingleot has not drawn down the term loan.

## G. Safe Harbor

See "Forward-Looking Statements."

**ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

The following table sets forth certain information relating to our directors and executive officers.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Jack Yun MA †(1)(c)	54	Executive Chairman
Joseph C. TSAI †(2)(a)	55	Executive Vice Chairman
Daniel Yong ZHANG †(1)(b)	47	Director and Chief Executive Officer
J. Michael EVANS †(2)(a)	61	Director and President
Eric Xiandong JING †(2)(a)	46	Director
Masayoshi SON ‡(3)(c)	61	Director
Chee Hwa TUNG (2)(b)	82	Independent director
Walter Teh Ming KWAUK (2)(c)	66	Independent director
Jerry YANG (2)(b)	50	Independent director
E. Börje EKHOLM (2)(a)	56	Independent director
Wan Ling MARTELLO (2)(b)	61	Independent director
Maggie Wei WU (2)	51	Chief Financial Officer
Judy Wenhong TONG (1)	48	Chief People Officer
Jeff Jianfeng ZHANG (1)	45	Chief Technology Officer and President, Alibaba Cloud Intelligence
Sophie Minzhi WU (1)	43	Chief Customer Officer
Timothy A. STEINERT (2)	59	General Counsel and Secretary
Jessie Junfang ZHENG (1)	45	Chief Risk Officer and Chief Platform Governance Officer
Chris Pen-hung TUNG (1)	49	Chief Marketing Officer
Trudy Shan DAI (1)	42	President, Wholesale Marketplaces
Fan JIANG (1)	33	President, Taobao and Tmall
Yvonne Yifen CHANG (1)	53	President, Alimama
Luyuan FAN (1)	45	President, Alibaba Digital Media and Entertainment

† Director nominated by the Alibaba Partnership.

‡ Director nominated by SoftBank.

(a) Group I directors. Current term of office will expire at our 2021 annual general meeting.

(b) Group II directors. Current term of office will expire at our 2019 annual general meeting.

(c) Group III directors. Current term of office will expire at our 2020 annual general meeting.

(1) c/o 969 West Wen Yi Road, Yu Hang District, Hangzhou 311121, the People's Republic of China.

(2) c/o Alibaba Group Services Limited, 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong S.A.R.

(3) SoftBank Group Corp., 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo, 105-7303, Japan.

**Biographical Information**

**Jack Yun MA (马云)** is our lead founder and, since May 2013, has served as our executive chairman. From our founding in 1999 through May 2013, Jack served as our chairman and chief executive officer. He is also the founder of the Zhejiang-based Jack Ma Foundation. Jack currently serves on the board of SoftBank Group Corp., one of our major shareholders and a Japanese corporation listed on the Tokyo Stock Exchange. He is also a member of the Board of Trustees of the World Economic Forum, chairman of the Zhejiang Chamber of Commerce, as well as chairman of the China Entrepreneur Club. In May 2019, he was renamed as a Sustainable

Development Goals (SDGs) advocate by the United Nations. Jack graduated from Hangzhou Teacher's Institute with a major in English language education.

**Joseph C. TSAI (蔡崇信)** joined our company in 1999 as a member of the Alibaba founding team and has served on our board of directors since our inception. He was chief financial officer until 2013 and is currently our executive vice chairman. He serves on our investment committee and Ant Financial's investment committee, and is a founding member of Alibaba Partnership. From 1995 to 1999, he was a private equity investor based in Hong Kong with Investor AB, the main investment vehicle of Sweden's Wallenberg family. Prior to that, he was general counsel of Rosecliff, Inc., a management buyout firm based in New York. From 1990 to 1993, Joe was an associate attorney in the tax group of Sullivan & Cromwell LLP, a New York-based international law firm. Joe is qualified to practice law in the State of New York. He received his bachelor's degree in Economics and East Asian Studies from Yale College and a juris doctor degree from Yale Law School.

**Daniel Yong ZHANG (张勇)** has been our Chief Executive Officer since May 2015 and our director since September 2014. Mr. Zhang is also currently a member of Ant Financial's investment committee. Prior to his current role, he served as our Chief Operating Officer from September 2013 to May 2015. He joined our company in August 2007 as Chief Financial Officer of Taobao Marketplace and served in this position until June 2011. He took on the additional role of general manager for Tmall.com in August 2008, which he performed concurrently until his appointment as president of Tmall.com in June 2011 when Tmall.com became an independent platform. Prior to joining Alibaba, Mr. Zhang served as Chief Financial Officer of Shanda Interactive Entertainment Limited, an online game developer and operator then listed on Nasdaq, from September 2005 to August 2007. From 2002 to 2005, he was a senior manager of PricewaterhouseCoopers' Audit and Business Advisory Division in Shanghai. Mr. Zhang is the chairman of Sun Art, a company listed on the Hong Kong Stock Exchange. He also serves on the board of Weibo, a company listed on the Nasdaq. Mr. Zhang received a bachelor's degree in finance from Shanghai University of Finance and Economics.

**J. Michael EVANS** has been our president since August 2015 and our director since September 2014. Mr. Evans served as Vice Chairman of The Goldman Sachs Group, Inc. from February 2008 until his retirement in December 2013. Mr. Evans served as chairman of Asia operations at Goldman Sachs from 2004 to 2013 and was the global head of Growth Markets at Goldman Sachs from January 2011 to December 2013. He also co-chaired the Business Standards Committee of Goldman Sachs from 2010 to 2013. Mr. Evans joined Goldman Sachs in 1993, became a partner of the firm in 1994 and held various leadership positions within the firm's securities business while based in New York and London, including global head of equity capital markets and global co-head of the equities division, and global co-head of the securities business. Mr. Evans is a board member of City Harvest. He is also a trustee of the Asia Society and a member of the Advisory Council for the Bendheim Center for Finance at Princeton University. In August 2014, Mr. Evans joined the board of Barrick Gold Corporation. Mr. Evans received his bachelor's degree in politics from Princeton University in 1981.

**Eric Xiandong JING (井贤栋)** has been our director since September 2016. He is currently the chief executive officer of Ant Financial, and has also served as chairman of Ant Financial starting in April 2018. Prior to his current position, Mr. Jing served as president of Ant Financial from June 2015 to October 2016, and chief operating officer of Ant Financial from October 2014 to June 2015. Prior to that, he served as Alipay's chief financial officer. Before joining Alipay in September 2009, he was senior corporate finance director and corporate finance vice president of Alibaba.com from 2007 to 2009. Previously, Mr. Jing was the chief financial officer of Guangzhou Pepsi Cola Beverage Co. from 2004 to 2006. He also held management positions in several Coca-Cola bottling companies across China. Currently, Mr. Jing also serves as a director of Hundsun Technologies, a company listed on the Shanghai Stock Exchange. Mr. Jing received an MBA degree from the Carlson School of Management at the University of Minnesota and a bachelor's degree in economics from Shanghai Jiao Tong University.

**Masayoshi SON** has been our director since 2005. Mr. Son is the founder, Chairman and CEO of SoftBank Group Corp. (SBG), a global technology company that aspires to drive the Information Revolution. Founded in 1981, SBG and its portfolio companies cover a range of technologies, including advanced telecommunications, Internet

services, AI, smart robotics, IoT and clean energy. Mr. Son is also the chairman of SoftBank Corp., the domestic telecommunications subsidiary of SBG, director of Yahoo Japan Corporation and Director of Sprint Corporation. He also serves as Chairman and Director of Arm Limited. Mr. Son received a bachelor's degree in Economics from the University of California, Berkeley.

**Chee Hwa TUNG (董建华)** has been our director since September 2014 and is the Vice Chairman of the Thirteenth National Committee of the Chinese People's Political Consultative Conference of the PRC, which is an important institution of multiparty cooperation and political consultation in the PRC. Mr. Tung is the Founding Chairman of the China-United States Exchange Foundation, which is a non-profit organization registered in Hong Kong to promote understanding and strengthening relationships between China and the United States. Mr. Tung is also the chairman of Our Hong Kong Foundation Limited, a non-government, non-profit organization dedicated to promoting the long-term and overall interests of Hong Kong. Mr. Tung also serves in various public sector and advisory positions, including as a member of the J.P. Morgan International Council, the China Development Bank International Advisory Committee and the Advisory Board of the Schwarzman Scholars Program at Tsinghua University. Prior to these appointments, Mr. Tung served as the First Chief Executive of the Hong Kong Special Administrative Region from July 1997 to March 2005. Mr. Tung had a successful and distinguished career in business, including serving as the Chairman and Chief Executive Officer of Orient Overseas (International) Limited, an SEHK-listed company with its principal business activities in container transport and logistics services on a global scale. Mr. Tung received a bachelor's degree in science from the University of Liverpool.

**Walter Teh Ming KWAIK (郭德明)** has been our director since September 2014. He previously served as an independent non-executive director and chairman of the audit committee of Alibaba.com Limited, one of our subsidiaries, which was listed on the SEHK, from October 2007 to July 2012. Mr. Kwauk is currently a senior adviser of Motorola Solutions (China) Co., Ltd. and serves as an independent non-executive director and chairman of the audit committee of each of Sinosoft Technology Group Limited, a company listed on the SEHK, and WuXi Biologics (Cayman) Inc., a company listed on the SEHK and Hua Medicine (Shanghai) Ltd., a company listed on the SEHK, and as a director of several private companies. Mr. Kwauk was a vice president of Motorola Solutions, Inc. and its director of corporate strategic finance and tax, Asia Pacific from 2003 to 2012. Mr. Kwauk served with KPMG from 1977 to 2002 and held a number of senior positions, including the general manager of KPMG's joint venture accounting firm in Beijing, the managing partner in KPMG's Shanghai office and a partner in KPMG's Hong Kong Office. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwauk received a bachelor's degree in science and a licentiate's degree in accounting from the University of British Columbia.

**Jerry YANG (杨致远)** has been our director since September 2014. Mr. Yang previously served as our director from October 2005 to January 2012. Since March 2012, Mr. Yang has served as the founding partner of AME Cloud Ventures, a venture capital firm. Mr. Yang is a co-founder of Yahoo! Inc., and served as Chief Yahoo! and as a member of its board of directors from March 1995 to January 2012. In addition, he served as Yahoo!'s Chief Executive Officer from June 2007 to January 2009. From January 1996 to January 2012, Mr. Yang served as a director of Yahoo! Japan. Mr. Yang also served as an independent director of Cisco Systems, Inc. from July 2000 to November 2012. He is currently an independent director of Workday Inc., a company listed on the New York Stock Exchange, and Lenovo Group Ltd., a company listed on the SEHK. He also serves as a director of various private companies and foundations. Mr. Yang received a bachelor's degree and a master's degree in electrical engineering from Stanford University, where he is serving on the University's Board of Trustees beginning in October 2017. He was previously on Stanford's Board of Trustees from 2005 to 2015, including being a vice chair.

**E. Börje EKHOLM** has been our director since June 2015. Mr. Ekholm is since January 2017 the president and Chief Executive Officer of Ericsson. Prior to his current position, Mr. Ekholm was head of Patricia Industries, a newly created division of Investor AB, a Swedish investment company, where he has held a variety of management positions since joining the firm in 1992. Mr. Ekholm served as president and Chief Executive Officer and a member of the board of directors of Investor AB from September 2005 to May 2015. Prior to becoming president and Chief Executive Officer, Mr. Ekholm was a member of the management group of Investor AB. Previously, Mr. Ekholm worked at McKinsey & Co. Inc. Mr. Ekholm currently serves as a member of the board of Ericsson,

as a member of the board of the Swedish American Chamber of Commerce in New York and as a member of the board of trustees of the independent school Choate Rosemary Hall. Mr. Ekholm received a master's degree in electrical engineering from KTH Royal Institute of Technology and a master's degree in business administration from INSEAD.

**Wan Ling MARTELLO** has been our director since September 2015. She served as the executive vice president and chief executive officer of the Asia, Oceania, and Sub-Saharan Africa region for Nestlé SA from May 2015 to December 2018. She was Nestlé's global chief financial officer from April 2012 to May 2015, and executive vice president from November 2011 to March 2012. Prior to Nestlé, Ms. Martello was a senior executive at Walmart Stores Inc. from 2005 to 2011. Her roles included executive vice president and chief operating officer for Global eCommerce, and senior vice president, chief financial officer and strategy for Walmart International. Before Walmart, she was president, U.S.A. at NCH Marketing Services Inc. She was with the firm from 1998 to 2005. She also worked at Borden Foods Corporation and Kraft Inc. where she held various senior management positions. Ms. Martello received a master's degree in business administration (management information systems) from the University of Minnesota and a bachelor's degree in business administration and accountancy from the University of the Philippines.

**Maggie Wei WU ( 武卫 )** has been our chief financial officer since May 2013. Maggie joined our company in July 2007 as chief financial officer of Alibaba.com. She was voted best CFO in FinanceAsia's annual poll for Asia's Best Managed Companies in 2010. In 2018, she was named one of the world's 100 most powerful women by Forbes. Before joining Alibaba, Maggie was an audit partner at KPMG in Beijing. Maggie is a member of the Association of Chartered Certified Accountants (ACCA). She received a bachelor's degree in accounting from Capital University of Economics and Business.

**Judy Wenhong TONG ( 董文红 )** has been our chief people officer since January 2017. Since joining our company in 2000, she has served as director and senior director in various departments in our company, including administration, customer service and human resources. Between 2007 and 2013, she served as vice president and senior vice president in various departments, including construction, real estate and procurement. Starting in 2013, Ms. Tong led the formation of Cainiao Network and served at various times as chief operating officer, president, chief executive officer and non-executive chairwoman, overseeing the operations of the company. Ms. Tong received a bachelor's degree from Zhejiang University.

**Jeff Jianfeng ZHANG ( 张建锋 )** has served as our chief technology officer since April 2016 and president of Alibaba Cloud Intelligence since November 2018. Previously, Mr. Zhang was president of China retail marketplaces from May 2015 to April 2016, and president of Taobao Marketplace and the wireless business division prior to that. He joined our company in July 2004 and has held various management positions, at different times leading Taobao Marketplace's technology teams, the B2C development team, Alibaba.com's China operations, local services, 1688.com, and Tmall.com. Mr. Zhang studied computer science at Zhejiang University.

**Sophie Minzhi WU ( 吴敏芝 )** has been our chief customer officer since January 2017. Prior to her current position, Ms. Wu served as president of Alibaba.com and 1688.com, our international and China wholesale marketplaces. From October 2014 to February 2015, she also led the Rural Taobao team. Previously, she was vice president of Alibaba.com's supplier service division, responsible for leading her team to optimize service to China Gold Supplier members and enhancing supplier quality. In July 2012, she was appointed the head of Alibaba.com's international operations and later also took charge of 1688.com. Ms. Wu joined our company in November 2000 and has served in several sales management roles, including general manager of regional sales, director and vice president of China Gold Supplier sales, and vice president of China TrustPass sales. Before joining Alibaba Group, Ms. Wu was sales and customer manager at a technology development company wholly owned by Zhejiang University. She holds a bachelor's degree in international trade from Zhejiang University and an EMBA degree from China Europe International Business School.

**Timothy A. STEINERT** has been our general counsel since July 2007 and also serves as our secretary. Mr. Steinert represents Alibaba on the NYSE Listed Company Advisory Board. From 1999 until he joined our company, Mr. Steinert was a partner in the Hong Kong office of Freshfields Bruckhaus Deringer. From 1994 to 1999, he was

an associate attorney at Davis Polk & Wardwell in Hong Kong and New York, and from 1989 to 1994, he was an associate attorney at Coudert Brothers in Beijing and New York. Mr. Steinert is qualified to practice law in the State of New York and in Hong Kong. He received a bachelor's degree in history from Yale College and a juris doctor degree from Columbia University School of Law.

**Jessie Junfang ZHENG (郑俊芳)** has been our chief risk officer since December 2017, responsible for data and information security across our platforms, and our chief platform governance officer since December 2015, responsible for the governance of our retail and wholesale marketplaces. Prior to her current position, she served as our deputy chief financial officer from November 2013 to June 2016, and financial vice president of Alibaba.com from December 2010 to October 2013. Before joining our company, Ms. Zheng was an audit partner at KPMG. Jessie received a bachelor's degree in accounting from Northeastern University in China.

**Chris Pen-hung TUNG (董本洪)** joined our company as chief marketing officer in January 2016. He was also president of Alimama from November 2017 to November 2018. Prior to his current position, he was the chief executive officer of VML China, a marketing agency, from October 2010 to January 2016. Prior to joining VML, he was at PepsiCo China from October 2004 to October 2010 where he served as vice president of marketing. Prior to that, Mr. Tung worked at Proctor & Gamble from 1995 to 1998, Gigamedia from 1998 to 2001 and L'Oréal from 2001 to 2003 in various senior management positions. He is currently a director of Ruhnn Holding Limited, a company listed on Nasdaq. He received a bachelor's degree in electrical engineering from National Taiwan University and a master's degree in industrial engineering from University of Michigan, Ann Arbor.

**Trudy Shan DAI (戴珊)** joined our company in 1999 as a member of our founding team and has been president of Alibaba.com and 1688.com, our international and China wholesale marketplaces since January 2017, as well as of AliExpress, our international retail marketplace. Prior to her current position, Ms. Dai was our chief customer officer from June 2014 to January 2017 and served as senior vice president of human resources and administration of Taobao and Alibaba.com as well as our deputy chief people officer and chief people officer from 2009 to 2014. She was general manager of Alibaba.com's international operations from 2007 to 2008. Prior to that, she was vice president of human resources of China Yahoo! and the first general manager of Alibaba.com's Guangzhou branch, in charge of field and telephone sales, marketing and human resources in Guangdong Province. From 2002 to 2005, Ms. Dai served as senior sales director of China TrustPass in Alibaba.com's China marketplace division. She received a bachelor's degree in engineering from Hangzhou Institute of Electrical Engineering.

**Fan JIANG (蒋凡)** has served as president of Taobao since December 2017 and president of Tmall since March 2019. Prior to his current position, he had been responsible for the Taobao app since joining our company in August 2013. Previously, he founded and served as the chief executive officer of Umeng, a provider of mobile app analytics solutions for developers which we acquired. Before founding Umeng in 2010, he worked in product development at Google China. Mr. Jiang received a bachelor's degree in computer science from Fudan University.

**Yvonne Yifen CHANG (张忆芬)** rejoined our company as president of Alimama in November 2018. From May 2007 to April 2009, she was our vice president of pay-for-performance, search engine and monetization. From August 2016 to November 2018, Ms. Chang was the executive vice president, Asia Pacific, of global advertising technology firm Criteo, where she oversaw operations in Australia, China, India, Japan, Singapore and South Korea. Prior to that, from December 2014 to May 2016, Ms. Chang was president of Eastern Broadcasting, one of Taiwan's largest media companies, after working at Yahoo! from 2009 to 2014, where she was vice president of advertising solutions for Asia Pacific and managing director for India and Southeast Asia. She brings more than 15 years of experience in leadership roles within the advertising technology industry. Ms. Chang received a bachelor's degree in journalism from Taiwan National Chengchi University and a master's degree in business administration from the University of Texas at Austin.

**Luyuan FAN (樊路远)** has served as president of our Digital Media & Entertainment Group since November 2018. He has been an executive director of Alibaba Pictures since January 2016, and currently serves as the chief executive officer and chairman of Alibaba Pictures. He joined Alipay in 2007, where he served in a number of senior management positions, including the president of Alipay and the president of Ant Financial's wealth management business. Mr. Fan holds an executive master's degree in business administration from Cheung Kong Graduate School of Business.

## **Alibaba Partnership**

Since our founders first gathered in Jack Ma's apartment in 1999, they and our management have acted in the spirit of partnership. We view our culture as fundamental to our success and our ability to serve our customers, develop our employees and deliver long-term value to our shareholders. In July 2010, in order to preserve this spirit of partnership and to ensure the sustainability of our mission, vision and values, we decided to formalize our partnership as Lakeside Partners, named after the Lakeside Gardens residential community where Jack and our other founders started our company. We refer to the partnership as the Alibaba Partnership.

We believe that our partnership approach has helped us to better manage our business, with the peer nature of the partnership enabling senior managers to collaborate and override bureaucracy and hierarchy. The Alibaba Partnership currently has 38 members. The number of partners in the Alibaba Partnership is not fixed and may change from time to time due to the election of new partners, the retirement of partners and the departure of partners for other reasons.

Our partnership is a dynamic body that rejuvenates itself through admission of new partners each year, which we believe enhances our excellence, innovation and sustainability. Unlike dual-class ownership structures that employ a high-vote class of shares to concentrate control in a few founders, our approach is designed to embody the vision of a large group of management partners. This structure is our solution for preserving the culture shaped by our founders while at the same time accounting for the fact that founders will inevitably retire from the company.

Consistent with our partnership approach, all partnership votes are made on a one-partner-one-vote basis.

The partnership is governed by a partnership agreement and operates under principles, policies and procedures that have evolved with our business and are further described below.

### ***Nomination and Election of Partners***

The Alibaba Partnership elects new partners annually after a nomination process whereby existing partners propose candidates to the partnership committee, or the partnership committee, as described below. The partnership committee reviews the nominations and determines whether the nomination of a candidate will be proposed to the entire partnership for election. Election of new partners requires the approval of at least 75% of all of the partners.

To be eligible for election, a partner candidate must have demonstrated the following attributes:

- a high standard of personal character and integrity;
- continued service with Alibaba Group, our affiliates and/or certain companies with which we have a significant relationship, such as Ant Financial for not less than five years;
- a track record of contribution to the business of Alibaba Group; and
- being a "culture carrier" who shows a consistent commitment to, and traits and actions consonant with, our mission, vision and values.

We believe the criteria and process of the Alibaba Partnership applicable to the election of new partners, as described above, promote accountability among the partners as well as to our customers, employees and shareholders. In order to align the interests of partners with the interests of our shareholders, we require that each partner maintain a meaningful level of equity interests in our company during his or her tenure as a partner. Since a partner nominee must have been our employee or an employee of one of our related companies or affiliates for at least five years, as of the time he or she becomes a partner, he or she will typically already own or have been awarded a personally meaningful level of equity interest in our company through our equity incentive and share purchase plans.

### ***Duties of Partners***

The main duty of partners in their capacity as partners is to embody and promote our mission, vision and values. We expect partners to be evangelists for our mission, vision and values, both within our organization and externally to customers, business partners and other participants in our digital economy.

### ***Partnership Committee***

The partnership committee must consist of at least five partners, including partnership committee continuity members, and is currently comprised of Jack Ma, Joe Tsai, Daniel Zhang, Lucy Peng and Eric Jing. The partnership committee is responsible for administering partner elections and allocating the relevant portion of the annual cash bonus pool for all partner members of management, with any amounts payable to partners who are our executive officers or directors or members of the partnership committee subject to approval of the compensation committee of our board of directors. Either one or two partners may be designated as partnership committee continuity partners, and Jack Ma and Joe Tsai are the initial partnership committee continuity members. Other than partnership committee continuity members, the partnership committee members serve for a term of three years and may serve multiple terms. Elections of partnership committee members are held once every three years. Partnership committee continuity members are not subject to election, and may serve until they cease to be partners, retire from the partnership committee or are unable to discharge duties as partnership committee members as a result of illness or permanent incapacity. A replacement partnership committee continuity partner is either designated by a retiring or, as the case may be, the remaining, partnership committee continuity member. Prior to each election, the partnership committee will nominate a number of partners equal to the number of partnership committee members that will serve in the next partnership committee term plus three additional nominees less the number of the serving partnership committee continuity members. Each partner votes for a number of nominees equal to the number of partnership committee members that will serve in the next partnership committee term less the number of the serving partnership committee continuity members, and all except the three nominees who receive the least votes from the partners are elected to the partnership committee.

### ***Director Nomination and Appointment Rights***

Pursuant to our articles of association, the Alibaba Partnership has the exclusive right to nominate or, in limited situations, appoint up to a simple majority of the members of our board of directors.

The election of each director nominee of the Alibaba Partnership will be subject to the director nominee receiving a majority vote from our shareholders voting at an annual general meeting of shareholders. If an Alibaba Partnership director nominee is not elected by our shareholders or after election departs our board of directors for any reason, the Alibaba Partnership has the right to appoint a different person to serve as an interim director of the class in which the vacancy exists until our next scheduled annual general meeting of shareholders. At the next scheduled annual general meeting of shareholders, the appointed interim director or a replacement Alibaba Partnership director nominee (other than the original nominee) will stand for election for the remainder of the term of the class of directors to which the original nominee would have belonged.

If at any time our board of directors consists of less than a simple majority of directors nominated or appointed by the Alibaba Partnership for any reason, including because a director previously nominated by the Alibaba Partnership ceases to be a member of our board of directors or because the Alibaba Partnership had previously not exercised its right to nominate or appoint a simple majority of our board of directors, the Alibaba Partnership will be entitled (in its sole discretion and without the need for any additional shareholder action) to appoint such number of additional directors to the board as necessary to ensure that the directors nominated or appointed by the Alibaba Partnership comprise a simple majority of our board of directors.

In determining the Alibaba Partnership director nominees who will stand for election to our board, the partnership committee will propose director nominees who will be voted on by all of the partners, and those nominees who receive a simple majority of the votes of the partners will be selected for these purposes. The director nominees of

the Alibaba Partnership may be partners of the Alibaba Partnership or other qualified individuals who are not affiliated with the Alibaba Partnership.

The Alibaba Partnership's right to nominate or appoint up to a simple majority of our directors is conditioned on the Alibaba Partnership being governed by the partnership agreement in effect as of the completion of our initial public offering in September 2014, or as may be amended in accordance with its terms from time to time. Any amendment to the provisions of the partnership agreement relating to the purpose of the partnership, or to the manner in which the Alibaba Partnership exercises its right to nominate a simple majority of our directors, will be subject to the approval of the majority of our directors who are not nominees or appointees of the Alibaba Partnership and are "independent directors" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual. The provisions relating to nomination rights and procedures described above are incorporated in our articles of association. Pursuant to our articles of association, the Alibaba Partnership's nomination rights and related provisions of our articles of association may only be changed upon the vote of shareholders representing 95% of the votes present in person or by proxy at a general meeting of shareholders.

Our board of directors currently consists of eleven members, and five of these directors are Alibaba Partnership nominees. Pursuant to its right to nominate or appoint directors as discussed above, the Alibaba Partnership is entitled to nominate or appoint two additional directors to our board, which would increase the total number of directors to thirteen. We have entered into a voting agreement pursuant to which both SoftBank and Alibaba have agreed to vote their shares in favor of the Alibaba Partnership director nominees at each annual general shareholders meeting so long as SoftBank owns at least 15% of our outstanding ordinary shares. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with SoftBank and Alibaba — Voting Agreement."

**Current Partners**

The following table sets forth the names, in alphabetical order by surname, and other information regarding the current partners of the Alibaba Partnership as of the date of this annual report.

Name	Age	Gender	Year Joined Alibaba Group	Current position with Alibaba Group or related/affiliated companies
Jingxian CAI (蔡景现)	42	M	2000	Senior Researcher
Li CHENG (程立)	44	M	2005	Chief Technology Officer, Ant Financial
Trudy Shan DAI (戴珊)	42	F	1999	President, Wholesale Marketplaces
Luyuan FAN (樊路远)	45	M	2007	President, Alibaba Digital Media and Entertainment
Yongxin FANG (方永新)	45	M	2000	Senior Director, DingTalk
Felix Xi HU (胡喜)	38	M	2007	Deputy Chief Technology Officer, Ant Financial
Simon Xiaoming HU (胡晓明)	49	M	2005	President, Ant Financial
Fan JIANG (蒋凡)	33	M	2013	President, Taobao and Tmall
Jane Fang JIANG (蒋芳)	45	F	1999	Deputy Chief People Officer
Jiangwei JIANG (蒋江伟)	37	M	2008	Researcher
Eric Xiandong JING (井贤栋)	46	M	2007	Chairman and Chief Executive Officer, Ant Financial
Zhenfei LIU (刘振飞)	47	M	2006	President, Amap
Jack Yun MA (马云)	54	M	1999	Executive Chairman
Xingjun NI (倪行军)	41	M	2003	President, Alipay, Ant Financial
Lucy Lei PENG (彭蕾)	45	F	1999	Director, Ant Financial; Chairwoman and President, Alipay China; Chairwoman, Lazada
Sabrina Yijie PENG (彭翼捷)	40	F	2000	Chief Marketing Officer, Ant Financial
Xiaofeng SHAO (邵晓锋)	53	M	2005	Secretary-General
Jie SONG (宋洁)	40	F	2000	Vice President
Timothy A. STEINERT	59	M	2007	General Counsel and Secretary
Lijun SUN (孙利军)	42	M	2002	General Manager of Social Responsibility
Judy Wenhong TONG (董文红)	48	F	2000	Chief People Officer
Joseph C. TSAI (蔡崇信)	55	M	1999	Executive Vice Chairman
Jian WANG (王坚)	56	M	2008	Chairman, Technology Steering Committee
Lei WANG (王磊)	39	M	2003	President, Local Services
Shuai WANG (王帅)	44	M	2003	Chairman, Marketing and Public Relations Committee
Winnie Jia WEN (闻佳)	42	F	2007	Vice President, Office of the Chairman
Sophie Minzhi WU (吴敏芝)	43	F	2000	Chief Customer Officer
Maggie Wei WU (武卫)	51	F	2007	Chief Financial Officer
Eddie Yongming WU (吴泳铭)	44	M	1999	Chairman, Alibaba Health
Zeming WU (吴泽明)	38	M	2004	President, New Retail Technology
Sara Siying YU (俞思瑛)	44	F	2005	Deputy General Counsel
Yongfu YU (俞永福)	42	M	2014	Head of eWTP Investment Working Group
Sam Songbai ZENG (曾松柏)	52	M	2012	Senior Vice President, Human Resources, Ant Financial
Jeff Jianfeng ZHANG (张建锋)	45	M	2004	Chief Technology Officer and President, Alibaba Cloud Intelligence
Daniel Yong ZHANG (张勇)	47	M	2007	Chief Executive Officer
Yu ZHANG (张宇)	49	F	2004	Vice President
Angel Ying ZHAO (赵颖)	45	F	2005	Head of Alibaba Globalization Leadership Group
Jessie Junfang ZHENG (郑俊芳)	45	F	2010	Chief Risk Officer and Chief Platform Governance Officer

† Member of the partnership committee.

***Bonus Pool***

Our board of directors, acting on the recommendation of our compensation committee, approves an annual cash bonus pool for management of our company (which in fiscal year 2019 comprised over 360 individuals) equal to a percentage of our adjusted pre-tax operating profits. Once the annual cash bonus pool is calculated, our compensation committee will then first determine the proportion to be allocated to the non-partner members of our management. Any remaining portion will then be available for the partner members of our management. The partnership committee will determine the allocation of the relevant portion of the annual cash bonus pool for all partner members of management, with any amounts payable to partners who are our executive officers or directors or members of the partnership committee subject to approval of the compensation committee of our board of directors. We understand that a partner's level of contribution to our business and to the promoting of our mission, vision and values will be a key factor in determining his or her allocation from the bonus pool. A portion of the annual cash bonus pool that is available to the partner members of management may, upon the recommendation of the partnership committee and approval of our compensation committee, be deferred, with the allocations of deferred payment determined by the partnership committee with any amounts payable to our executive officers or directors who are partners or members of the partnership committee subject to approval of the compensation committee of our board of directors. We understand that participation in deferred distributions, other than retirement pension payments funded out of the deferred pool, is conditioned on a partner's continued employment with us, our affiliates and/or certain companies with which we have a significant relationship, such as Ant Financial.

***Retirement and Removal***

Partners may elect to retire from the partnership at any time. All partners except continuity partners are required to retire upon reaching the age of sixty or upon termination of their qualifying employment. Jack Ma and Joe Tsai are designated as continuity partners, who may remain partners until they reach the age of seventy (and this age limit may be extended by a majority votes of all partners), elect to retire from the partnership, die or are incapacitated or are removed as partners. Any partner, including continuity partners, may be removed upon the vote of a simple majority of all partners present at a duly-called meeting of partners for violations of certain standards set forth in the partnership agreement, including failure to actively promote our mission, vision and values, fraud, gross misconduct or gross negligence. As with other partners, continuity partners must maintain the shareholding levels required by us of all partners as described below. Partners who retire from the partnership upon meeting certain age and service requirements may be designated as honorably retired partners by the partnership committee. Honorably retired partners may not act as partners, but may be entitled to allocations from the deferred portion of the annual cash bonus pool described below as retirement pension payments. Continuity partners will not be eligible to receive allocations from the annual cash bonus pool if they cease to be our employees even if they remain partners, but may be entitled to receive allocations from the deferred bonus pool if they are honorably retired partners.

***Restrictive Provisions***

Under our articles of association, in connection with any change of control, merger or sale of our company, the partners and other holders of our ordinary shares shall receive the same consideration with respect to their ordinary shares in connection with any of these types of transactions. In addition, our articles of association provide that the Alibaba Partnership may not transfer or otherwise delegate or give a proxy to any third-party with respect to its right to nominate directors, although it may elect not to exercise its rights in full. In addition, as noted above, our articles of association also provide that the amendment of certain provisions of the Alibaba Partnership agreement relating to the purpose of the partnership or the manner in which the partnership exercises its rights to nominate or appoint a majority of our board of directors will require the approval of a majority of directors who are not appointees of the Alibaba Partnership and are "independent directors" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual.

### ***Amendment of Alibaba Partnership Agreement***

Pursuant to the partnership agreement, amendment of the partnership agreement requires the approval of 75% of the partners in attendance at a meeting of the partners at which not less than 75% of all the partners are in attendance, except that the general partner may effect certain administrative amendments. In addition, certain amendments relating to the purposes of the Alibaba Partnership or the manner in which it exercises its nomination rights with respect to our directors require the approval of a majority of our independent directors not nominated or appointed by the Alibaba Partnership.

### ***Alibaba Group Equity Interest Holding Requirements for Partners***

Each of the partners holds his or her equity interests in our company directly as an individual or through his or her affiliates. We have entered into share retention agreements with each partner. These agreements provide that a period of three years from the date on which a person becomes a partner, which ranges from January 2014 to January 2019 for our existing partners, we require that each partner retain at least 60% of the equity interests (including shares underlying vested and unvested awards) that he or she held on the starting date of the three-year period. Following the initial three-year holding period and for so long as he or she remains a partner, we require that the partner retain at least 40% of the equity interests (including shares underlying vested and unvested awards) that he or she held on the starting date of the initial three-year holding period. Exceptions to the holding period rules described in the share retention agreements must be approved by a majority of the independent directors.

## **B. Compensation**

### **Compensation of Directors and Executive Officers**

For fiscal year 2019, we paid and accrued aggregate fees, salaries and benefits (excluding equity-based grants) of up to approximately RMB503 million (US\$75 million) to our directors and executive officers as a group and granted 344,500 RSUs to our directors and executive officers.

The board, acting on the recommendation of our compensation committee, may determine the remuneration to be paid to non-employee directors. We do not provide employee directors with any additional remuneration for serving as directors other than their remuneration as our employees. Pursuant to our service agreements with our directors, neither we nor our subsidiaries provide benefits to directors upon termination of employment. We do not separately set aside any amounts for pensions, retirement or other benefits for our executive officers, other than pursuant to relevant statutory requirements. Management members who are partners of the Alibaba Partnership may receive retirement payments from the deferred portion of the annual cash bonus pool available to the Alibaba Partnership.

Mr. Chee Hwa Tung has indicated to us his intention to donate all cash compensation and equity-based awards he receives from us as an independent director to one or more non-profit or charitable organizations to be designated by him.

For information regarding equity-based grants to directors and executive officers, see "— Equity Incentive Plans."

### **Employment Agreements**

We have entered into employment agreements with each of our executive officers. We may terminate their employment at any time, with cause, and we are not required to provide any prior notice of the termination. We may also terminate their employment in circumstances prescribed under and in accordance with the requirements of applicable labor law, including notice and payment in lieu. Executive officers may terminate their employment with us at any time upon written notice. Although our employment agreements with our executive officers do not provide for severance pay, where severance pay is mandated by law, our executive officers will be entitled to severance pay in the amount mandated by law when his or her employment is terminated. We have been advised by our PRC counsel, Fangda Partners, that we may be required to make severance payments upon termination

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without cause to comply with the PRC Labor Law, the labor contract law and other relevant PRC regulations, which entitle employees to severance payments in case of early termination of "de facto employment relationships" by PRC entities without statutory cause regardless of whether there exists a written employment agreement with these entities.

Our grant letter agreements under our equity incentive plans also contain, among other rights, restrictive covenants that enable us to terminate grants and repurchase shares at par or the exercise price paid for the shares in the event of a grantee's termination for cause for breaching these covenants. See "— Equity Incentive Plans" below.

### **Equity Incentive Plans**

We have adopted a number of equity incentive plans since our inception. The following equity incentive plans are those currently in effect:

- 2011 Equity Incentive Plan, or the 2011 Plan; and
- 2014 Post-IPO Equity Incentive Plan, or the 2014 Plan.

Currently, awards are only available for issuance under our 2014 Plan. If an award under the 2011 Plan terminates, expires or lapses, or is cancelled for any reason, ordinary shares subject to the award become available for the grant of a new award under the 2014 Plan. As of March 31, 2019, there were:

- 64,346,493 ordinary shares issuable upon vesting of outstanding RSUs;
- 7,104,706 ordinary shares issuable upon exercise of outstanding options; and
- 34,151,552 ordinary shares authorized for issuance under the 2014 Plan.

In addition, starting from April 1, 2015 and on each anniversary thereof, an additional amount equal to the lesser of 25,000,000 ordinary shares and such lesser number of ordinary shares as is determined by our board of directors will be included in the shares available for issuance of awards under our 2014 Plan.

Our equity incentive plans provide for the granting of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, share appreciation rights and share payments to any directors, employees, and consultants of ours, our affiliates and certain other companies, such as Ant Financial. RSUs and share options granted are generally subject to a four-year vesting schedule as determined by the administrator of the respective plans. Depending on the nature and the purpose of the grant, RSUs and share options in general vest 25% upon the first anniversary of the vesting commencement date for annual incentive awards or 50% upon the second anniversary of the vesting commencement date for on-hire awards, and 25% every year thereafter. Certain RSUs and options granted to our senior management members are subject to a six-year vesting schedule. We believe equity-based awards are vital to attract, motivate and retain our directors, employees and consultants, and those of certain of our affiliates and other companies, such as Ant Financial, and are the appropriate tool to align their interests with our shareholders. Accordingly, we will continue to grant equity-based awards to the employees, consultants and directors of our company, our affiliates and certain other companies as an important part of their compensation packages.

In addition, our equity incentive award agreements generally provide that, in the event of a grantee's termination for cause or violation of a non-competition undertaking, we will have the right to repurchase the shares acquired by the grantee, generally at par or the exercise price paid for the shares.

The following paragraphs summarize other key terms of our equity incentive plans.

### ***Plan Administration***

Subject to certain limitations, our equity incentive plans are generally administered by the compensation committee of the board (or a subcommittee thereof), or another committee of the board to which the board has delegated power to act; provided, that in the absence of any committee, our equity incentive plans will be administered by the board. Grants to any executive directors of the board must be approved by the disinterested directors of our board.

***Types of Awards***

The equity incentive plans provide for the granting of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, share appreciation rights, share payments and other rights.

***Award Agreements***

Generally, awards granted under the equity incentive plans are evidenced by an award agreement providing for the number of ordinary shares subject to the award, and the terms and conditions of the award, which must be consistent with the relevant plan.

***Eligibility***

Any employee, consultant or director of our company, our affiliates or certain other companies, such as Ant Financial, is eligible to receive grants under the equity incentive plans, but only employees of our company, our affiliates and certain other companies, such as Ant Financial, are eligible to receive incentive stock options.

***Term of Awards***

The term of awards granted under our equity incentive plans are generally not to exceed ten years from the date of grant.

***Acceleration, Waiver and Restrictions***

The administrator of our equity incentive plans has sole discretion in determining the terms and conditions of any award, any vesting acceleration or waiver of forfeiture restrictions, and any restrictions regarding any award or the ordinary shares relating thereto.

***Change in Control***

If a change in control of our company occurs, the plan administrator may, in its sole discretion:

- accelerate the vesting, in whole or in part, of any award;
- purchase any award for an amount of cash or ordinary shares of our company equal to the value that could have been attained upon the exercise of the award or the realization of the plan participant's rights had the award been currently exercisable or payable or fully vested; or
- provide for the assumption, conversion or replacement of any award by the successor corporation, or a parent or subsidiary of the successor corporation, with other rights or property selected by the plan administrator in its sole discretion, or the assumption or substitution of the award by the successor or surviving corporation, or a parent or subsidiary of the surviving or successor corporation, with appropriate adjustments as to the number and kind of shares and prices as the plan administrator deems, in its sole discretion, reasonable, equitable and appropriate.

***Amendment and Termination***

Unless earlier terminated, our equity incentive plans continue in effect for a term of ten years. The board may at any time terminate or amend a plan in any respect, including amendment of any form of any award agreement or instrument to be executed, provided, however, that to the extent necessary and desirable to comply with applicable laws or stock exchange rules, shareholder approval of any amendment to a plan shall be obtained in the manner and to the degree required.

**Senior Management Equity Incentive Plan**

We adopted the Senior Management Equity Incentive Plan in 2010, pursuant to which selected management of our company subscribed for preferred shares in a special purpose vehicle, Alternate Solutions Management Limited, which holds our ordinary shares. These preferred shares, subject to a non-compete provision, are redeemable by the holders thereof for our ordinary shares upon the earlier to occur of an initial public offering of our shares (subject to statutory and contractual lock-up periods), and five years from the respective dates of issuance of the preferred shares to the participants. The maximum number of our ordinary shares redeemable upon the redemption of the preferred shares issued under this plan by the participants is 15,000,000. The underlying ordinary shares have already been issued to the special purpose vehicle and are included in our total outstanding share number. The preferred shares are subject to forfeiture if a holder engages in certain activities that compete with us.

**Partner Capital Investment Plan**

We adopted the Partner Capital Investment Plan in 2013 to provide partners of the Alibaba Partnership an opportunity to invest in interests in our ordinary shares in order to align further their interests with the interests of our shareholders. Pursuant to the Partner Capital Investment Plan, eligible partners subscribed for rights, issued by two special purpose vehicles, to acquire our ordinary shares. These rights are subject to non-compete provisions, transfer restrictions, exercise restrictions and/or vesting schedules, which are longer than the vesting schedules under our equity incentive plans. The maximum number of our ordinary shares underlying these rights is 18,000,000. The underlying ordinary shares have already been issued by us to the special purpose vehicles and are included in our total outstanding share number. The Partner Capital Investment Plan permits the issuance of additional shares to the partners as the board may approve from time to time.

**Share-based Awards Held by Our Directors and Officers**

The following table summarizes, the outstanding RSUs, options and other rights held as of March 31, 2019 by our directors and executive officers, as well as by their affiliates, under our equity incentive plans, as well as equity held through their investments in our Senior Management Equity Incentive Plan and Partner Capital Investment Plan.

<u>Name</u>	<u>Ordinary shares underlying outstanding RSUs / options / other rights granted or subscribed</u>	<u>Exercise price (US\$/Share)</u>	<u>Date of grant <sup>(5)</sup></u>	<u>Date of expiration</u>
Jack Yun MA	37,500 <sup>(2)</sup>	—	January 27, 2016	January 27, 2024
	66,667 <sup>(2)</sup>	—	August 10, 2016	August 10, 2024
	62,500 <sup>(2)</sup>	—	May 17, 2017	May 17, 2025
	60,000 <sup>(2)</sup>	—	July 24, 2018	July 24, 2026
Joseph C. TSAI	22,500 <sup>(2)</sup>	—	January 27, 2016	January 27, 2024
	23,334 <sup>(2)</sup>	—	August 10, 2016	August 10, 2024
	16,667 <sup>(2)</sup>	—	May 17, 2017	May 17, 2025
	12,000 <sup>(2)</sup>	—	July 24, 2018	July 24, 2026

Name	Ordinary shares underlying outstanding RSUs / options / other rights granted or subscribed	Exercise price (US\$/Share)	Date of grant <sup>(5)</sup>	Date of expiration
Daniel Yong ZHANG	* (3)	14.50	July 26, 2013	—
	* (4)	56.00	July 2, 2014	July 2, 2022
	* (2)	—	July 2, 2014	July 2, 2022
	* (4)	87.06	May 10, 2015	May 10, 2023
	* (2)	—	May 10, 2015	May 10, 2023
	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	March 17, 2016	March 17, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
J. Michael EVANS	* (4)	79.96	July 31, 2015	July 31, 2023
	* (2)	—	July 31, 2015	July 31, 2023
	* (2)	—	August 10, 2016	August 10, 2022
	* (2)	—	May 17, 2017	May 17, 2023
	* (2)	—	July 24, 2018	July 24, 2024
Eric Xiandong JING	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
Masayoshi SON	—	—	—	—
Chee Hwa TUNG	* (2)	—	November 4, 2018	November 4, 2024
Walter Teh Ming KWAUK	* (2)	—	November 4, 2018	November 4, 2024
Jerry YANG	* (2)	—	November 4, 2018	November 4, 2024
E. Börje EKHOLM	* (2)	—	November 4, 2018	November 4, 2024
Wan Ling MARTELLO	* (2)	—	November 4, 2018	November 4, 2024
Maggie Wei WU	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
Judy Wenhong TONG	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
Jeff Jianfeng ZHANG	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (4)	69.54	January 27, 2016	January 27, 2024
	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
Sophie Minzhi WU	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	July 24, 2018	July 24, 2026

Name	Ordinary shares underlying outstanding RSUs / options / other rights granted or subscribed	Exercise price (US\$/Share)	Date of grant <sup>(5)</sup>	Date of expiration
Timothy A. STEINERT	* (1)	5.00	November 12, 2010	—
	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	May 17, 2017	May 17, 2025
Jessie Junfang ZHENG	* (2)	—	July 24, 2018	July 24, 2026
	* (2)	—	August 21, 2015	August 21, 2021
	* (3)	23.00	May 23, 2016	May 23, 2027
	* (2)	—	August 10, 2016	August 10, 2024
Chris Pen-hung TUNG	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
	* (4)	67.28	February 21, 2016	February 21, 2022
	* (2)	—	February 21, 2016	February 21, 2022
Trudy Shan DAI	* (2)	—	May 17, 2017	May 17, 2023
	* (2)	—	July 14, 2018	July 24, 2024
	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
Fan JIANG	* (2)	—	January 27, 2016	January 27, 2024
	* (2)	—	August 10, 2016	August 10, 2024
	* (2)	—	May 17, 2017	May 17, 2025
	* (2)	—	July 24, 2018	July 24, 2026
	* (2)	—	August 21, 2015	August 21, 2021
	* (2)	—	May 16, 2016	May 16, 2022
Luyuan FAN	* (2)	—	May 22, 2017	May 22, 2023
	* (2)	—	October 1, 2017	October 1, 2023
	* (2)	—	July 24, 2018	July 24, 2024
Yvonne Yifen CHANG	* (3)	14.50	July 26, 2013	—
	* (2)	—	July 2, 2014	July 2, 2022
	* (2)	—	July 30, 2018	July 30, 2026
	* (2)	—	December 8, 2018	December 8, 2024

- \* The RSUs, options and other rights to acquire ordinary shares in aggregate held by each of these directors and executive officers and their affiliates represent less than 1% of our total outstanding shares.
- (1) Represents rights under the Senior Management Equity Incentive Plan subscribed for at a subscription price of US\$0.50 per preference share in 2010.
  - (2) Represents RSUs.
  - (3) Represents rights under the Partner Capital Investment Plan. See note 8(c) to our audited consolidated financial statements included elsewhere in this annual report for further information.
  - (4) Represents options.
  - (5) Date of grant represents the original grant date of the RSUs, options and other rights held by the respective director or executive officer. RSUs and options granted prior to the adoption of our 2014 Plan that are not held by a U.S. resident were cancelled and replaced with a new grant under the terms of the 2014 Plan (as described herein) with terms and conditions that are substantially similar to those that applied to the cancelled awards.

### **C. Board Practices, Nomination and Terms of Directors**

Pursuant to our articles of association, our board of directors is classified into three classes of directors designated as Group I, Group II and Group III, each generally serving a three-year term unless earlier removed. The Group I directors currently consist of Joe Tsai, Michael Evans, Eric Jing and Börje Ekholm; the Group II directors currently consist of Daniel Zhang, Chee Hwa Tung, Jerry Yang and Wan Ling Martello; and the Group III directors currently consist of Jack Ma, Masayoshi Son and Walter Kwauk. The terms of office of the current Group I, Group II and Group III directors will expire, respectively, at our 2021 annual general meeting, 2019 annual general meeting and 2020 annual general meeting. Unless otherwise determined by the shareholders in a general meeting, our board will consist of not less than nine directors for so long as SoftBank has a director nomination right. The Alibaba Partnership has the exclusive right to nominate up to a simple majority of our board of directors, and SoftBank has the right to nominate one director for so long as SoftBank owns at least 15% of our outstanding shares. If at any time our board of directors consists of less than a simple majority of directors nominated or appointed by the Alibaba Partnership for any reason, including because a director previously nominated by the Alibaba Partnership ceases to be a member of our board of directors or because the Alibaba Partnership had previously not exercised its right to nominate or appoint a simple majority of our board of directors, the Alibaba Partnership shall be entitled (in its sole discretion) to appoint such number of additional directors to the board as necessary to ensure that the directors nominated or appointed by the Alibaba Partnership comprise a simple majority of our board of directors. The remaining members of the board of directors will be nominated by the nominating and corporate governance committee of the board. Director nominees will be elected by the simple majority vote of shareholders at our annual general meeting.

If a director nominee is not elected by our shareholders or departs our board of directors for any reason, the party or group entitled to nominate that director has the right to appoint a different person to serve as an interim director of the class in which the vacancy exists until our next scheduled annual general meeting of shareholders. At the next scheduled annual general meeting of shareholders, the appointed interim director or a replacement director nominee (who, in the case of Alibaba Partnership nominees, cannot be the original nominee) will stand for election for the remainder of the term of the class of directors to which the original nominee would have belonged.

For additional information, see "Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management — Alibaba Partnership" and "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with SoftBank and Alibaba — Voting Agreement."

#### **Code of Ethics and Corporate Governance Guidelines**

We have adopted a code of ethics, which is applicable to all of our directors, executive officers and employees. Our code of ethics is publicly available on our website.

In addition, our board of directors has adopted a set of corporate governance guidelines covering a variety of matters, including approval of related party transactions. Our corporate governance guidelines also provide that any adoption of a new equity incentive plan and any material amendments to those plans will be subject to the approval of our non-executive directors and also provide that the director nominated by SoftBank is entitled to notices and materials for all meetings of committees of our board of directors and, by giving prior notice, may attend, observe and participate in any discussions at any committee meetings. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any applicable law, rule or regulation or our articles of association.

#### **Duties of Directors**

Under Cayman Islands law, all of our directors owe us fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in good faith and in a manner they believe to be in our best interests. Our directors also have a duty to exercise the skill they actually possess and the care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure

compliance with our articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached.

### **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our corporate governance guidelines provide that a majority of the members of our compensation committee and nominating and corporate governance committee will be independent directors within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual. All members of our audit committee are independent within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act.

#### ***Audit Committee***

Our audit committee currently consists of Walter Kwauk, Börje Ekholm and Wan Ling Martello. Mr. Kwauk is the chairman of our audit committee. Mr. Kwauk satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Mr. Kwauk, Mr. Ekholm and Ms. Martello satisfy the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting, and evaluating the qualifications, performance and independence of, the independent auditor;
- pre-approving or, as permitted, approving auditing and non-auditing services permitted to be performed by the independent auditor;
- considering the adequacy of our internal accounting controls and audit procedures;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and approving related party transactions between us and our directors, senior management and other persons specified in Item 6B of Form 20-F;
- reviewing and discussing the quarterly financial statements and annual audited financial statements with management and the independent auditor;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

#### ***Compensation Committee***

Our compensation committee currently consists of Jerry Yang, Walter Kwauk and Joe Tsai. Mr. Yang is the chairman of our compensation committee. Mr. Yang and Mr. Kwauk satisfy the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual.

Our compensation committee is responsible for, among other things:

- determining the amount of the annual cash bonus pool to be allocated to each executive officer and determining the total proportions of the annual cash bonus pool to be allocated in aggregate to the non-partner members of our management and in aggregate to the partners we employ;
- reviewing, evaluating and, if necessary, revising our overall compensation policies;

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- reviewing and evaluating the performance of our directors and executive officers and determining the compensation of our directors and executive officers;
- reviewing and approving our executive officers' employment agreements with us;
- determining performance targets for our executive officers with respect to our incentive compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and
- carrying out other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee currently consists of Jack Ma, Chee Hwa Tung and Jerry Yang. Jack is the chairman of our nominating and corporate governance committee. Mr. Tung and Mr. Yang satisfy the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual.

Our nominating and corporate governance committee is responsible for, among other things:

- selecting the board nominees (other than the director nominees to be nominated by the Alibaba Partnership and SoftBank) for election by the shareholders or appointment by the board;
- periodically reviewing with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in corporate governance law and practices as well as our compliance with applicable laws and regulations, and making recommendations to the board on corporate governance matters.

### ***Committee Observer***

In accordance with our articles and the voting agreement entered into among us, Jack Ma, Joe Tsai, SoftBank and Altaba, we have agreed that the director nominated by SoftBank is entitled to receive notices and materials for all meetings of our committees and to join as an observer in meetings of the audit committee, the compensation committee, the nominating and corporate governance committee and/or our other board committees we may establish upon notice to the relevant committee.

### **D. Employees**

As of March 31, 2017, 2018 and 2019, we had a total of 50,097, 66,421 and 101,958 full-time employees, respectively. The increase in our employees was primarily due to our recent acquisitions and consolidation of certain businesses, as well as our organic business growth. A substantial majority of our employees are based in China.

We believe that we have a good working relationship with our employees and we have not experienced any significant labor disputes.

### **E. Share Ownership**

For information regarding the share ownership of our directors and officers, see "Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders." For information as to stock options granted to our directors, executive officers and other employees, see "Item 6. Directors, Senior Management and Employees — B. Compensation — Equity Incentive Plans."

**ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

The following table sets forth information with respect to beneficial ownership of our ordinary shares as of June 3, 2019, except otherwise noted, by:

- each of our directors and executive officers;
- our directors and executive officers as a group; and
- each person known to us to beneficially own 5% or more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares underlying the ADSs held by the person, as well as shares that the person has the right to acquire within 60 days of this annual report, including through the vesting of RSUs and the exercise of any option or other right. These shares, however, are not included in the computation of the percentage ownership of any other person. The calculations of percentage ownership in the table below are based on 2,603,531,693 ordinary shares outstanding as of June 3, 2019.

<u>Name</u>	<u>Ordinary shares beneficially owned</u>	<u>Percent</u>
<b>Directors and Executive Officers:</b>		
Jack Yun MA <sup>(1)</sup>	161,861,406	6.2%
Joseph C. TSAI <sup>(2)</sup>	56,202,810	2.2%
Daniel Yong ZHANG	*	*
J. Michael EVANS	*	*
Eric Xiandong JING	*	*
Masayoshi SON	—	—
Chee Hwa TUNG	*	*
Walter Teh Ming KWAUK	*	*
Jerry YANG	*	*
E. Börje EKHOLM	*	*
Wan Ling MARTELLO	*	*
Maggie Wei WU	*	*
Judy Wenhong TONG	*	*
Jeff Jianfeng ZHANG	*	*
Sophie Minzhi WU	*	*
Timothy A. STEINERT	*	*
Jessie Junfang ZHENG	*	*
Chris Pen-hung TUNG	*	*
Trudy Shan DAI	*	*
Fan JIANG	*	*
Yvonne Yifen CHANG	*	*
Luyuan FAN	*	*
All directors and executive officers as a group	241,259,070	9.3%
Greater than 5% Beneficial Owners:		
SoftBank <sup>(3)</sup>	673,758,371	25.9%
Altaba <sup>(4)</sup>	244,790,000	9.4%

Notes:

\* This person beneficially owns less than 1% of our outstanding ordinary shares.

(1) Represents (i) 395,000 ordinary shares held directly by Jack Ma, (ii) 35,000,000 ordinary shares held by APN Ltd., a Cayman Islands company with its registered address at Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103,

Cayman Islands, in which Jack holds a 70% equity interest, which ordinary shares, together with Jack's equity interest in APN Ltd., have been pledged to us to support certain obligations under the 2014 SAPA, (iii) 11,648,921 ordinary shares held by Yun Capital Limited, a British Virgin Islands company with its registered address at Woodbourne Hall, Road Town, Tortola, British Virgin Islands, which has granted Jack a revocable proxy over these shares and which is wholly-owned by The Jack Ma Philanthropic Foundation, (iv) 11,648,921 ordinary shares held by Ying Capital Limited, a British Virgin Islands company with its registered address at Woodbourne Hall, Road Town, Tortola, British Virgin Islands, which has granted Jack a revocable proxy over these shares and which is wholly owned by The Jack Ma Philanthropic Foundation, (v) 52,367,988 ordinary shares held by JC Properties Limited, a British Virgin Islands company with its registered address at Woodbourne Hall, Road Town Tortola, British Virgin Islands, which is wholly-owned by a trust the beneficiaries of which are Jack and his family and (vi) 50,800,576 ordinary shares held by JSP Investment Limited, a British Virgin Islands company with the address of P.O. Box 916, Woodbourne Hall, Road Town, Tortola, British Virgin Islands, which is wholly-owned by a trust the beneficiaries of which are Jack's family. Excludes shares held by SoftBank representing SoftBank's share ownership in excess of 30% of our outstanding ordinary shares as of the most recent record date with respect to any shareholders action and up to 121,500,000 ordinary shares held by Altaba, over which Jack and Joe will share voting power pursuant to the voting agreement that we, Jack, Joe, SoftBank and Altaba entered into as described in "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with Altaba and SoftBank — Voting Agreement." Jack has historically voted the ordinary shares held by the family trusts and he is deemed a beneficial owner of the ordinary shares held by the family trusts. Jack does not have any pecuniary interests in the 23,297,842 ordinary shares held by Yun Capital Limited and Ying Capital Limited. Jack's business address is 969 West Yi Road, Yu Hang District, Hangzhou 311121, the People's Republic of China.

- (2) Represents (i) 1,624,130 ordinary shares held directly by Joe Tsai, (ii) 15,000,000 ordinary shares held by APN Ltd., in which Joe holds a 30% equity interest and serves as a director, which ordinary shares, together with Joe's equity interest in APN Ltd., have been pledged to us to support certain obligations under the 2014 SAPA, (iii) 5,982,293 ordinary shares held by Joe and Clara Tsai Foundation Limited, a company incorporated under the law of the Island of Guernsey with its registered address at Helvetia Court, South Esplanade, St. Peter Port, Guernsey GY1 4EE, that has granted Joe a revocable proxy over these shares and which is wholly-owned by Joe and Clara Tsai Foundation, (iv) 19,473,209 ordinary shares held by Parufam Limited, a Bahamas corporation with its registered address at Suite 200B, 2nd Floor, Centre of Commerce, One Bay Street, P.O. Box N-3944, Nassau, Bahamas, and over which, Joe, as a director of Parufam Limited, has been delegated sole voting and disposition power and (v) 14,123,178 ordinary shares held by PMH Holding Limited, a British Virgin Islands corporation with its registered address at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands, and over which, Joe, as sole director of PMH Holding Limited, has voting and dispositive power. Excludes shares held by SoftBank representing SoftBank's share ownership in excess of 30% of our outstanding ordinary shares as of the most recent record date with respect to any shareholders action and up to 121,500,000 ordinary shares held by Altaba, over which Joe and Jack will share voting power pursuant to the voting agreement that we, Jack, Joe, SoftBank and Altaba have entered into as described in "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with Altaba and SoftBank — Voting Agreement." Joe does not have any pecuniary interests in the 5,982,293 ordinary shares held by Joe and Clara Tsai Foundation Limited. Joe's business address is c/o Alibaba Group Services Limited, 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong S.A.R.
- (3) Represents (i) 490,934,571 ordinary shares owned by SoftBank Group Corp. with its registered office at 1-9-1 Higashi-Shimbashi Minato-ku, Tokyo 105-7303, Japan, (ii) 12,823,800 ordinary shares owned by West Raptor Holdings, LLC with its registered office at 251 Little Falls Drive, Wilmington, New Castle County, DE 19808, and (iii) 170,000,000 ordinary shares owned by Skywalk Finance GK with its registered office at 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo, Japan.
- (4) Based on information published by Altaba on its website as of May 31, 2019. Represents ordinary shares and ADSs held directly and indirectly by Altaba Inc. with its registered office at 140 East 45<sup>th</sup> Street, 15<sup>th</sup> Floor, New York, NY 10017, the United States. On May 15, 2019, Altaba announced that it intends to commence sales of our ADSs on May 20, 2019. Altaba stated that it intends to sell no more than 50% of the Company's ordinary shares it holds prior to receiving stockholder approval of its previously announced plan to liquidate and dissolve the Altaba entity pursuant to voluntary liquidation and dissolution. Altaba's stockholder meeting to vote on the plan is scheduled to be held on June 27, 2019. In addition, Altaba expects to file its certificate of dissolution during the third or fourth quarter of 2019, although this filing may be delayed by Altaba's board in its sole discretion. Altaba stated that it intends to sell all of its shares in us if the plan is approved at the stockholder meeting, although Altaba has stated that the timing and method of sales, and other related transaction considerations will be determined at its discretion, and the plan is subject to change based on prevailing market conditions and other factors. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our ADSs — Substantial future sales or perceived potential sales of our ADSs, ordinary shares or other equity or equity-linked securities in the public market could cause the price of our ADSs to decline significantly."

We have one class of ordinary shares, and each holder of our ordinary shares is entitled to one vote per share.

As of June 3, 2019, 2,603,531,693 of our ordinary shares were outstanding. To our knowledge, 1,718,093,609 ordinary shares, representing approximately 66% of our total outstanding shares, were held by 204 record shareholders with registered addresses in the United States, including brokers and banks that hold securities in street name on behalf of their customers. We are not aware of any arrangement that may at a subsequent date, result in a change of control of our company.

## **B. Related Party Transactions**

### **Our Related Party Transaction Policy**

In order to prevent risks of conflicts of interest or the appearance of conflicts of interest, all of our directors and employees are subject to our code of business conduct and other policies which require, among other things, that any potential transaction between us and an employee or director, their relatives and closely connected persons and certain entities in which they, their relatives or closely connected persons have an interest be approved in writing by an appropriate supervisor or compliance officer.

We have also adopted a related party transaction policy to which all of our directors, senior management and other key management personnel, all close family members (as defined in the policy) of the foregoing individuals, Ant Financial and its subsidiaries as well as the Alibaba Partnership and certain other related entities are subject. Related party transactions defined under this policy, as required by Form 20-F, include transactions with our directors, senior management and major shareholders and their affiliates, as well as transactions with parties that do not pose risks of conflicts of interest, such as transactions with our investee companies that are not otherwise affiliated with any of the foregoing individuals. This policy is intended to supplement the procedures set forth in our code of business conduct and our other corporate governance policies and does not exempt any person from more restrictive provisions that may exist in our existing procedures and policies.

This related party transaction policy provides, among other things, that, unless otherwise pre-approved by our board of directors:

- each related party transaction, and any material amendment or modification to a related party transaction, shall be adequately disclosed to, and reviewed and approved or ratified by, our audit committee or any committee composed solely of disinterested independent directors or by the disinterested members of such committee; and
- any employment relationship or similar transaction involving our directors or senior management of our company and any related compensation shall be approved by the disinterested members of our compensation committee or recommended by the disinterested members of the compensation committee to our board for its approval.

Our related party transaction policy, code of business conduct and our other corporate governance policies are subject to periodic review and revision by our board.

**Summary of Major Related Party Transactions**

As disclosed in greater details in the following paragraphs, the table below summarizes the major related party transactions in fiscal years 2017, 2018 and 2019.

<u>Related Party</u>	<u>Transaction Description</u>
SoftBank	<ul style="list-style-type: none"><li>• Voting agreement among us, Jack Ma, Joe Tsai, SoftBank and Altaba which, among others, provides that SoftBank, Altaba, Jack Ma and Joe Tsai will vote their shares in favor of the Alibaba Partnership director nominees, and provides SoftBank with the right to nominate a director</li><li>• Various investments involving SoftBank</li></ul>
Altaba	<ul style="list-style-type: none"><li>• Voting agreement among us, Jack Ma, Joe Tsai, SoftBank and Altaba which, among others, provides that SoftBank, Altaba, Jack Ma and Joe Tsai will vote their shares in favor of the Alibaba Partnership director nominees, and provides SoftBank with the right to nominate a director</li></ul>
Ant Financial and its affiliates	<ul style="list-style-type: none"><li>• Alipay provides payment and escrow services to us</li><li>• 2014 SAPA, which was amended in 2018 and provides a series of transactions, including our acquisition of an equity interest in Ant Financial</li><li>• 2014 IPLA, which was subsequently amended in 2018 and provides that we and our subsidiaries license to Ant Financial and/or its subsidiaries certain intellectual property rights and provide various software technology services, and Ant Financial pays us profit share payments</li><li>• We, Ant Financial, our controlled affiliates and certain other affiliates, contribute all data collected or generated (subject to applicable law, industry rules and contractual requirements) to a data platform that we operate and maintain, and to which all of the full data sharing participants will have access</li><li>• We and Ant Financial cooperate with each other with respect to the enforcement of each other's rights and the provision of certain financial services to our customers and merchants in connection with the SME loan business</li><li>• We granted Ant Financial a license for it to continue to use certain trademarks and domain names</li><li>• We and Ant Financial provide certain administrative and support services to each other and our respective affiliates</li><li>• We and Ant Financial provide various other services to each other</li><li>• Various investments involving Ant Financial</li><li>• We have awarded RSUs and granted options to acquire our ordinary shares to employees of Ant Financial and its subsidiaries; Junhan, a major equity holder of Ant Financial, has granted to our employees certain share-based awards that are similar to share appreciation awards linked to the valuation of Ant Financial; Ant Financial, through a wholly-owned subsidiary, has granted certain RSU awards to our employees</li></ul>

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<u>Related Party</u>	<u>Transaction Description</u>
Alibaba Pictures	<ul style="list-style-type: none"><li>• We subscribed for newly issued ordinary shares of Alibaba Pictures and it became our consolidated subsidiary</li></ul>
Jack Ma, Joe Tsai, and J. Michael Evans	<ul style="list-style-type: none"><li>• We agreed to assume the cost of maintenance, crew and operation of the personal aircrafts of these directors and officers where the cost is allocated for business purposes</li></ul>
Investment funds affiliated with Jack Ma	<ul style="list-style-type: none"><li>• Various investments involving the Yunfeng Funds, investment funds affiliated with Jack Ma</li></ul>
Jack Ma	<ul style="list-style-type: none"><li>• Made certain commitments to us relating to his interest in Ant Financial, the Yunfeng Funds and other entities</li><li>• In connection with strengthening our strategic cooperation with Wasu, we entered into financing arrangements with a limited partner of a PRC limited partnership that invested in Wasu. A company controlled by Jack Ma serves as one of the general partners of the PRC limited partnership.</li></ul>
Cainiao Network	<p>Before Cainiao Network became our consolidated subsidiary in October 2017,</p> <ul style="list-style-type: none"><li>• Cainiao Network provided logistics services to us</li><li>• We provided Cainiao Network with various administrative and support services</li></ul>
Weibo	<ul style="list-style-type: none"><li>• Weibo provides us with certain marketing services</li><li>• We provide Weibo with certain cloud computing services</li></ul>
Investees	<ul style="list-style-type: none"><li>• We have commercial arrangements with certain of our investees and other related parties to provide and receive certain marketing, logistics, traffic acquisition, cloud computing and other services</li><li>• We extended loans to certain of our investees</li><li>• We have made co-investments with certain of our investees</li></ul>
Variable interest entities and variable interest entity equity holders	<ul style="list-style-type: none"><li>• We operate certain of our businesses in China through contractual arrangements between our wholly-owned entities, our variable interest entities and variable interest entity equity holders</li></ul>
Directors and executive officers	<ul style="list-style-type: none"><li>• We entered into indemnification agreements with our directors and executive officers</li><li>• We entered into employment agreements with our directors and executive officers</li><li>• We grant equity incentive awards to our directors and executive officers</li></ul>

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The following table summarizes the services fees paid to certain related parties in fiscal years 2017, 2018 and 2019.

Related Party	Transaction	Year Ended March 31,			
		2017	2018	2019	
		RMB	RMB	RMB	US\$
		(in millions)			
Ant Financial and its affiliates	Payment processing and escrow services fee	5,487	6,295	8,252	1,230
	Administrative and support services	15	84	80	12
	Marketing support services in connection with membership management and other services	937	1,810	1,248	186
Cainiao Network	Logistics service fee	4,444	3,437	N/A(1)	N/A(1)
Weibo	Marketing service fee	340	615	624	93

Note:

- (1) In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Certain of our investees have entered into commercial arrangements with us in connection with certain logistics services they provide to Cainiao Network and our other businesses. In fiscal year 2019, we incurred costs and expenses of RMB12,933 million (US\$1,927 million) for these logistics services, accounting for 4.2% of our costs and expenses in fiscal year 2019.

Other than the foregoing, the aggregate service fees we paid to other related parties accounted for less than 1% of total cost and expenses in each of fiscal years 2017, 2018 and 2019.

The following table summarizes the services fees received from related parties in fiscal year 2017, 2018 and 2019.

Related Party	Transaction	Year Ended March 31,			
		2017	2018	2019	
		RMB	RMB	RMB	US\$
		(in millions)			
Ant Financial	Software technology services fee and license fee	2,086	3,444	517	77
	Reimbursement payment for software technology services fee	245	37	106	16
Ant Financial and its affiliates	Annual fee for SME loan business	847	956	954	142
	Administrative and support services	531	676	1,017	152
	Cloud computing services fee	264	482	761	113
	Marketplace software technology services fee	409	497	591	88
	Others	90	524	898	134
	Reimbursement payment for RSUs and options <sup>(1)</sup>	54	5	—	—
Cainiao Network	Administrative and support service fee	152	123	N/A(2)	N/A(2)
Weibo	Cloud computing service fee	105	223	304	45

Note:

- (1) We entered into agreements with Ant Financial under which we will receive reimbursements for RSUs and options relating to our ordinary shares granted to the employees of Ant Financial and its subsidiaries during the period from December 14, 2011 to March 31, 2014. Grants of RSUs and options made subsequent to March 31, 2014 are not subject to these reimbursement arrangements. See "— Agreements and Transactions Related to Ant Financial and Its Subsidiaries — Equity-based Award Arrangements."

- (2) In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Other than the related party transactions summarized above, the aggregate payments we received from other related parties accounted for less than 1% of total revenue in each of the fiscal years 2017, 2018 and 2019.

## **Transactions and Agreements with SoftBank and Alibaba**

### ***Voting Agreement***

We have entered into a voting agreement with Jack Ma, Joe Tsai, SoftBank and Alibaba, which provides SoftBank with the right to nominate one director to our board of directors who will, subject to certain conditions, have the right to receive notices and materials for all meetings of our committees and to join these meetings as an observer, which rights are also reflected in our memorandum and articles of association. These nomination rights will terminate when SoftBank's shareholding declines below 15% of our outstanding shares. The voting agreement also contains provisions to the effect that:

- SoftBank agrees to:
  - vote its shares in favor of the election of the Alibaba Partnership's director nominees at each annual general shareholders meeting until SoftBank's shareholding declines below 15% of our outstanding shares, and
  - grant the voting power of any portion of its shareholdings exceeding 30% of our outstanding ordinary shares to Jack and Joe by proxy;
- Jack and Joe will vote their shares and any other shares over which they hold voting rights in favor of the election of the SoftBank director nominee at each annual general shareholders meeting in which the SoftBank nominee stands for election until SoftBank's shareholding declines below 15% of our outstanding ordinary shares;
- Alibaba agrees to:
  - vote its shares in favor of the election of all of the Alibaba Partnership's director nominees and the SoftBank director nominee, if so standing for election, at each annual general shareholders meeting until SoftBank's shareholding declines below 15% of our outstanding shares, and
  - grant the voting power over any shares it owns, up to 121.5 million of our ordinary shares, to Jack and Joe by proxy;
- each party to the voting agreement will use its commercially reasonable efforts to cause any other person with whom it jointly files a statement (or an amendment to a statement) on Schedule 13D or Schedule 13G pursuant to the Exchange Act to become a party to the voting agreement and vote its shares in favor of SoftBank's and the Alibaba Partnership's director nominees pursuant to the foregoing; and
- SoftBank and Alibaba will receive certain information rights in connection with the preparation of their financial statements.

SoftBank's and Alibaba's proxy obligations described in the second sub-bullet under each of the first and third bullets above, respectively, shall (a) not apply in respect of any proposal submitted to our shareholders that may result in an issuance of shares or other equity interests of us, including securities exchangeable or convertible into shares, that would increase the amount of our then-outstanding shares by 3% or more and (b) terminate when Jack owns less than 1% of our outstanding shares on a fully diluted basis or if we materially breach the voting agreement.

### ***Investments Involving SoftBank***

We have invested in businesses in which SoftBank or one or more of its affiliates is a shareholder or co-invested with SoftBank or one or more of its affiliates in other businesses. SoftBank has also invested in businesses in which we or our controlled entities are shareholders. For instance, in April 2017, SoftBank participated in a new round of

equity financing completed by Didi Chuxing, in which we hold an equity interest. In September 2017, we sold a portion of our investment in Didi Chuxing to SoftBank for cash consideration of US\$639 million. In December 2018, an investment fund affiliated with SoftBank agreed to acquire a minority equity interest in our local services holding company. We may continue to co-invest with SoftBank, invest in businesses in which SoftBank is already an existing investor, and may also bring SoftBank as an investor into our new businesses or businesses in which we are an existing investor.

## **Agreements and Transactions Related to Ant Financial and Its Subsidiaries**

### ***Ownership of Ant Financial and Alipay***

We originally established Alipay in December 2004 to operate our payment services business. In June 2010, the PBOC issued new regulations that required non-bank payment companies to obtain a license in order to operate in China. These regulations provided specific guidelines for license applications only for domestic PRC-owned entities. These regulations stipulated that, in order for any foreign-invested payment company to obtain a license, the scope of business, the qualifications of any foreign investor and any level of foreign ownership would be subject to future regulations to be issued, which in addition would require approval by the PRC State Council. Furthermore, the regulations required that any payment company that failed to obtain a license must cease operations by September 1, 2011. Although Alipay was prepared to submit its license application in early 2011, at that time the PBOC had not issued any guidelines applicable to license applications for foreign-invested payment companies. In light of the uncertainties relating to the license qualification and application process for a foreign-invested payment company, our management determined that it was necessary to restructure Alipay as a company wholly-owned by PRC citizens in order to avail Alipay of the specific licensing guidelines applicable only to domestic PRC-owned entities. Accordingly, we divested all of our interest in and control over Alipay in 2011, which resulted in deconsolidation of Alipay from our financial statements. This action enabled Alipay to obtain a payment business license in May 2011 without delay and without any detrimental impact to our China retail marketplaces or to Alipay.

Following the divestment of our interest in and control over Alipay, effective in the first calendar quarter of 2011, the ownership structure of Alipay's parent entity, Ant Financial, was changed so that Jack Ma held a substantial majority of the equity ownership interest in Ant Financial. The ownership structure of Ant Financial has subsequently been further restructured. Ant Financial has also completed several rounds of equity financing. On February 1, 2018, pursuant to the 2014 SAPA, we agreed to acquire a 33% equity interest in Ant Financial through an onshore PRC subsidiary and terminate the profit share payments that we currently receive from Ant Financial, subject to the receipt of the necessary PRC regulatory approvals and the satisfaction of other conditions set forth in the 2018 SAPA. As of the date of this annual report, approximately 40% of Ant Financial's equity interest is held by Junhan, approximately 30% of its equity interest is held by Junao and approximately 25% of its equity interest is held by other shareholders.

Economic interests of Ant Financial through Junhan are owned by Jack Ma, Simon Xie and other employees of our company and Ant Financial and its affiliates and investee companies. These economic interests are in the form of limited partnership interests and interests similar to share appreciation rights tied to potential appreciation in the value of Ant Financial. The economic interests in Junao are held in the form of limited partnership interests by certain members of the Alibaba Partnership.

We understand that it is the intention of the shareholders of Ant Financial that:

- Jack Ma's direct and indirect economic interest in Ant Financial will be reduced over time to a percentage that does not exceed his and his affiliates' interest in our company as of the time immediately prior to the completion of our initial public offering (the percentage of our ordinary shares Jack and his affiliates beneficially owned immediately prior to the completion of our initial public offering was 8.8%) and that this reduction will be caused in a manner by which neither Jack nor any of his affiliates would receive any economic benefit. See "— Commitments of Jack Ma to Alibaba Group." We have been informed by Ant Financial that the proposed reduction of Jack's economic interest is expected to be accomplished through a

combination of future equity-based incentive awards to employees and dilutive issuances of equity in Ant Financial, among others;

- from time to time, additional economic interests in Ant Financial in the form of interests similar to share appreciation rights issued by Junhan will be transferred to employees of Ant Financial and our employees; and
- Ant Financial will raise equity capital from investors in the future in order to finance its business expansion, with the effect that the shareholding of Junao and Junhan in Ant Financial will be reduced through dilution (the amount of dilution would depend on future valuations and the amount of equity capital to be raised), but it is the intention that the combined ownership of Junao and Junhan will continue to constitute a majority of the outstanding equity interests of Ant Financial (prior to the closing of our acquisition of a 33% equity interest in Ant Financial).

Jack Ma is able to exercise the voting power of Junao and Junhan as the major shareholders of Ant Financial because the general partner of both Junao and Junhan is an entity 100% owned by him.

#### ***Our Commercial Arrangements with Ant Financial and Alipay***

After the divestment of our interest in and control over Alipay, we entered into a framework agreement in July 2011, or the 2011 framework agreement, with SoftBank, Alibaba, Alipay, Ant Financial, Jack Ma and Joe Tsai and certain of their affiliates. At the same time, we also entered into various implementation agreements that included a commercial agreement, or the Alipay commercial agreement, an intellectual property license and software technology service agreement, or the 2011 IPLA, and a shared services agreement, which together governed our financial and commercial relationships with Ant Financial and Alipay.

#### ***Alipay Commercial Agreement***

Under the Alipay commercial agreement among us, Alipay and Ant Financial, which agreement still remains in place following the 2014 restructuring and the 2018 amendments to our agreements with Ant Financial, each as described below, Alipay provides payment processing and escrow services to us. These services enable settlement of transactions on our marketplaces through a secure payment platform and escrow process. We pay Alipay a fee for these services on terms that are preferential to us. These preferential terms enable us, with certain exceptions, to make available basic payment processing and escrow services to consumers and merchants on our marketplaces free of charge. We believe that these services provide us with a competitive advantage that otherwise would be diminished without the preferential terms of the Alipay commercial agreement.

The fees that we pay Alipay are based on fee rates and actual payment volumes processed on our marketplaces. The fee rates reflect, among other things, Alipay's bank-processing costs and operating costs allocable to the services provided to us, and accordingly are subject to adjustment on an annual basis to the extent these costs increase or decline. In connection with the 2014 restructuring, the Alipay commercial agreement was amended to provide that a special independent committee formed by our independent directors and the director designated by SoftBank, or the Independent Committee, must approve the fee rates in advance on an annual basis. The fee rates for the immediately preceding year remain in effect until such time as the annual approval by the Independent Committee has been obtained. In fiscal years 2017, 2018 and 2019, service fees in connection with the payment services provided by Alipay amounted to RMB5,487 million, RMB6,295 million and RMB8,252 million (US\$1,230 million), respectively, under this agreement. The Alipay commercial agreement has an initial term of 50 years, and is automatically renewable for further periods of 50 years, subject to our right to terminate at any time upon one year's prior written notice. If the Alipay commercial agreement is required by applicable regulatory authorities, including under stock exchange listing rules, to be modified in certain circumstances, a one-time payment may be payable to us by Ant Financial to compensate us for the impact of the adjustment. Certain conforming amendments were made to the Alipay commercial agreement as part of the 2018 amendments to our agreements with Ant Financial and Alipay described below.

### ***2014 Restructuring of Our Relationship with Ant Financial and Alipay and 2018 Amendments***

On August 12, 2014, we entered into a share and asset purchase agreement, or the 2014 SAPA, and entered into or amended certain ancillary agreements including an amendment and restatement of the 2011 IPLA, or the 2014 IPLA. Pursuant to these agreements, we restructured our relationships with Ant Financial and Alipay and terminated the 2011 framework agreement. On February 1, 2018, we amended both the 2014 SAPA, the amended version of which we refer to as the 2018 SAPA, and the Alipay commercial agreement, and agreed with Ant Financial and certain other parties on forms of certain ancillary agreements, including an amendment and restatement of the 2014 IPLA, or the 2018 IPLA. The 2018 amendments were entered into to facilitate our planned acquisition of a 33% equity interest in Ant Financial, and the forms of certain ancillary agreements will be entered into and/or become effective upon the closing of our acquisition of this equity interest.

Apart from the amended provisions described below, the key terms of our agreements with Ant Financial and Alipay from the 2014 Restructuring remain substantially unchanged.

#### ***2014 Share and Asset Purchase Agreement***

##### *Sale of SME Loan Business and Certain Other Assets*

Pursuant to the 2014 SAPA, we agreed to sell certain securities and assets primarily relating to our SME loan business and other related services to Ant Financial. The sale was completed in February 2015. In addition, pursuant to software system use and service agreements relating to the know-how and related intellectual property that we agreed to sell together with the SME loan business and related services, we will receive annual fees for a term of seven years. These fees, which are recognized as other revenue, are determined as follows: for calendar years 2015 to 2017, the entities operating the SME loan business paid an annual fee equal to 2.5% of the average daily balance of the SME loans provided by these entities, and in calendar years 2018 to 2021, these entities will pay an annual fee equal to the amount of the fees paid in calendar year 2017. In fiscal years 2017, 2018 and 2019, the annual fees we received from Ant Financial and its affiliates in connection with the SME loan business amounted to RMB847 million, RMB956 million and RMB954 million (US\$142 million), respectively.

For regulatory reasons, we retained approximately RMB1,225 million of the existing SME loan portfolio upon the completion of the transfer of the SME loan business. These loans have been repaid. We will not conduct any new SME loan business going forward.

##### *Planned Issuance of Equity Interest*

Pursuant to the 2014 SAPA, we are entitled to receive up to a 33% equity interest in Ant Financial under certain circumstances. To facilitate our acquisition of equity interest in Ant Financial contemplated under the 2014 SAPA, the 2018 SAPA provides that Ant Financial will issue new securities to us representing a 33% equity interest in Ant Financial, subject to the receipt of the necessary PRC regulatory approvals and the satisfaction of other conditions set forth in the 2018 SAPA. Upon closing, we will hold our equity interest in Ant Financial through an onshore PRC subsidiary. We expect the planned acquisition of the 33% equity interest in Ant Financial will strengthen our strategic relationship pursuant to the series of agreements reached with Ant Financial in 2014.

Under the 2014 SAPA and the 2018 SAPA, the consideration we are required to pay to acquire the 33% equity interest in Ant Financial will be fully funded by payments from Ant Financial and its subsidiaries to us in consideration for certain intellectual property and assets that we will transfer upon the issuance of the equity interest. Ant Financial may elect to defer certain offshore transfer payments, in which case our obligations to pay corresponding consideration for the equity issuance will also be deferred. If we have made all our outstanding equity issuance consideration payments at a time when Ant Financial has not made all corresponding transfer payments to us, for example to facilitate an Ant Financial or Alipay qualified IPO process, Ant Financial or its relevant subsidiaries will issue interest-bearing promissory notes to our transferor entities in respect of the transfer payments unpaid at that time. In any event, Ant Financial must complete all outstanding transfer payments to us, or settle all related promissory notes, by the earlier of (i) the first anniversary of an Ant Financial IPO meeting certain minimum criteria for a qualified IPO set forth in the 2018 SAPA, and (ii) the fifth anniversary of the issuance of the equity interest.

As a condition to these transfers, upon the issuance of the equity interest we will enter into a cross license agreement with Ant Financial providing for a license of certain patents and software by Ant Financial to us (ensuring our continued right to use those transferred patents and software), and by us to Ant Financial. The large majority of the intellectual property and assets to be transferred as part of these arrangements was previously planned to be transferred to Ant Financial pursuant to the 2014 SAPA.

Upon the issuance of the equity interest, we will enter into the 2018 IPLA and the profit share payments under the 2014 IPLA will automatically terminate. For more information, see "Alipay Intellectual Property License and Software Technology Services Agreement" below.

#### *Removal of Liquidity Event Payment Obligation*

Under the 2014 SAPA, in the event of a qualified IPO of Ant Financial or Alipay, if we had not acquired equity interest in Ant Financial prior to the closing of such IPO, we were entitled, at our election, to receive a one-time liquidity event payment equal to 37.5% of the equity value, immediately prior to the qualified IPO, of Ant Financial as a whole. If we had acquired the equity interest in Ant Financial, but in an aggregate amount less than 33%, the percentage of Ant Financial's equity value used to calculate this liquidity event payment would be adjusted proportionately.

In lieu of receiving the liquidity event payment, we could instead elect to receive profit share payments under the 2014 IPLA described below in perpetuity, subject to the receipt of regulatory approvals, including under applicable stock exchange listing rules, required to permit continuation of the profit share payments following a qualified IPO of Ant Financial or Alipay. If we so elected, in connection with a qualified IPO, Ant Financial would have been required to use its commercially reasonable efforts to obtain these regulatory approvals. If these approvals were not obtained, then Ant Financial would have been obligated to pay us the liquidity event payment described above.

The 2018 SAPA no longer provides for this liquidity event payment, as we have agreed to acquire the entire 33% equity interest in Ant Financial upon the equity issuance. If the equity issuance does not take place, the 2014 SAPA and the liquidity event payment obligation will be restored, as discussed below under "— Regulatory Unwind and Long-Stop Date" below.

Jack Ma and Joe Tsai contributed 35,000,000 and 15,000,000 of our ordinary shares held by them to APN Ltd., a vehicle they established to hold these shares. The shares of APN Ltd., as well as the 50,000,000 ordinary shares in us held by APN Ltd., were pledged to us to secure the liquidity event payment and certain other obligations of Ant Financial under the 2014 SAPA and the Alipay commercial agreement, as well as the direct liability of APN Ltd. for up to US\$500 million of the liquidity event payment whenever any liquidity event payment becomes due. These shares remain pledged to us to secure certain obligations of Ant Financial under the 2018 SAPA and the Alipay commercial agreement.

#### *Regulatory Unwind and Long-Stop Date*

The 2018 SAPA provides that, if a relevant governmental authority prohibits us from owning all or a portion of our equity interest in Ant Financial after the equity issuance has occurred through enactment of a law, rule or regulation, or explicitly requires Ant Financial to redeem this equity interest, and the prohibition or request is not subject to appeal and cannot otherwise be resolved, then to the extent necessary, Ant Financial will redeem the equity interest; the related intellectual property and asset transfers, and ancillary transactions under the 2018 SAPA will be unwound; and the terms of the 2014 SAPA, the 2014 IPLA, and other related agreements will be restored, including the prior profit share payments and liquidity event payment terms discussed above. If there is a partial unwind where we retain a portion of our equity interest in Ant Financial, but less than the full 33%, then pursuant to the terms of the 2014 SAPA and the 2014 IPLA, the prior profit share payment arrangement and liquidity event payment amount will be proportionately reduced based on the amount of equity interest retained by us.

Similarly, if a governmental authority prohibits the equity issuance through enactment of a law, rule or regulation, and the prohibition is not subject to appeal and cannot otherwise be resolved, or if the equity issuance has not

occurred by the first anniversary of our establishment of a PRC subsidiary to acquire the relevant equity interest, which time period may be extended in certain circumstances, then the 2018 SAPA and related agreements will terminate, and the 2014 SAPA and other related agreements will come back into effect.

*Pre-emptive Rights*

As was the case under the 2014 SAPA, under the 2018 SAPA, following our receipt of equity interest in Ant Financial, we will have pre-emptive rights to participate in other issuances of equity securities by Ant Financial and certain of its affiliates prior to the time of a qualified IPO of Ant Financial. These pre-emptive rights entitle us to maintain the equity ownership percentage we held in Ant Financial immediately prior to any such issuances. In connection with our exercise of our pre-emptive rights we are also entitled to receive certain payments from Ant Financial, effectively funding our subscription for these additional equity interests, up to a value of US\$1.5 billion, subject to certain adjustments, or the pre-emptive rights funded payments. In addition to these pre-emptive rights and the pre-emptive rights funded payments, under the 2018 SAPA, in certain circumstances we are permitted to exercise pre-emptive rights through an alternative arrangement that will further protect us from dilution.

*Certain Restrictions on the Transfer of Ant Financial Equity Interests*

As was the case under the 2014 SAPA, under the 2018 SAPA and the 2014 IPLA, certain parties thereto, including us in some cases, are subject to restrictions on the transfer of equity interests in Ant Financial, including:

- prior to our acquisition of the full 33% equity interest in Ant Financial, none of Jack Ma, Junao, Junhan, our company or Ant Financial may transfer any shares of Ant Financial that would result in Jack Ma, Junao, Junhan and our company, collectively, no longer having beneficial ownership of a majority voting interest in Ant Financial;
- prior to our acquisition of the full 33% equity interest in Ant Financial, none of Jack Ma, Joe Tsai (if he holds any equity interest at that time), Junao, Junhan, Ant Financial or Alipay may transfer any equity interest in Ant Financial or Alipay if, to his or its knowledge, the transfer would result in a non-PRC person or entity acquiring beneficial ownership of any equity interest in Ant Financial or Alipay;
- following our acquisition of the full 33% equity interest in Ant Financial and until the earlier of a qualified IPO of Ant Financial or the termination of the independent director rights provided in the 2018 SAPA, none of Jack Ma, Joe Tsai (if he holds any equity interest at that time), Junao, Junhan or Ant Financial may knowingly transfer any equity in Ant Financial to a third-party who would thereby acquire more than 50% of the voting or economic rights in, or assets of, Ant Financial; and
- in the event we acquire an equity interest in Ant Financial, any transfer of equity interests in Ant Financial by Junao or Junhan, on the one hand, or our company, on the other hand, will be subject to a right of first refusal by the other party.

*Non-competition Undertakings*

As was the case under the 2014 SAPA, under the 2018 SAPA, subject to certain limitations and unless both parties agree, Ant Financial may not engage in any business conducted by us from time to time or logical extensions thereof, and we are restricted from engaging in specified business activities within the scope of business of Ant Financial, including the provision and distribution of credit facilities and insurance, the provision of investment management and banking services, payment transaction processing and payment clearing services, leasing, lease financing and related services, trading, dealing and brokerage with respect to foreign exchange and financial instruments, distribution of securities, commodities, funds, derivatives and other financial products and the provision of credit ratings, credit profiles and credit reports. Each party may, however, make passive investments in competing businesses below specified thresholds, in some cases after offering the investment opportunity to the other party.

*Corporate Governance Provisions*

As was the case under the 2014 SAPA, the 2018 SAPA provides that we and Ant Financial will recommend one independent nominee who Ant Financial will nominate as a member of its board, and Jack Ma, Joe Tsai (as long as he holds any equity interest in Ant Financial), Junhan and Junao will agree to vote the equity interests in Ant Financial controlled by them in favor of the nomination. If this independent director resigns or the director's seat otherwise becomes vacant, so long as SoftBank owns at least 20% of our outstanding ordinary shares, and certain other conditions are satisfied, SoftBank and Jack, acting jointly, will select on our behalf the individual to be designated as a replacement director, subject to the approval of the Independent Committee. This Independent Committee, which was formed pursuant to the 2014 SAPA, is required to approve certain actions that we may take in connection with the 2018 SAPA and related agreements.

Under the 2018 SAPA, upon the issuance of the equity interest, in addition to the Ant Financial independent director discussed above, we will have the right to nominate two of our officers or employees for election to the board of Ant Financial. In each case, these director nomination rights will continue unless required to be terminated by applicable laws and regulations or listing rules in connection with an Ant Financial qualified IPO process or we cease to own a certain amount of our post-issuance equity interests in Ant Financial.

*Additional Alibaba Rights*

In addition to the rights discussed above, the 2014 SAPA provided us with certain other rights with respect to Ant Financial. These included, among others:

- customary information rights;
- approval rights over certain Ant Financial or Alipay actions; and
- rights to ensure our ability to participate in any qualified IPO of Ant Financial.

Except as otherwise discussed "— Termination of Alibaba Rights" below, these rights have been substantially retained in the 2018 SAPA. Following the equity issuance, the 2018 SAPA will also provide the Independent Committee with new approval rights over:

- increases to the size of the Ant Financial board resulting in the number of board seats exceeding a certain specific number; and
- any Alipay IPO or equity issuance (other than in the context of an IPO).

*Termination of Alibaba Rights*

As was the case under the 2014 SAPA, under the 2018 SAPA certain of our rights with respect to Ant Financial will terminate upon our receiving the full 33% equity interest in Ant Financial, upon a qualified IPO of Ant Financial, or upon other specified events.

In addition, the 2018 SAPA provides that, in connection with Ant Financial or Alipay commencing an IPO process, we and Ant Financial will discuss in good faith the amendment or termination of our rights to the extent necessary or advisable to achieve an efficient and successful IPO. Certain of our rights that would be incremental to the rights of other shareholders of Ant Financial as of the consummation of the IPO (excluding, among other things, our information rights) will terminate if required by a relevant stock exchange or governmental authority, or if necessary to obtain a legal opinion in connection with the IPO application. If the IPO application is withdrawn or rejected by the relevant authorities, or if the IPO is not consummated within a certain period of time, then any of our rights that were terminated or amended in anticipation of the IPO will be restored.

*Ancillary Agreements*

In connection with the 2014 SAPA, we also entered into the 2014 IPLA, a data sharing agreement, an amended and restated shared services agreement, a SME loan cooperation framework agreement and a trademark

agreement, each of which is described below. We also entered into a binding term sheet in respect of a technology services agreement pursuant to which we agreed to provide certain cloud computing, database service and storage, computing services and certain other services to Ant Financial on a cost-plus basis. We further agreed with Ant Financial on a new form of cross license agreement to be entered into under the 2014 SAPA, providing for a license of certain patents and software by Ant Financial to us (ensuring our continued right to use those transferred patents and software), and by us to Ant Financial.

In connection with the 2018 SAPA, we also agreed on the form of the 2018 IPLA, which we will enter into upon the issuance of the equity interest, agreed to certain revisions to the previously-agreed form of cross license agreement, and agreed on new forms of various intellectual property transfer agreements to be entered into in connection with, and to implement, the contemplated intellectual property and asset transfers described in "— Planned Issuance of Equity Interest" above.

#### ***Alipay Intellectual Property License and Software Technology Services Agreement***

##### *2014 IPLA*

Pursuant to the original 2011 framework agreement, we entered into the 2011 IPLA, pursuant to which we and our subsidiaries licensed to Alipay certain intellectual property rights and provided various software technology services to Alipay and its subsidiaries. In August 2014, we entered into the 2014 IPLA.

Under the 2011 IPLA, Alipay paid us a royalty and software technology services fee equal to the sum of an expense reimbursement plus 49.9% of the consolidated pre-tax income of Alipay and its subsidiaries until a liquidity event of Alipay or Ant Financial. The calculation of the profit share percentage was subject to downward adjustments upon certain dilutive equity issuances by Alipay or Ant Financial. Under the 2014 IPLA, we receive, in addition to a software technology service fee, royalty streams related to Alipay and other current and future businesses of Ant Financial, which we refer to collectively as the profit share payments. The profit share payments are paid at least annually and equal the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Financial (subject to certain adjustments), including not only Alipay but all of Ant Financial's subsidiaries.

The 2014 IPLA will terminate, and the remainder (if any) of the intellectual property exclusively related to the business of Ant Financial will be transferred to Ant Financial after the termination of the 2014 IPLA, (i) after our total equity interest ownership in Ant Financial has reached the full 33%, when either the full payment of all pre-emptive rights funded payments under the 2014 SAPA is completed or a qualified IPO of Ant Financial or Alipay occurs; (ii) after a qualified IPO of Ant Financial or Alipay has occurred, when our total equity interest ownership in Ant Financial reaches the full 33%; (iii) if and when the liquidity event payment as described above under "— Share and Asset Purchase Agreement — Removal of Liquidity Event Payment Obligation" becomes payable or (iv) as required by the relevant stock exchange or securities authority in order to obtain approval for a qualified IPO of either Ant Financial or Alipay. However, as discussed above, we expect the 2014 IPLA to be amended and restated upon the closing of our planned acquisition of a 33% equity interest in Ant Financial, in which case the termination provisions described in "2018 IPLA" below will apply instead.

In fiscal years 2017, 2018 and 2019, under the 2014 IPLA, we recognized royalty and software technology services fees, net of costs incurred by our company, amounting to RMB2,086 million, RMB3,444 million and RMB517 million (US\$77 million), respectively, as other income, and the relevant expense reimbursement amounted to RMB245 million, RMB37 million and RMB106 million (US\$16 million), respectively, over the same periods.

##### *2018 IPLA*

Pursuant to the 2018 SAPA, we, Ant Financial and Alipay agreed to enter into the 2018 IPLA upon the closing of our planned acquisition of a 33% equity interest in Ant Financial, at which time we will also transfer certain intellectual property and assets to Ant Financial and its subsidiaries and the current arrangement of profit share

payments will immediately terminate, as described in "— 2014 Share and Asset Purchase Agreement — Planned Issuance of Equity Interest" above.

While the current profit share payments will be terminated under the 2018 IPLA, Ant Financial may in certain circumstances continue to make certain royalty payments to us (as agreed to by Ant Financial and the Independent Committee), which may be used as pre-emptive rights funded payments under the 2018 SAPA, as described in "— 2014 Share and Asset Purchase Agreement — Pre-emptive Rights" above.

Additionally, pursuant to the 2018 IPLA, Ant Financial and its subsidiaries will receive expanded rights to apply for, register and manage certain intellectual property related to their businesses, subject to certain continuing restrictions and our rights, and we will cease to provide certain software technology services to Ant Financial and its subsidiaries.

The 2018 IPLA will terminate upon the earliest of:

- the full payment of all pre-emptive rights funded payments under the 2018 SAPA;
- the closing of a qualified IPO of Ant Financial or Alipay; and
- our transfer to Ant Financial of any remaining intellectual property we own that is exclusively related to the business of Ant Financial.

#### ***Data Sharing Agreement***

We and Ant Financial have entered into a data sharing agreement dated August 12, 2014.

Pursuant to the data sharing agreement, we, Ant Financial, our controlled affiliates and certain other affiliates, which we refer to hereinafter as full data sharing participants, will contribute all data collected or generated as a result of the use by users of our or their respective products or services (subject to applicable law, industry rules and contractual requirements) to a data platform that we operate and maintain, and to which all of the full data sharing participants will have access. A data platform management committee established by us and Ant Financial may also approve noncontrolled affiliates of us and Ant Financial and unaffiliated third parties to have certain access to and contribute data to the platform, subject to execution of a data platform participation agreement containing the terms and restrictions on access to and use of the data sharing platform and shared data as the data management committee shall determine. No fees or other compensation are required to be paid by any of the full data sharing participants for access to the data platform, other than the obligation for participants to share in the costs of the operation of the data platform on a fair and reasonable basis. The data sharing agreement provides that none of the participants may reproduce any of the data on the data platform for transfer to their own servers, except that a participant may retain its own data that it has contributed to the data platform.

The data sharing agreement initially had a minimum term of ten years. In May 2015, our board approved the extension of the term of the agreement to a total of 50 years.

#### ***SME Loan Cooperation Framework Agreement***

We and Ant Financial entered into a SME loan cooperation framework agreement dated August 12, 2014, pursuant to which each party agreed to cooperate with, and provide certain services with respect to, the other party's enforcement of certain rights of the other party against users of its platforms and services and with respect to the provision of certain financial services to our customers and merchants. In particular, we agreed, upon Ant Financial's request, to close down or suspend online storefronts and restrict marketing activities on our platforms of persons defaulting on loans made by Ant Financial and persons in violation of Alipay rules and regulations, and to publish notices on our platforms and provide information regarding these persons, in each case in a manner to be further agreed upon from time to time. Ant Financial agreed, upon our request, to make loans and/or extensions of credit and related financial services available to our users, freeze and pay over to us funds in accounts of users violating our rules and regulations or agreements with us, accelerate loans and terminate credit facilities of these users, restrict marketing activities on its platforms by these users, and provide information

regarding these users, in each case in a manner to be further agreed upon from time to time. Neither party is required to pay any fees in consideration for the services provided by the other party, and apart from the provision of these services, there will be no other exchange of value in connection with this agreement. The cooperation agreement has an initial term of five years, with automatic renewals upon expiry for additional five-year periods.

From time to time, we expect to enter into similar commercial arrangements with respect to cooperation matters and the provision of services between us and Ant Financial and to our respective customers.

#### ***Trademark Agreement***

We and Ant Financial entered into a trademark agreement dated August 12, 2014, pursuant to which we granted Ant Financial a non-transferable, non-assignable and non-sublicensable (except to its subsidiaries) license for it and its sublicensed subsidiaries to continue to use certain trademarks and domain names based on trademarks owned by us, in connection with their payment services business and the SME loan business transferred by us to them, and in the same manner of use as of August 12, 2014, and a non-transferable, non-assignable and non-sublicensable (except to its subsidiaries) license to use other trademarks and domain names based on trademarks owned by us, and in that manner, as we may agree to allow in the future. Pursuant to the trademark agreement, each of the parties further agreed to the rights and limitations that each would have to use the "Ali" name or prefix and the "e-commerce" (and its Chinese equivalent) name, prefix or logo as part of a trademark or domain name in each party's and its subsidiaries' respective businesses. Neither party is required to pay any fees under this agreement, and, apart from the licenses and rights set forth in the agreement, there will be no other exchange of value in connection with this agreement. Pursuant to the 2018 SAPA, upon the closing of our planned acquisition of a 33% equity interest in Ant Financial, we will transfer to Ant Financial ownership of several of the trademarks and domain names licensed by us to Ant Financial. However, the trademark agreement will remain in effect in accordance with its terms following the transaction to provide for a continued license of other trademarks that we will continue to own.

#### ***Shared Services Agreement with Ant Financial***

We and Ant Financial have entered into a shared services agreement, which was amended and restated as of August 12, 2014 in connection with the 2014 SAPA. Pursuant to the shared services agreements, we and Ant Financial provide certain administrative and support services to each other and our respective affiliates.

Service fees in connection with the administrative and support services provided by us to Ant Financial and its affiliates under the agreement amounted to RMB531 million, RMB676 million and RMB1,017 million (US\$152 million) in fiscal years 2017, 2018 and 2019, respectively. Service fees in connection with the administrative and support services provided by Ant Financial and its affiliates to us amounted to RMB15 million, RMB84 million and RMB80 million (US\$12 million) in fiscal years 2017, 2018 and 2019, respectively.

#### ***Other Commercial Arrangements with Ant Financial***

We also provide Ant Financial, its subsidiaries and affiliates with cloud computing services, marketplace software technology services and other services. Meanwhile, Ant Financial and its affiliates provide us with marketing support services in connection with membership management and other services. In fiscal years 2017, 2018 and 2019, under these arrangements, service fees in connection with various services provided by us to Ant Financial and its affiliates amounted to RMB763 million, RMB1,503 million and RMB2,250 million (US\$335 million), respectively. During the same periods, service fees in connection with the marketing support services and other services provided by Ant Financial amounted to RMB937 million, RMB1,810 million and RMB1,248 million (US\$186 million), respectively.

#### ***Investments Involving Ant Financial***

We have invested in businesses in which Ant Financial is a shareholder or co-invested with Ant Financial in other businesses. For instance, in September 2015, we established a joint venture under the brand name Koubei with Ant

Financial. We and Ant Financial injected certain related businesses into Koubei and each invested RMB3.0 billion in this joint venture. In April and August 2017, we and Ant Financial invested in the preferred shares of Ele.me, with our investment totaling US\$864 million. In December 2018, Ant Financial participated in the integration of Ele.me and Koubei, and became a minority shareholder of our local consumer services holding company. In addition, in May 2019, Ant Financial agreed to invest HK\$454 million (US\$58 million) for a 0.5% equity interest in Alibaba Health, our subsidiary listed on the Hong Kong Stock Exchange. Ant Financial is also a shareholder of both Paytm, a mobile payment platform in India, and Paytm Mall, an e-commerce platform in India, both of which are our minority investees.

#### ***Equity-based Award Arrangements***

In order to encourage mutually beneficial cooperation, we have awarded RSUs and granted options to acquire our ordinary shares to employees of Ant Financial and its subsidiaries.

As of March 31, 2017, 2018 and 2019, there were 2,967,982, 1,628,309 and 1,881,471 of our ordinary shares, respectively, underlying unvested RSUs and outstanding options held by employees of Ant Financial.

We entered into agreements with Ant Financial in calendar years 2012 and 2013 under which we will receive reimbursements for RSUs and options relating to our ordinary shares granted to the employees of Ant Financial and its subsidiaries during the period from December 14, 2011 to March 31, 2014. Grants of RSUs and options made subsequent to March 31, 2014 are not subject to these reimbursement arrangements. Pursuant to these agreements, we will, upon vesting of these RSUs and options, receive a cash reimbursement equal to their respective grant date fair value. The amounts of these reimbursements in fiscal years 2017, 2018 and 2019 were RMB30 million, RMB5 million and nil, respectively.

We understand that Jack Ma, who effectively controls the majority voting interest in Ant Financial, believes that providing equity-related awards to our employees tied to the success of Ant Financial will enhance the value of our business because of the strategic importance of Alipay to our marketplaces and because, through our strategic and financial relationship with Ant Financial, we have a significant participation in the profits and value accretion of Ant Financial.

Since March 2014, Junhan, the general partner of which is an entity controlled by Jack Ma, has granted certain share-based awards similar to share appreciation awards linked to the valuation of Ant Financial to our employees, and since April 2018, Ant Financial, through its subsidiary, has granted certain RSU awards to our employees. The awards granted by Junhan will be settled in cash by Junhan upon disposal of these awards by the holders. The awards granted by the Ant Financial subsidiary may be settled in equity or cash by the Ant Financial subsidiary upon vesting of the awards. Junhan and the Ant Financial subsidiary have the right to repurchase the vested awards (or any underlying shares of vested RSU awards) granted by them, as applicable, from the holders upon an initial public offering of Ant Financial or the termination of the holders' employment with us at a price to be determined based on the then fair market value of Ant Financial.

Subsequent to our initial public offering, based on the arrangements agreed to in the 2014 SAPA, we, Junhan and Ant Financial entered into an agreement, under which we agreed to continue granting our share-based awards to employees of Ant Financial, and Junhan and Ant Financial agreed that Junhan and/or Ant Financial through one of its subsidiaries will continue granting equity-based performance awards to our employees on an annual basis. Due to the mutually beneficial nature of this arrangement, the parties agreed that none of them has any obligation to reimburse any other party any expenses relating to the equity-based awards. This agreement has a term of three years and will be automatically renewed for another three years, unless otherwise terminated by written agreement among the parties or unilaterally by Ant Financial if it is required under applicable laws (including any regulatory requirements applicable to a public offer of Ant Financial's shares) to terminate the agreement.

### **Transactions with Alibaba Pictures**

In March 2019, we subscribed for newly issued ordinary shares of Alibaba Pictures for a cash consideration of HK\$1,250 million (US\$159 million). Upon the completion of the transaction, our equity interest in Alibaba Pictures increased from approximately 49% to approximately 51%, and Alibaba Pictures became our consolidated subsidiary.

### **Transactions with Entities Affiliated with Our Directors and Officers**

Jack Ma, our executive chairman, Joe Tsai, our executive vice chairman, and J. Michael Evans, our president, have purchased their own aircraft for both business and personal use. The use of the above-mentioned executive officers' own aircrafts in connection with the performance of their duties as our employees is free of charge to us, and we have agreed to assume the cost of maintenance, crew and operation of the aircraft where the cost is allocated for business purposes.

### **Relationship with Investment Funds Affiliated with Jack Ma**

Jack Ma currently holds minority interests in the general partners of a number of Yunfeng investment funds, in which he is entitled to receive a portion of carried interest proceeds. We refer to these funds collectively as the Yunfeng Funds. He also holds minority interests in certain investment advisor entities of certain Yunfeng Funds. In addition, Jack, his wife, certain trusts established for the benefit of his family and certain entities controlled by Jack and his wife have committed, or are expected to commit, funds to the general partners or as limited partners of certain Yunfeng Funds.

Jack has either non-voting interests or has waived the exercise of his voting power with respect to his interests in each of the investment advisor entities and the managing entities of certain Yunfeng Funds. Jack has also agreed to donate all distributions of (x) carried interest proceeds he may receive in respect of the Yunfeng Funds and (y) dividends he may receive with respect to his holdings of shares in any investment advisor entity of the Yunfeng Funds, which we collectively refer to as the Yunfeng Distributions, to, or for the benefit of, the Alibaba Group Charitable Fund or other entities identified by Jack that serve charitable purposes. In addition, Jack has agreed that he will not claim any deductions from his applicable income tax obligations resulting from payment of the Yunfeng Distributions to the Alibaba Group Charitable Fund or any other entity identified by Jack that serves charitable purposes. See "— Commitments of Jack Ma to Alibaba Group." We believe that, through its expertise, knowledge base and extensive network of contacts in private equity in China, Yunfeng Capital will assist us in developing a range of relevant strategic investment opportunities.

The Yunfeng Funds have historically entered into co-investment transactions with us and third parties, such as our co-investment in Easyhome, one of the largest home improvement supplies and furniture chains in the PRC. We have also invested in other businesses in which the Yunfeng Funds are shareholders, such as our acquisition in March 2017 of all of the issued and outstanding shares of Damai, a leading online ticketing platform for live events in China, in which a Yunfeng Fund was a shareholder.

### **Commitments of Jack Ma to Alibaba Group**

Jack Ma, our executive chairman, has confirmed the following commitments to our board of directors:

- He intends to reduce and thereafter limit his direct and indirect economic interest in Ant Financial over time, to a percentage that does not exceed his and his affiliates' interest in our company immediately prior to our initial public offering and that the reduction will occur in a manner by which neither Jack nor any of his affiliates would receive any economic benefit;
- He will donate all of his Yunfeng Distributions to, or for the benefit of, the Alibaba Group Charitable Fund or other entities identified by him that serve charitable purposes;

- He will not claim any deductions from his applicable income tax obligations resulting from donating his Yunfeng Distributions to the Alibaba Group Charitable Fund or any other entity identified by him that serves charitable purposes; and
- If required by us, while he remains an Alibaba executive, he will assume for our benefit legal ownership of investment vehicles, holding companies and variable interest entities that further our business interests in Internet, media and telecom related businesses and, in this case, he will disclaim all economic benefits from his ownership and enter into agreements to transfer any benefits to us (or as we may direct) when permitted by applicable law.

#### **Pledge for the Benefit of and Loan Arrangement with a Related Party**

In May 2015, we entered into a pledge with a financial institution in the PRC in connection with certain wealth management products with an aggregate principal amount of RMB7.3 billion we invested in to secure a RMB6.9 billion financing provided by this financial institution to Simon Xie, one of our founders and an equity holder in certain of our variable interest entities, to finance the minority investment by a PRC limited partnership in Wasu, a company listed on the Shenzhen Stock Exchange and engaged in the business of digital media broadcasting and distribution in China. As of March 31, 2019, RMB420 million of the pledge had been released. In addition, we entered into a loan agreement for a principal amount of up to RMB2.0 billion with Simon Xie in April 2015 to finance the repayment by Simon of the principal and interest under this financing. These arrangements strengthen our strategic business cooperation with Wasu to enhance our entertainment strategy. Our loan to Simon will be made at an interest rate equal to SHIBOR as specified by us from time to time and is repayable in five years. The loan is secured by a pledge of Simon's limited partnership interest in the PRC limited partnership. As of March 31, 2019, the balance of this loan was RMB1,525 million (US\$227 million).

We have entered into strategic cooperation agreements with a major shareholder of Wasu in order to enhance our capabilities and influence in the entertainment sector in China. A company controlled by Jack Ma serves as one of the general partners of the PRC limited partnership. Yuzhu Shi, the founder, chairman and a principal shareholder of Giant Interactive, a China-based online game company that was previously listed on the New York Stock Exchange, and who is also an entrepreneur with significant experience in and knowledge of the media industry in China, serves as the other general partner. Jack, through his control of one of the general partners, and Mr. Shi, as the other general partner and the executive partner, jointly control this PRC limited partnership. The interest of the general partner controlled by Jack in the limited partnership is limited to the return of its RMB10,000 contributed capital.

#### **Transactions with Cainiao Network**

In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Before Cainiao Network became our consolidated subsidiary in October 2017,

- we had commercial arrangements with Cainiao Network to receive certain logistics services that are conducted on an arm's length basis. Service fees in connection with the logistics services provided by Cainiao Network in fiscal years 2017 and 2018 (prior to its becoming our consolidated subsidiary) amounted to RMB4,444 million and RMB3,437 million, respectively; and
- we also provided Cainiao Network with various administrative and support services. Service fees in connection with the administrative and support services we provided to Cainiao Network amounted to RMB152 million and RMB123 million in fiscal years 2017 and 2018 (prior to its becoming our consolidated subsidiary), respectively.

### **Transactions with Weibo**

We entered into a strategic collaboration agreement and a marketing cooperation agreement with Weibo, one of our equity investees, during fiscal year 2014. These agreements expired in January 2016. In fiscal years 2017, 2018 and 2019, service fees in connection with the marketing services provided by Weibo pursuant to these agreements and other commercial arrangements amounted to RMB340 million, RMB615 million and RMB624 million (US\$93 million), respectively.

We also have other commercial arrangements with Weibo primarily relating to the provision of cloud computing services. Service fees in connection with the cloud computing services provided by us amounted to RMB105 million, RMB223 million and RMB304 million (US\$45 million) in fiscal years 2017, 2018 and 2019, respectively.

### **Transactions with other investees**

We have commercial arrangements with certain of our investees related to logistics services. Revenue recognized in connection with the logistics services we provided to our investees amounted to RMB72 million and RMB261 million (US\$39 million) in the period from the date of consolidation of Cainiao Network in October 2017 to March 31, 2018 and the year ended March 31, 2019, respectively. Fees incurred in connection with the logistics service provided by our investees to Cainiao Network, after it became one of our consolidated subsidiaries, and certain of our other businesses in fiscal years 2018 and 2019 amounted to RMB5,608 million and RMB12,933 million (US\$1,927 million), respectively.

We have also extended loans to certain of our investees for working capital and other uses in conjunction with our investments. As of March 31, 2019, the aggregate outstanding balance of these loans was RMB2,543 million (US\$379 million), with durations generally ranging from one month to ten years and interest rates of up to 10% per annum.

We have also co-invested with certain of our investees in other businesses. For example, we have made co-investments with Hangzhou Hanyun Xinling Equity Investment Fund Partnership and New Retail Strategic Opportunities Fund, L.P. – both of which are our investees that focus on retail-related businesses – in a number of companies, including Red Star, Sun Art, Easyhome, ZTO and Focus Media.

### **Other commercial transactions with investees**

Other than the transactions disclosed above, we also have commercial arrangements with certain of our investees and other related parties in which:

- we recorded cost and expenses paid to investees for logistics services, content acquisition, merchant commission rebate, purchase of inventory, market services, traffic acquisition and various other services; and
- we recorded income generated from investees for providing marketing, cloud computing and other services.

The amounts relating to these services provided and received represent less than 1% of our revenue and total costs and expenses, respectively, for the years ended March 31, 2017, 2018 and 2019.

### **Contractual Arrangements among Our Wholly-Owned Entities, Variable Interest Entities and the Variable Interest Entity Equity Holders**

Chinese law restricts foreign ownership in enterprises that provide value-added telecommunications services, which includes the ICPs. As a result, we operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited in China through contractual arrangements between our wholly-owned entities, our variable interest entities, which, where applicable, hold the ICP licenses and other regulated licenses and generally operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited, and the variable interest entity equity holders. For a description of these contractual arrangements, see "Item 4.

Information on the Company — C. Organizational Structure — Contractual Arrangements among Our Wholly-Owned entities, Variable Interest Entities and the Variable Interest Entity Equity Holders."

#### **Indemnification Agreements**

We have entered into indemnification agreements with our directors and executive officers. These agreements require us to indemnify these individuals, to the fullest extent permitted by law, for certain liabilities to which they may become subject as a result of their affiliation with us.

#### **Employment Agreements**

See "Item. 6 Directors, Senior Management and Employees — B. Compensation — Employment Agreements."

#### **Share Options**

See "Item. 6 Directors, Senior Management and Employees — B. Compensation — Equity Incentive Plans."

#### **C. Interests of Experts and Counsel**

Not applicable.

### **ITEM 8 FINANCIAL INFORMATION**

#### **A. Consolidated Statements and Other Financial Information**

See "Item 18. Financial Statements."

#### **Legal and Administrative Proceedings**

We are involved from time to time, and may in the future be involved in, litigation, claims or other disputes in the ordinary course of business regarding, among other things, contract disputes with our customers, copyright, trademark and other intellectual property infringement claims, consumer protection claims, employment related cases and other matters in the ordinary course of our and disputes between our merchants and consumers. We have also been, and may in the future be, involved in litigation, regulatory investigations or inquiries and administrative proceedings that may not necessarily arise from our ordinary course of business, such as securities class action lawsuits and investigations or inquiries by securities regulators.

We establish balance sheet provisions relating to potential losses from litigation based on estimates of the losses. For this purpose, we classify potential losses as remote, reasonably possible or probable. We analyze potential outcomes from current and potential litigation and proceedings as loss contingencies in accordance with U.S. GAAP.

#### ***Shareholder Class Action Lawsuits***

In 2015, we and certain of our current and former officers and directors were named as a defendant in seven putative shareholder class action lawsuits filed in the United States District Courts by shareholders asserting claims pursuant to the United States Securities Exchange Act of 1934 and three putative shareholder class action lawsuits filed in the Superior Court of the State of California by shareholders asserting claims pursuant to the United States Securities Act of 1933. The lawsuits allege that the registration statement and prospectus filed in connection with our initial public offering and various other public statements contained misrepresentations regarding our business operations and financial prospects, and failed to disclose, among other things, regulatory scrutiny by the SAIC prior to our initial public offering.

The District Court lawsuits were centralized in the Southern District of New York under the master caption *Christine Asia Co., Ltd. et al. v. Alibaba Group Holding Limited et al.*, No. 1:15-md-02631-CM (S.D.N.Y.). In June 2016, the Southern District of New York issued an order granting Defendants' motion to dismiss without leave to amend. The order held that Plaintiffs failed to plead that Defendants made actionable misstatements or

omissions or that Defendants acted with scienter. In December 2017, following an appeal by the plaintiffs, the Second Circuit Court of Appeals issued a summary order vacating the Southern District of New York's dismissal order and remanding the case to the Southern District of New York for further proceedings. In May 2018, the Southern District of New York certified a class of all persons and/or entities that purchased or otherwise acquired our American Depositary Shares or purchased call options or sold put options on our American Depositary Shares between September 19, 2014 and January 28, 2015, inclusive, with certain exclusions. On April 29, 2019, we announced that defendants had entered into a settlement agreement to resolve the lawsuits. Under the terms of the settlement agreement, we agreed to pay US\$250 million in exchange for a full release of all claims brought in the lawsuit. The settlement agreement expressly provides that the settlement does not constitute an admission or finding that the claims asserted had any merit. We expect, subject to court approval, that a hearing on the final approval of the settlement will take place in or around October 2019.

The California lawsuits were consolidated under the caption *Gary Buelow, et al. v. Alibaba Group Holding Limited, et al.*, No. CIV-535692 (San Mateo Sup. Ct.). In December 2016, the Superior Court sustained our demurrer to the complaint in part and denied it in part. In January 2017, we answered the consolidated complaint, asserting a general denial as to all allegations and setting forth affirmative defenses. In March 2018, plaintiffs filed a motion for class certification, requesting, among other things, that the Superior Court certify a class of all persons who purchased or otherwise acquired our American Depositary Shares pursuant or traceable to the Registration Statement issued in connection with our IPO. This motion was not ruled on by the Superior Court. On December 31, 2018, we announced that defendants had entered into a settlement agreement to resolve the consolidated class action lawsuit. Under the terms of the settlement agreement, we agreed to pay US\$75 million to settle the lawsuit in exchange for a full release of all claims brought in the lawsuit. The settlement agreement expressly provides that the settlement does not constitute an admission or finding that the claims asserted in the lawsuit had any merit. The settlement was approved by the Superior Court on May 17, 2019 and a final judgment concluding the lawsuit was entered that same date.

### ***Pending SEC Inquiry***

In early 2016, the SEC informed us that it had initiated an investigation into whether there have been any violations of the federal securities laws. The SEC has requested that we voluntarily provide it with documents and information relating to, among other things, our consolidation policies and practices (including our prior practice of accounting for Cainiao Network as an equity method investee), our policies and practices applicable to related party transactions in general, and our reporting of operating data from the 11.11 global shopping festival. We are voluntarily disclosing this SEC request for information and cooperating with the SEC and, through our legal counsel, have been providing the SEC with requested documents and information. The SEC advised us that the initiation of a request for information should not be construed as an indication by the SEC or its staff that any violation of the federal securities laws has occurred.

Our management believes that the risk of loss in connection with this proceeding is currently remote and that this proceeding will not have a material adverse effect on our financial condition. However, in light of the inherent uncertainties involved in this and similar proceedings, some of which are beyond our control, the risk of loss may become more likely and an adverse outcome could be material to our results of operations or cash flows for any particular reporting period. See note 2 to our audited consolidated financial statements included elsewhere in this annual report for more information on our provisioning policy with regard to legal and administrative proceedings.

### **Dividend Policy**

Since our inception, we have not declared or paid any dividends on our ordinary shares. We have no present plan to pay any dividends on our ordinary shares in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem

relevant. If we pay any dividends, the depositary will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we rely on dividends, loans, and other distributions on equity paid by our operating subsidiaries in China and on remittances, including loans, from our variable interest entities in China. Dividend distributions from our PRC subsidiaries to us are subject to PRC taxes, such as withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — We rely to a significant extent on dividends, loans and other distributions on equity paid by our principal operating subsidiaries in China."

## **B. Significant Changes**

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9 THE OFFER AND LISTING**

### **A. Offer and Listing Details**

Our ADSs, each representing one of our ordinary shares, have been listed on the New York Stock Exchange since September 19, 2014 under the symbol "BABA."

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

Our ADSs, each representing one of our ordinary shares, have been listed on the New York Stock Exchange since September 19, 2014 under the symbol "BABA."

### **D. Selling Shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

### **F. Expenses of the Issue**

Not applicable.

## **ITEM 10 ADDITIONAL INFORMATION**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

We incorporate by reference into this annual report the description of our amended and restated memorandum and articles of association contained in our [Registration Statement on Form F-1 \(File No. 333-195736\)](#), as amended, initially filed with the SEC on May 6, 2014. Our shareholders adopted our amended and restated

memorandum and articles of association by a special resolution on September 2, 2014, and effective upon completion of our initial public offering of ordinary shares represented by our ADSs.

### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" or elsewhere in this annual report.

### **D. Exchange Controls**

See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulation of Foreign Exchange and Dividend Distribution — Foreign Exchange Regulation."

### **E. Taxation**

The following is a general summary of certain Cayman Islands, PRC and United States federal income tax consequences relevant to an investment in our ADSs and ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares. To the extent that this discussion relates to matters of Cayman Islands tax law, it is the opinion of Maples and Calder (Hong Kong) LLP, our special Cayman Islands counsel. To the extent that the discussion states definitive legal conclusions under PRC tax laws and regulations, it is the opinion of Fangda Partners, our special PRC counsel.

#### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of our ADSs and ordinary shares. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties that may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on the issue of shares by, or any transfers of shares of, Cayman Islands companies (except those which hold interests in land in the Cayman Islands). The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ADSs and ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ADSs or ordinary shares, as the case may be, nor will gains derived from the disposal of our ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

#### **People's Republic of China Taxation**

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends from our PRC subsidiaries. The EIT Law and its implementation rules, both of which became effective on January 1, 2008 and were most recently amended on December 29, 2018 and April 23, 2019, respectively, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a lower withholding tax rate for which the foreign investor is eligible.

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Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in the same manner as a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise, the only official guidance for this definition currently available is set forth in Circular 82 issued by the State Administration of Taxation, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Alibaba Group Holding Limited does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of Circular 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in Circular 82 to evaluate the tax residence status of Alibaba Group Holding Limited and its subsidiaries outside the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met:

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

We do not believe that we meet any of the conditions outlined in the immediately preceding paragraph. Alibaba Group Holding Limited and its offshore subsidiaries are incorporated outside the PRC. As a holding company, our key assets and records, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we believe that Alibaba Group Holding Limited and our offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then the dividends or capital gains are treated as China-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders or ADS holders that are non-resident enterprises as well as gains realized by those shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of 10%, unless any of the non-resident enterprises' jurisdictions has a tax treaty with China that provides for a preferential treatment.

Furthermore, if we are considered a PRC resident enterprise and the competent PRC tax authorities consider dividends we pay with respect to our shares or ADSs and the gains realized from the transfer of our shares or ADSs to be income derived from sources within the PRC, the dividends we pay to our overseas shareholders or ADS holders who are non-resident individuals, and gains realized by those shareholders or ADS holders from the transfer of our shares or ADSs, may be subject to PRC individual income tax at a rate of 20%, unless any of the

non-resident individuals' jurisdictions has a tax treaty with China that provides for a preferential tax rate or a tax exemption. It is also unclear whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income." and "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — Dividends payable to foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC taxation."

#### **Material United States Federal Income Tax Considerations**

The following summary describes the material United States federal income tax consequences of the ownership of our ordinary shares and ADSs as of the date of this annual report. The discussion set forth below is applicable only to United States Holders. Except where noted, this summary deals only with ordinary shares and ADSs held as capital assets. As used herein, the term "United States Holder" means a beneficial owner of an ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it is subject to the primary supervision of a court within the United States and one or more United States persons has or have the authority to control all substantial decisions of the trust, or if it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ordinary shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a person required to accelerate the recognition of any item of gross income with respect to our ordinary shares or ADSs as a result of such income being recognized on an applicable financial statement;

- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the U.S. dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, and regulations, rulings and judicial decisions thereunder as of the date of this annual report, and the relevant authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership holds our ordinary shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ordinary shares or ADSs, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ordinary shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

### ***ADSs***

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by the ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to United States federal income tax.

### ***Taxation of Dividends***

Subject to the discussion under "— Passive Foreign Investment Company" below, the gross amount of distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. The income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depositary, in the case of ADSs. The dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. The following discussion assumes that all dividends will be paid in U.S. dollars.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the New York Stock Exchange) are readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ordinary shares that are represented by ADSs will meet the conditions required for the reduced tax rates. Since we do not expect that our ordinary shares will be listed on an established securities market in the United States, we do not believe that dividends that we pay on our ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in subsequent years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we were deemed to be a PRC resident enterprise under the EIT Law, although no assurance can be given, we might be eligible for the benefits of the income tax treaty between the United States and the PRC, which is hereinafter referred to as the Treaty, and if we were eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether the shares are represented by ADSs, would be eligible for the reduced rates

of taxation. See "— People's Republic of China Taxation." Non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which the dividends are paid or in the preceding taxable year. See "— Passive Foreign Investment Company" below.

In the event that we were deemed to be a PRC resident enterprise under the EIT Law, you might be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. See "— People's Republic of China Taxation." In that case, subject to certain conditions and limitations, PRC withholding taxes on dividends would be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as foreign-source income and will generally constitute passive category income. However, in certain circumstances, if you have held the ADSs or ordinary shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for any PRC withholding taxes imposed on dividends paid on the ADSs or ordinary shares. If you are eligible for Treaty benefits, any PRC taxes on dividends will not be creditable against your United States federal income tax liability to the extent withheld at a rate exceeding the applicable Treaty rate. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange, as described below under "— Taxation of Capital Gains." Consequently, any distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and you would generally not be able to use the foreign tax credit arising from any PRC withholding tax imposed on those distributions unless the credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Distributions of ADSs, ordinary shares or rights to subscribe for ordinary shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Consequently, these distributions generally will not give rise to foreign source income and you generally will not be able to use the foreign tax credit arising from any PRC withholding tax imposed on the distributions unless the credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes.

#### ***Passive Foreign Investment Company***

Based on the projected composition of our income and assets and the valuation of our assets, including goodwill, we do not expect to be a PFIC for our current taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard.

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In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income; or
- at least 50% of the value (determined on a quarterly basis) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. Although we do not expect to be a PFIC, it is not entirely clear how the contractual arrangements between us and our variable interest entities will be treated for purposes of the PFIC rules. If it were determined that we do not own the stock of our variable interest entities for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the market value of our ADSs, a decrease in the price of our ADSs may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and you do not make a timely mark-to-market election (as discussed below), you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of ADSs or ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each relevant year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which the dividends are paid or in the preceding taxable year. You will generally be required to file Internal Revenue Service Form 8621 if you hold our ADSs or ordinary shares in any year in which we are classified as a PFIC.

If we were a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-United States subsidiaries was also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that the stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election may be available to United States Holders of ADSs since the ADSs are listed on the New York Stock Exchange, which constitutes a qualified exchange, provided the ADSs are "regularly traded" for purposes of the mark-to-market election (for which no assurance can be given). It should also be noted that only the ADSs and not the ordinary

shares are listed on the New York Stock Exchange. Consequently, if you are a United States Holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election if we are or were to become a PFIC.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted tax basis in the ADSs. You will be entitled to deduct as an ordinary loss in each relevant year the excess of your adjusted tax basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, in each year that we are a PFIC any gain you recognize upon the sale or other disposition of your ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the rules described above by electing to treat a PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

### ***Taxation of Capital Gains***

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. Subject to the discussion under "— Passive Foreign Investment Company" above, this gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, if we were treated as a PRC resident enterprise for EIT Law purposes and PRC tax were imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat this gain as PRC source gain under the Treaty. If you are not eligible for the benefits of the Treaty or you fail to make the election to treat any gain as PRC source, then you may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of our ADSs or ordinary shares unless the credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources. You will be eligible for the benefits of the Treaty if, for purposes of the Treaty, you are a resident of the United States, and you meet other requirements specified in the Treaty. Because the determination of whether you qualify for the benefits of the Treaty is fact-intensive and depends upon your particular circumstances, you are specifically urged to consult your tax advisors regarding your eligibility for the benefits of the Treaty. You are also urged to consult your tax advisor regarding the tax consequences in case any PRC tax is imposed on gain on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit and the election to treat any gain as PRC source, under your particular circumstances.

### ***Information Reporting and Backup Withholding***

In general, information reporting will apply to dividends in respect of our ADSs or ordinary shares and the proceeds from the sale, exchange or redemption of our ADSs or ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup

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withholding tax may apply to these payments if you fail to provide a taxpayer identification number or certification of other exempt status or, in the case of dividend payments, if you fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

Under the Hiring Incentives to Restore Employment Act of 2010, certain United States Holders are required to report information relating to ADSs or ordinary shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold ADSs or ordinary shares. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the ADSs or ordinary shares.

### **F. Dividends and Paying Agents**

Not applicable.

### **G. Statement by Experts**

Not applicable.

### **H. Documents on Display**

We have previously filed with the SEC our [Registration Statement on Form F-1 \(File No. 333-195736\)](#), as amended, with respect to our ordinary shares and ADSs. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we previously filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this website.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

In accordance with NYSE Rule 203.01, we will post this annual report on our website [www.alibabagroup.com](http://www.alibabagroup.com). In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

### **I. Subsidiary Information**

Not applicable.

## ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risks

#### *Interest Rate Risk*

Our main interest rate exposure relates to bank borrowings. We also have interest-bearing assets, including cash and cash equivalents, short-term investments and restricted cash. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rates. When considered appropriate, we use derivatives, such as interest rate swaps, to manage our interest rate exposure.

As of March 31, 2019, approximately 30% of our total debt (including bank borrowings and unsecured senior notes) carries floating interest rates and the remaining 70% carries fixed interest rates. We have entered into various agreements with various financial institutions as counterparties to swap a certain portion of our floating interest rate debt to effectively become fixed interest rate debt. After taking these interest rate swaps into consideration, approximately 20% of our total debt carries floating interest rates and the remaining 80% carries fixed interest rates as of March 31, 2019. All of the abovementioned interest rate derivatives are designated as cash flow hedges and we expect these hedges to be highly effective. Certain of our indebtedness carries floating interest rates based on a spread over LIBOR. As a result, the interest expenses associated with these indebtedness will be subject to the potential impact of any fluctuation in LIBOR. The continuation of LIBOR on the current basis is not guaranteed after 2021. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We are subject to interest rate risk in connection with our indebtedness."

As of March 31, 2018 and 2019, if interest rates increased/decreased by 1%, with all other variables having remained constant, and assuming the amount of interest-bearing assets and debts that bear floating interest were outstanding for the entire respective years, our profit attributable to equity owners would have been RMB1,829 million and RMB1,760 million (US\$262 million) higher/lower, respectively, mainly as a result of higher/ lower interest income from our cash and cash equivalents and short-term investments. The analysis does not include floating interest rate debts whose interests are hedged by interest rate swaps.

#### *Foreign Exchange Risk*

Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although we operate businesses in different countries, most of our revenue-generating transactions, and a majority of our expense-related transactions, are denominated in Renminbi, which is the functional currency of our major operating subsidiaries and the reporting currency of our financial statements. When considered appropriate, we enter into hedging activities with regard to exchange rate risk.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. For instance, in August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. In 2017, the value of the Renminbi appreciated by approximately 6.3% against the U.S. dollar; and in 2018, the Renminbi depreciated by approximately 5.7% against the U.S. dollar. From the end of 2018 through the end of April 2019, the value of the Renminbi appreciated by approximately 2.0% against the U.S. dollar. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuations of the Renminbi against the U.S. dollar.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary

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shares or ADSs, servicing our outstanding debts, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of March 31, 2018, we had Renminbi-denominated cash and cash equivalents and short-term investments of RMB131,433 million and U.S. dollar-denominated cash and cash equivalents and short-term investments of US\$11,352 million. Assuming we had converted RMB131,433 million into U.S. dollars at the exchange rate of RMB6.2726 for US\$1.00 as of March 31, 2018, our total U.S. dollar cash balance would have been US\$32,305 million. If the Renminbi had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$30,400 million.

As of March 31, 2019, we had Renminbi-denominated cash and cash equivalents and short-term investments of RMB139,017 million and U.S. dollar-denominated cash and cash equivalents and short-term investments of US\$7,607 million. Assuming we had converted RMB139,017 million into U.S. dollars at the exchange rate of RMB6.7112 for US\$1.00 as of March 29, 2019, our total U.S. dollar cash balance would have been US\$28,321 million. If the Renminbi had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$26,438 million.

**Market Price Risk**

We are exposed to market price risk primarily with respect to investment securities carried at fair value that are publicly traded. A substantial portion of our investments in equity investees are held for long-term appreciation or for strategic purposes, which are accounted for under equity method and are not subject to market price risk. We are not exposed to commodity price risk. The sensitivity analysis is determined based on the exposure of these investment securities at fair value to market price risks at the end of each reporting period.

In fiscal year 2018, the securities we held were investment securities accounted for under the fair value option or available-for-sale securities. Their changes in fair values are recorded as income for investment securities accounted for under the fair value option or through equity for available-for-sale securities, respectively. If market prices of the respective instruments held by us had been 1% higher/lower as of March 31, 2018, these investment securities would have been approximately RMB305 million higher/lower, of which RMB18 million relating to investment securities accounted for under the fair value option would be recognized as income or loss during the respective period.

In fiscal year 2019, after our adoption of ASU 2016-01, changes in fair values of these securities are recorded as income or loss. If the market price of the respective instruments held by us had been 1% higher/lower as of March 31, 2019, these investment securities would have been approximately RMB665 million (US\$99 million) higher/lower, all of which would be recognized as income or loss during the respective period.

**ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

#### D. American Depositary Shares Fees Paid by Our ADS Holders

As an ADS holder, you will be required to pay the following service fees to the depositary, Citibank, N.A.:

<u>Persons depositing or withdrawing shares or ADS holders must pay:</u>	<u>For:</u>
Up to US\$5.00 per 100 ADSs (or fraction thereof)	<ul style="list-style-type: none"><li>• Issuance of ADSs upon deposit of Shares (excluding issuances as a result of distributions of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs).</li><li>• Delivery of ordinary shares against surrender of ADSs.</li><li>• Distribution of cash dividends or other cash distributions.</li><li>• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs.</li><li>• Distribution of securities other than ADSs or rights to purchase additional ADSs.</li></ul>
Up to US\$5.00 per 100 ADS per calendar year	<ul style="list-style-type: none"><li>• ADS services</li></ul>

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- fees and expenses as are incurred by the depositary in connection with compliance with applicable exchange control regulations; and
- fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The Depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

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In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of these changes.

**Fees and Payments from the Depositary to Us**

Our depositary has agreed to reimburse us for certain expenses we incur that are related to the administration and maintenance of the ADS program. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. For fiscal year 2019, the amount of the reimbursement due from the depositary amounted to US\$26.9 million, after deduction of applicable U.S. taxes.

## PART II

### ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

### ITEM 15 CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, at March 31, 2019. Based on that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company's internal control over financial reporting as of March 31, 2019 based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our independent registered public accounting firm, PricewaterhouseCoopers, has audited the effectiveness of our internal control over financial reporting as of March 31, 2019, as stated in its report, which appears on page F-2 of this annual report.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that Mr. Walter Kwauk, an independent director within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and a member of our audit committee, qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F.

**ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to all of our directors, executive officers and employees. We have filed our code of ethics as an exhibit to our registration statement on Form F-1 (File Number 333-195736), as amended, initially filed with the Commission on May 6, 2014. The code is also available on our official website under the investor relations section at [www.alibabagroup.com](http://www.alibabagroup.com).

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers, our principal external auditors, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	Year ended March 31,	
	2018	2019
	(in thousands of RMB)	
Audit Fees <sup>(1)</sup>	66,606	87,545
Audit-related Fees <sup>(2)</sup>	7,753	14,212
Tax Fees <sup>(3)</sup>	753	—
All Other Fees <sup>(4)</sup>	5,442	5,982
<b>Total</b>	<b>80,554</b>	<b>107,739</b>

- (1) "Audit Fees" represents the aggregate fees billed or to be billed for each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC and other statutory and regulatory filings.
- (2) "Audit-related Fees" represents the aggregate fees billed in each of the fiscal years listed for the assurance and related services rendered by our principal auditors that are reasonably related to the performance of the audit or review of our financial statements and not reported under "Audit Fees."
- (3) "Tax Fees" represents the aggregate fees billed in each of the fiscal years listed for the professional tax services rendered by our principal auditors.
- (4) "All Other Fees" represents the aggregate fees billed in each of the fiscal years listed for services rendered by our principal auditors other than services reported under "Audit Fees," "Audit-related Fees" and "Tax Fees."

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services that are approved by the audit committee prior to the completion of the audit.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

In May 2017, we announced the adoption of the 2017 Share Repurchase Program in an aggregate amount of up to US\$6.0 billion over a period of two years. The 2017 Share Repurchase Program expired as of the date of this annual report.

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In addition, our equity incentive award agreements generally provide that, in the event of a grantee's termination for cause or violation of a non-competition undertaking, we will have the right to repurchase the shares acquired by the grantee, generally at par or the exercise price paid for these shares. See "Item 6. Directors, Senior Management and Employees — B. Compensation — Equity Incentive Plans." In addition, when an employee leaves our company, we repurchase any shares acquired by the employee pursuant to early-exercised but unvested options.

The table below summarizes the repurchases we made in the periods indicated.

Month	Total Number of Ordinary Shares Purchased <sup>(1)</sup>	Total Price Paid <sup>(1)</sup> (US\$)	Average Price Paid Per Ordinary Share <sup>(2)</sup> (US\$)	Total Number of Ordinary Shares Purchased as Part of Share Repurchase Program	Approximate Dollar Value of Ordinary Shares that May Yet Be Purchased Under Share Repurchase Program <sup>(3)</sup> (US\$, in millions)
April 2018	—	—	—	—	6,000
May 2018	—	—	—	—	6,000
June 2018	—	—	—	—	6,000
July 2018	—	—	—	—	6,000
August 2018	—	—	—	—	6,000
September 2018	1,415,849	222,444,761	157.11	1,412,156	5,778
October 2018	6,512,170	945,861,849	145.25	6,512,170	4,832
November 2018	1,443,029	203,318,974	140.90	1,443,029	4,628
December 2018	1,476,437	199,621,195	135.20	1,472,456	4,429
January 2019	22,507	2,925,579	129.99	22,507	4,426
February 2019	—	—	—	—	4,426
March 2019	1,718	—	Par value	—	4,426

- (1) Includes (i) an aggregate of 10,862,318 ADSs representing our ordinary shares we repurchased pursuant to our Share Repurchase Program and (ii) an aggregate of 9,392 ADSs representing our ordinary shares we repurchased pursuant to our equity incentive award agreements.
- (2) Ordinary shares we repurchased pursuant to our equity incentive award agreements were generally repurchased at par or the exercise price paid by the grantee for these shares.
- (3) Our 2017 Share Repurchase Program, which was adopted in May 2017, authorized the repurchase in an aggregate amount of up to US\$6.0 billion over a period of two years.

In May 2019, our board of directors authorized a new share repurchase program for an amount of up to US\$6.0 billion over a period of another two years.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE.**

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing one ordinary share, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

Under the New York Stock Exchange Listed Company Manual, or the NYSE Manual, U.S. domestic listed companies are required to have a majority independent board, which is not required under the Companies Law of

the Cayman Islands, our home country. Currently, our board of directors is composed of eleven members, five of whom are independent directors. In addition, the NYSE Manual requires U.S. domestic listed companies to have a compensation committee and a nominating/corporate governance committee, each composed entirely of independent directors, which are not required under the Companies Law of the Cayman Islands. Currently, our compensation committee is composed of three members, only two of whom are independent directors. Our nominating and corporate governance committee is composed of three members, only two of whom are independent directors. In addition, the NYSE Manual requires shareholder approval for certain matters, such as requiring that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans, which is not required under the Cayman Islands law. We intend to comply with the requirements of Cayman Islands law only in determining whether shareholder approval is required.

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

**PART III**

**ITEM 17 FINANCIAL STATEMENTS.**

We have provided financial statements pursuant to Item 18.

**ITEM 18 FINANCIAL STATEMENTS.**

The following financial statements are filed as part of this annual report, together with the report of the independent auditors:

- Report of Independent Registered Public Accounting Firm
- Consolidated Income Statements for the years ended March 31, 2017, 2018 and 2019
- Consolidated Statements of Comprehensive Income for the years ended March 31, 2017, 2018 and 2019
- Consolidated Balance Sheets as of March 31, 2018 and 2019
- Consolidated Statements of Changes in Shareholders' Equity for the years ended March 31, 2017, 2018 and 2019
- Consolidated Statements of Cash Flows for the years ended March 31, 2017, 2018 and 2019
- Notes to the Consolidated Financial Statements

**ITEM 19 EXHIBITS.**

Exhibit Number	Description of Document
1.1 (1)	<a href="#">Form of Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect</a>
2.1 (2)	Registrant's Form of Ordinary Share Certificate
2.2 (3)	<a href="#">Deposit Agreement, dated as of September 24, 2014, between the Registrant, the depository and holders and beneficial holders of American Depositary Shares evidenced by American Depositary Receipts issued thereunder, including the form of American Depositary Receipt</a>
2.3 (3)	<a href="#">Form of American depository receipt evidencing American depository shares (included in Exhibit 2.2)</a>
2.4 (1)	<a href="#">Amended and Restated Registration Rights Agreement among the Registrant and the persons whose names are set out in Schedule I thereto, dated September 18, 2012</a>
2.5 (1)	<a href="#">Voting Agreement by and among the Registrant, Yahoo! Inc., SoftBank Corp., the Management Members as defined therein and certain other shareholders of the Registrant</a>
2.6 (4)	<a href="#">Indenture, dated as of November 28, 2014 between the Registrant and Bank of New York Mellon as Trustee</a>
2.7 (4)	<a href="#">Third Supplemental Indenture, dated as of November 28, 2014 between the Registrant and Bank of New York Mellon as Trustee</a>
2.8 (4)	<a href="#">Fourth Supplemental Indenture, dated as of November 28, 2014 between the Registrant and Bank of New York Mellon as Trustee</a>
2.9 (4)	<a href="#">Fifth Supplemental Indenture, dated as of November 28, 2014 between the Registrant and Bank of New York Mellon as Trustee</a>
2.10 (4)	<a href="#">Sixth Supplemental Indenture, dated as of November 28, 2014 between the Registrant and Bank of New York Mellon as Trustee</a>
2.11 (4)	<a href="#">Form of 2.500% Senior Notes Due 2019 (included in Exhibit 2.7)</a>

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Exhibit Number	Description of Document
2.12 (4)	<a href="#">Form of 3.125% Senior Notes Due 2021 (included in Exhibit 2.8)</a>
2.13 (4)	<a href="#">Form of 3.600% Senior Notes Due 2024 (included in Exhibit 2.9)</a>
2.14 (4)	<a href="#">Form of 4.500% Senior Notes Due 2034 (included in Exhibit 2.10)</a>
2.15 (6)	<a href="#">Indenture, dated as of December 6, 2017, between the Registrant and Bank of New York Mellon as Trustee</a>
2.16 (6)	<a href="#">First Supplemental Indenture, dated as of December 6, 2017 between the Registrant and Bank of New York Mellon as Trustee</a>
2.17 (6)	<a href="#">Second Supplemental Indenture, dated as of December 6, 2017 between the Registrant and Bank of New York Mellon as Trustee</a>
2.18 (6)	<a href="#">Third Supplemental Indenture, dated as of December 6, 2017 between the Registrant and Bank of New York Mellon as Trustee</a>
2.19 (6)	<a href="#">Fourth Supplemental Indenture, dated as of December 6, 2017 between the Registrant and Bank of New York Mellon as Trustee</a>
2.20 (6)	<a href="#">Fifth Supplemental Indenture, dated as of December 6, 2017 between the Registrant and Bank of New York Mellon as Trustee</a>
2.21 (6)	<a href="#">Form of 2.800% Senior Notes Due 2023 (included in Exhibit 2.16)</a>
2.22 (6)	<a href="#">Form of 3.400% Senior Notes Due 2027 (included in Exhibit 2.17)</a>
2.23 (6)	<a href="#">Form of 4.000% Senior Notes Due 2037 (included in Exhibit 2.18)</a>
2.24 (6)	<a href="#">Form of 4.200% Senior Notes Due 2047 (included in Exhibit 2.19)</a>
2.25 (6)	<a href="#">Form of 4.400% Senior Notes Due 2057 (included in Exhibit 2.20)</a>
2.26 (9)	<a href="#">Amendment to the Amended and Restated Registration Rights Agreement among the Registrant and the persons whose names are set out in Schedule I thereto, dated January 24, 2018</a>
4.1 (1)	<a href="#">2011 Equity Incentive Plan of the Registrant</a>
4.2 (1)	<a href="#">Senior Management Equity Incentive Plan</a>
4.3 (1)	<a href="#">Partner Capital Investment Plan</a>
4.4 (1)	<a href="#">Form of Indemnification Agreement between the Registrant and its directors and executive officers</a>
4.5 (1)	<a href="#">Form of Employment Agreement between the Registrant and its executive officers</a>
4.6 (1)	<a href="#">Commercial Agreement by and among the Registrant, Zhejiang Alibaba E-Commerce Co., Ltd. and Alipay.com Co., Ltd., dated July 29, 2011</a>
4.7 (1)	<a href="#">Amendment to Commercial Agreement by and among the Registrant, Zhejiang Alibaba E-Commerce Co., Ltd. and Alipay.com Co., Ltd., dated December 14, 2011</a>
4.8 (4)	<a href="#">English Translation of Loan Agreement between Simon Xie and Taobao (China) Software Co., Ltd., dated April 22, 2015</a>
4.9	<a href="#">Schedules of Material Differences of Contractual Arrangements of Material Variable Interest Entities of the Registrant</a>
4.10 (1)	<a href="#">Share and Asset Purchase Agreement by and among the Registrant, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., Yahoo! Inc., SoftBank Corp. and the other Parties named therein, dated August 12, 2014</a>

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.11 (1)	<a href="#">Second Amendment to Commercial Agreement by and among the Registrant, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd.) and Alipay.com Co., Ltd., dated August 12, 2014</a>
4.12 (1)	<a href="#">Amended and Restated Intellectual Property License and Software Technology Services Agreement by and among the Registrant, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. and Alipay.com Co., Ltd., dated August 12, 2014</a>
4.13 (1)	<a href="#">Data Sharing Agreement by and between the Registrant and Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., dated August 12, 2014</a>
4.14 (1)	<a href="#">English Translation of Software System Use and Service Agreement between Alibaba (China) Co., Ltd. and Chongqing Alibaba Small Loan Co. Ltd., dated August 12, 2014</a>
4.15 (1)	<a href="#">Form of 2014 Post-IPO Equity Incentive Plan</a>
4.16 (1)	<a href="#">Form of Share Retention Agreement between the Registrant and certain members of management</a>
4.17 (4)	<a href="#">English Translation of Pledge Agreement between ICBC Credit Suisse Investment Management Co., Ltd. and Taobao (China) Software Co., Ltd., dated May 28, 2015</a>
4.18 (5)	<a href="#">US\$3,000,000,000 Facility Agreement between the Registrant and other parties named therein, dated March 9, 2016</a>
4.19 (5)	<a href="#">Syndication and Amendment Agreement, dated May 3, 2016, in respect of a US\$3,000,000,000 Facility Agreement dated March 9, 2016</a>
4.20 (6)	<a href="#">US\$5,150,000,000 Facility Agreement between the Registrant and other parties named therein, dated April 7, 2017</a>
4.21 (6)	<a href="#">English translation of Loan Agreement, between Hangzhou Zhenxi Investment Management Co., Ltd. and Zhejiang Tmall Technology Co., Ltd., dated January 10, 2018</a>
4.22 (6)	<a href="#">English translation of Exclusive Call Option Agreement entered into by and among Hangzhou Zhenxi Investment Management Co., Ltd., Zhejiang Tmall Technology Co., Ltd. and Zhejiang Tmall Network Co., Ltd., dated January 10, 2018</a>
4.23 (6)	<a href="#">English translation of Shareholder's Voting Rights Proxy Agreement entered into by and among Hangzhou Zhenxi Investment Management Co., Ltd., Zhejiang Tmall Technology Co., Ltd. and Zhejiang Tmall Network Co., Ltd., dated January 10, 2018</a>
4.24 (6)	<a href="#">English translation of Equity Pledge Agreement entered into by and among Hangzhou Zhenxi Investment Management Co., Ltd., Zhejiang Tmall Technology Co., Ltd. and Zhejiang Tmall Network Co., Ltd., dated January 10, 2018</a>
4.25 (6)	<a href="#">English translation of Exclusive Services Agreement entered into between Zhejiang Tmall Network Co., Ltd. and Zhejiang Tmall Technology Co., Ltd., dated January 10, 2018</a>
4.26 (8)	<a href="#">Amendment to Share and Asset Purchase Agreement by and among the Registrant, Ant Small and Micro Financial Services Group Co., Ltd. (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd.), SoftBank Group Corp., Jack Ma, Joseph C. Tsai, and the other Parties named therein, dated February 1, 2018</a>
4.27 (8)	<a href="#">Amended and Restated Commercial Agreement by and among the Registrant, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd.) and Alipay.com Co., Ltd., dated February 1, 2018</a>
4.28 (6)	<a href="#">Subscription Agreement by and between Cainiao Smart Logistics Network Limited and Ali CN Investment Holding Limited, dated September 25, 2017</a>

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Exhibit Number	Description of Document
4.29 <sup>(6)</sup>	<a href="#">Share Purchase Agreement relating to the sale and purchase of shares in A-RT Retail Holdings Limited between Concord Greater China Limited and Taobao China Holding Limited, dated November 20, 2017</a>
4.30 <sup>(6)</sup>	<a href="#">Share Purchase Agreement relating to the sale and purchase of shares in Sun Art Retail Group Limited between Concord Greater China Limited and Taobao China Holding Limited, dated November 20, 2017</a>
4.31 <sup>(6)</sup>	<a href="#">Share Purchase Agreement relating to the sale and purchase of shares in A-RT Retail Holdings Limited between Kofu International Limited and Taobao China Holding Limited, dated November 20, 2017</a>
4.32 <sup>(6)</sup>	<a href="#">Share Purchase Agreement relating to the sale and purchase of shares in Sun Art Retail Group Limited between Kofu International Limited and Taobao China Holding Limited, dated November 20, 2017</a>
4.33 <sup>(6)</sup>	<a href="#">Share Purchase Agreement by and among Ali Panini Investment Limited, Ali Panini Investment Holding Limited, Rajax Holding and the other parties named therein, dated April 2, 2018</a>
4.34 <sup>(6)</sup>	<a href="#">Share Purchase Agreement between Alibaba Health Information Technology Limited and Ali JK Nutritional Products Holding Limited, dated May 28, 2018</a>
4.35 <sup>(10)</sup>	<a href="#">Share Purchase Agreement among ZTO Express (Cayman) Inc., Taobao China Holding Limited, Cainiao Smart Logistics Investment Limited and the other parties named therein, dated May 29, 2018</a>
4.36 <sup>(6)</sup>	<a href="#">Share Purchase Agreement by and among Alibaba Investment Limited, New Retail Strategic Opportunities Fund, L.P. and Giovanna Investment Cayman Limited, dated July 16, 2018</a>
4.37 <sup>(6)</sup>	<a href="#">Share Purchase Agreement by and among Alibaba Investment Limited, New Retail Strategic Opportunities Fund, L.P., Gio2 Cayman Holdings Ltd and Gio2 Hong Kong Holdings Limited, dated July 16, 2018</a>
4.38 <sup>(6)</sup>	<a href="#">English translation of Share Transfer Agreement between Power Star Holdings (Hong Kong) Limited and Glossy City (HK) Limited and Alibaba (China) Technology Co., Ltd., dated July 17, 2018</a>
4.39	<a href="#">Amendment and Restatement Agreement, dated May 29, 2019, in respect of US\$4,000,000,000 Facility Agreement dated March 9, 2016</a>
4.40	<a href="#">Facility Agreement relating to a HK\$7,653,750,000 term loan facility between the Registrant, as Guarantor, and the other parties named therein, dated May 17, 2019</a>
4.41*	<a href="#">Share Subscription Agreement by and among Local Services Holding Limited, Koubei Holding Limited, Rajax Holding and the investors named therein, dated December 3, 2018</a>
4.42	<a href="#">English translation of Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises, by and among Alibaba (China) Technology Co., Ltd., Huatai Securities (Shanghai) Asset Management Co., Ltd. and China Merchants Bank Co., Ltd. Suzhou Branch, dated March 26, 2019</a>
4.43	<a href="#">English translation of Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises, by and among Alibaba (China) Technology Co., Ltd., Huatai Securities (Shanghai) Asset Management Co., Ltd. and China Merchants Bank Co., Ltd. Suzhou Branch, dated March 26, 2019</a>
4.44	<a href="#">English translation of Equity Transfer Agreement regarding Shanghai De Yin De Run Industry Development Co., Ltd. (the Proposed Name) among Shanghai DeYin Investment Holding Co., Ltd. Chen Dejun, Chen Xiaoying and Alibaba (China) Technology Co., Ltd., dated March 26, 2019</a>

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<b>Exhibit Number</b>	<b>Description of Document</b>
8.1	<a href="#">Significant Subsidiaries and Consolidated Entities of the Registrant</a>
11.1 (1)	<a href="#">Code of Ethics of the Registrant</a>
12.1	<a href="#">Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2	<a href="#">Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1 (7)	<a href="#">Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2 (7)	<a href="#">Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1	<a href="#">Consent of PricewaterhouseCoopers — Independent Registered Public Accounting Firm</a>
15.2	<a href="#">Consent of Fangda Partners</a>
15.3	<a href="#">Consent of Maples and Calder (Hong Kong) LLP</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Previously filed with the Registration Statement on Form F-1 (File No. 333-195736), initially filed on May 6, 2014 and incorporated herein by reference.

(2) No exhibit to be filed as the Company does not issue physical ordinary share certificates.

(3) Previously filed with the Registration Statement on Form F-6 (File No. 333-231579), dated May 17, 2019 and incorporated herein by reference.

(4) Previously filed with our Annual Report on Form 20-F for the Fiscal Year Ended on March 31, 2015 (File No. 001-36614), filed on June 25, 2015 and incorporated herein by reference.

(5) Previously filed with our Annual Report on Form 20-F for the Fiscal Year Ended on March 31, 2016 (File No. 001-36614), filed on May 24, 2016 and incorporated herein by reference.

(6) Previously filed with our Annual Report on Form 20-F for the Fiscal Year Ended on March 31, 2018 (File No. 001-36614), filed on July 27, 2018 and incorporated herein by reference.

(7) Furnished with this annual report on Form 20-F.

(8) Previously filed on Form 6-K, dated February 2, 2018 and incorporated herein by reference.

(9) Previously filed on Form 6-K, dated February 26, 2018 and incorporated herein by reference.

(10) Previously filed on Schedule 13D, dated June 21, 2018 and incorporated herein by reference.

\* Confidential treatment is being requested for portions of this document.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Alibaba Group Holding Limited**

By: /s/ DANIEL YONG ZHANG

\_\_\_\_\_  
Name: Daniel Yong Zhang  
Title: Chief Executive Officer

Date: June 5, 2019

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**ALIBABA GROUP HOLDING LIMITED**  
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Alibaba Group Holding Limited

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Alibaba Group Holding Limited and its subsidiaries (the "Company") as of March 31, 2018 and 2019, and the related consolidated income statements, consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended March 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2(t), Note 11 and Note 13 to the consolidated financial statements, the Company changed the manner in which it accounts for its investments in equity securities for the year ended March 31, 2019.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers  
Hong Kong, June 5, 2019

We have served as the Company's auditor since 1999.

**ALIBABA GROUP HOLDING LIMITED  
CONSOLIDATED INCOME STATEMENTS**

	Notes	Year ended March 31,			
		2017	2018	2019	
		RMB	RMB	RMB	US\$
(in millions, except per share data)					
<b>Revenue</b>	5, 21	158,273	250,266	376,844	56,152
Cost of revenue	21	(59,483)	(107,044)	(206,929)	(30,833)
Product development expenses	21	(17,060)	(22,754)	(37,435)	(5,578)
Sales and marketing expenses	21	(16,314)	(27,299)	(39,780)	(5,928)
General and administrative expenses	21	(12,239)	(16,241)	(24,889)	(3,708)
Amortization of intangible assets	15	(5,122)	(7,120)	(10,727)	(1,599)
Impairment of goodwill	16	—	(494)	—	—
<b>Income from operations</b>		48,055	69,314	57,084	8,506
Interest and investment income, net		8,559	30,495	44,106	6,572
Interest expense		(2,671)	(3,566)	(5,190)	(773)
Other income, net	6, 21	6,086	4,160	221	32
<b>Income before income tax and share of results of equity investees</b>		60,029	100,403	96,221	14,337
Income tax expenses	7	(13,776)	(18,199)	(16,553)	(2,466)
Share of results of equity investees	13	(5,027)	(20,792)	566	84
<b>Net income</b>		41,226	61,412	80,234	11,955
Net loss attributable to noncontrolling interests		2,449	2,681	7,652	1,140
<b>Net income attributable to Alibaba Group Holding Limited</b>		43,675	64,093	87,886	13,095
Accretion of mezzanine equity		—	(108)	(286)	(42)
<b>Net income attributable to ordinary shareholders</b>		43,675	63,985	87,600	13,053
<b>Earnings per share/ADS attributable to ordinary shareholders</b>	9				
Basic		17.52	25.06	33.95	5.06
Diluted		16.97	24.51	33.38	4.97
<b>Weighted average number of shares/ADSs used in computing earnings per share/ADS (million shares)</b>	9				
Basic		2,493	2,553	2,580	
Diluted		2,573	2,610	2,623	

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
				(Note 2(a))
	(in millions)			
<b>Net income</b>	<u>41,226</u>	<u>61,412</u>	<u>80,234</u>	<u>11,955</u>
<b>Other comprehensive income (loss):</b>				
- Foreign currency translation:				
Change in unrealized (losses) gains	(2,191)	(805)	1,068	159
Reclassification adjustment for losses recorded in net income	44	—	—	—
Net change	<u>(2,147)</u>	<u>(805)</u>	<u>1,068</u>	<u>159</u>
- Available-for-sale securities:				
Change in unrealized gains	8,911	769	—	—
Reclassification adjustment for (gains) losses recorded in net income	(5,764)	57	—	—
Tax effect	(1,042)	385	—	—
Net change	<u>2,105</u>	<u>1,211</u>	<u>—</u>	<u>—</u>
- Share of other comprehensive income of equity method investees:				
Change in unrealized gains (losses)	780	(930)	582	87
- Interest rate swaps under hedge accounting and others:				
Change in unrealized gains (losses)	433	143	(295)	(44)
- Forward exchange contracts under hedge accounting:				
Change in unrealized gains (losses)	169	(85)	—	—
Other comprehensive income (loss)	<u>1,340</u>	<u>(466)</u>	<u>1,355</u>	<u>202</u>
<b>Total comprehensive income</b>	<u>42,566</u>	<u>60,946</u>	<u>81,589</u>	<u>12,157</u>
Total comprehensive loss attributable to noncontrolling interests	389	2,215	6,637	989
<b>Total comprehensive income attributable to ordinary shareholders</b>	<u>42,955</u>	<u>63,161</u>	<u>88,226</u>	<u>13,146</u>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

	Notes	As of March 31,		
		2018	2019	
		RMB	RMB	US\$
		(in millions)		
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	2(p)	199,309	189,976	28,308
Short-term investments	2(q)	6,086	3,262	486
Restricted cash and escrow receivables	10	3,417	8,518	1,269
Investment securities	11	4,815	9,927	1,479
Prepayments, receivables and other assets	12	43,228	58,590	8,730
Total current assets		256,855	270,273	40,272
Investment securities	11	38,192	157,090	23,407
Prepayments, receivables and other assets	12	26,274	28,018	4,175
Investments in equity investees	13	139,700	84,454	12,584
Property and equipment, net	14	66,489	92,030	13,713
Intangible assets, net	15	27,465	68,276	10,173
Goodwill	16	162,149	264,935	39,477
<b>Total assets</b>		<b>717,124</b>	<b>965,076</b>	<b>143,801</b>
<b>Liabilities, mezzanine equity and shareholders' equity</b>				
<b>Current liabilities:</b>				
Current bank borrowings	19	6,028	7,356	1,096
Current unsecured senior notes	20	—	15,110	2,251
Income tax payable		13,689	17,685	2,635
Escrow money payable	10	3,053	8,250	1,229
Accrued expenses, accounts payable and other liabilities	18	81,165	117,711	17,540
Merchant deposits	2(ad)	9,578	10,762	1,604
Deferred revenue and customer advances	17	22,297	30,795	4,589
Total current liabilities		135,810	207,669	30,944
Deferred revenue	17	993	1,467	219
Deferred tax liabilities	7	19,312	22,517	3,355
Non-current bank borrowings	19	34,153	35,427	5,279
Non-current unsecured senior notes	20	85,372	76,407	11,385
Other liabilities	18	2,045	6,187	922
<b>Total liabilities</b>		<b>277,685</b>	<b>349,674</b>	<b>52,104</b>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	Notes	As of March 31,		
		2018	2019	
		RMB	RMB	US\$
		(in millions)		
		(Note 2(a))		
Commitments and contingencies	23, 24	—	—	—
Mezzanine equity		3,001	6,819	1,016
Shareholders' equity:				
Ordinary shares, US\$0.000025 par value; 4,000,000,000 shares authorized as of March 31, 2018 and 2019; 2,571,929,843 and 2,587,059,572 shares issued and outstanding as of March 31, 2018 and 2019, respectively		1	1	—
Additional paid-in capital		186,764	231,783	34,537
Treasury shares, at cost	2(ag)	(2,233)	—	—
Restructuring reserve	4(a)	(361)	(97)	(15)
Subscription receivables		(163)	(49)	(7)
Statutory reserves	2(ah)	4,378	5,068	755
Accumulated other comprehensive income (loss)				
Cumulative translation adjustments		(3,594)	(2,592)	(386)
Unrealized gains on available-for-sale securities, interest rate swaps and others		8,677	257	38
Retained earnings		172,353	257,886	38,426
Total shareholders' equity		365,822	492,257	73,348
Noncontrolling interests		70,616	116,326	17,333
<b>Total equity</b>		<b>436,438</b>	<b>608,583</b>	<b>90,681</b>
<b>Total liabilities, mezzanine equity and equity</b>		<b>717,124</b>	<b>965,076</b>	<b>143,801</b>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Ordinary shares		Additional paid-in capital	Treasury shares	Restructuring reserve (Note 4(a))	Subscription receivables	Statutory reserves	Cumulative translation adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Noncontrolling interests	Total equity
	Share	Amount							Unrealized gains (losses) on available-for-sale securities, interest rate swaps and others				
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
(in millions, except share data)													
Balance as of April 1, 2016	2,473,927,859	1	132,206	—	(888)	(172)	3,244	(1,050)	4,894	78,752	216,987	32,552	249,539
Foreign currency translation adjustment	—	—	—	—	—	(17)	—	(2,612)	322	—	(2,307)	99	(2,208)
Net change in unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	—	2,105	—	2,105	—	2,105
Share of additional paid-in capital and other comprehensive income of equity method investees	—	—	1,419	—	—	—	—	—	780	—	2,199	—	2,199
Change in fair value of forward exchange contracts under hedge accounting	—	—	—	—	—	—	—	—	169	—	169	—	169
Change in fair value of interest rate swaps under hedge accounting	—	—	—	—	—	—	—	—	433	—	433	—	433
Net income for the year	—	—	—	—	—	—	—	—	—	43,675	43,675	(488)	43,187
Deconsolidation of subsidiaries	—	—	—	—	—	—	—	44	—	—	44	—	44
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	9,209	9,209
Issuance of shares, including exercise of share options and vesting of early exercised options and RSUs, including repayment of related employee loans	56,165,655	—	575	—	—	126	—	—	—	—	701	—	701
Repurchase and retirement of ordinary shares	(27,054,014)	—	(149)	—	—	—	—	—	—	(13,033)	(13,182)	—	(13,182)
Transactions with noncontrolling interests	—	—	210	—	—	—	—	—	—	—	210	571	781
Amortization of compensation cost	—	—	15,610	—	—	—	—	—	—	—	15,610	487	16,097
Tax benefits from share-based awards	—	—	689	—	—	—	—	—	—	—	689	—	689
Issuance of ordinary shares (Note 4(y))	26,324,689	—	14,012	(2,823)	—	—	—	—	—	—	11,189	—	11,189
Exercise of right of subscription by noncontrolling interest for Partner Capital Investment Plan (Note 8(c))	—	—	—	—	—	—	—	—	—	—	—	100	100
Appropriation to statutory reserves	—	—	—	—	—	—	836	—	—	(836)	—	—	—
Others	—	—	13	—	264	—	—	—	—	—	277	(200)	77
Balance as of March 31, 2017	2,529,364,189	1	164,585	(2,823)	(624)	(63)	4,080	(3,618)	8,703	108,558	278,799	42,330	321,129

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**

	Ordinary shares		Additional paid-in capital	Treasury shares	Restructuring reserve (Note 4(a))	Subscription receivables	Statutory reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity	Noncontrolling interests	Total equity	
	Share	Amount											
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
(in millions, except share data)													
Balance as of April 1, 2017	2,529,364,189	1	164,585	(2,823)	(624)	(63)	4,080	(3,618)	8,703	108,558	278,799	42,330	321,129
Foreign currency translation adjustment	—	—	—	—	—	14	—	24	(366)	—	(328)	(463)	(791)
Net change in unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	—	1,212	—	1,212	(1)	1,211
Share of additional paid-in capital and other comprehensive income of equity method investees	—	—	(525)	—	—	—	—	—	(930)	—	(1,455)	—	(1,455)
Change in fair value of forward exchange contracts under hedge accounting	—	—	—	—	—	—	—	—	(85)	—	(85)	—	(85)
Change in fair value of interest rate swaps under hedge accounting	—	—	—	—	—	—	—	—	143	—	143	—	143
Net income for the year	—	—	—	—	—	—	—	—	64,093	64,093	64,093	(1,751)	62,342
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	40,087	40,087
Issuance of shares, including exercise of share options and vesting of early exercised options and RSUs, including repayment of related employee loans	42,565,654	—	3,945	—	—	(114)	—	—	—	—	3,831	—	3,831
Transactions with noncontrolling interests	—	—	(186)	—	—	—	—	—	—	—	(186)	(10,513)	(10,699)
Amortization of compensation cost	—	—	19,053	—	—	—	—	—	—	—	19,053	1,039	20,092
Partial disposal of the Company's shares by Suning (Note 4(y))	—	—	—	590	—	—	—	—	—	—	590	—	590
Appropriation to statutory reserves	—	—	—	—	—	—	298	—	—	(298)	—	—	—
Others	—	—	(108)	—	263	—	—	—	—	—	155	(112)	43
Balance as of March 31, 2018	2,571,929,843	1	186,764	(2,233)	(361)	(163)	4,378	(3,594)	8,677	172,353	365,822	70,616	436,438

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**

	Ordinary shares		Additional paid-in capital RMB	Treasury shares RMB	Restructuring reserve (Note 4(a)) RMB	Subscription receivables RMB	Statutory reserves RMB	Cumulative translation adjustments RMB	Accumulated other comprehensive income (loss)		Retained earnings RMB	Total shareholders' equity RMB	Noncontrolling interests RMB	Total equity RMB
	Share	Amount RMB							Unrealized gains (losses) on available-for-sale securities, interest rate swaps and others RMB					
(in millions, except share data)														
Balance as of March 31, 2018	2,571,929,843	1	186,764	(2,233)	(361)	(163)	4,378	(3,594)	8,677	172,353	365,822	70,616	436,438	
Cumulative effect of change in accounting principle (Note 2(t))	—	—	—	—	—	—	—	(32)	(8,164)	8,196	—	—	—	
Balance as of April 1, 2018	2,571,929,843	1	186,764	(2,233)	(361)	(163)	4,378	(3,626)	513	180,549	365,822	70,616	436,438	
Foreign currency translation adjustment	—	—	—	—	—	(12)	—	452	39	—	479	577	1,056	
Share of additional paid-in capital and other comprehensive income of equity method investees	—	—	142	—	—	—	—	582	—	—	724	—	724	
Change in fair value of interest rate swaps under hedge accounting and others	—	—	—	—	—	—	—	—	(295)	—	(295)	—	(295)	
Net income for the year	—	—	—	—	—	—	—	—	—	87,886	87,886	(7,214)	80,672	
Acquisition of subsidiaries	—	—	7,515	—	—	—	—	—	—	—	7,515	49,805	57,320	
Issuance of shares, including vesting of RSUs and early exercised options and exercise of share options	26,001,439	—	228	—	—	126	—	—	—	—	354	—	354	
Repurchase and retirement of ordinary shares	(10,871,710)	—	(1,013)	—	—	—	—	—	—	(9,859)	(10,872)	—	(10,872)	
Transactions with noncontrolling interests	—	—	3,412	—	—	—	—	—	—	—	3,412	406	3,818	
Amortization of compensation cost	—	—	35,015	—	—	—	—	—	—	—	35,015	2,586	37,601	
Disposal of the Company's shares by Suning (Note 4(y))	—	—	—	2,233	—	—	—	—	—	—	2,233	—	2,233	
Appropriation to statutory reserves	—	—	—	—	—	—	690	—	—	(690)	—	—	—	
Others	—	—	(280)	—	264	—	—	—	—	—	(16)	(450)	(466)	
Balance as of March 31, 2019	2,587,059,572	1	231,783	—	(97)	(49)	5,068	(2,592)	257	257,886	492,257	116,326	608,583	

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
<b>Cash flows from operating activities:</b>				
Net income	41,226	61,412	80,234	11,955
Adjustments to reconcile net income to net cash provided by operating activities:				
Revaluation gain on previously held equity interest	(770)	(24,436)	(30,187)	(4,498)
Gain on disposals of equity investees	(536)	(2,971)	(42)	(6)
Realized and unrealized gain related to investment securities	(5,488)	(70)	(16,082)	(2,396)
Change in fair value of other assets and liabilities	(759)	1,415	(1,422)	(212)
Loss (Gain) on disposals of subsidiaries	35	(14)	4	—
Depreciation and amortization of property and equipment and land use rights	5,284	8,789	14,962	2,229
Amortization of intangible assets and licensed copyrights	9,008	13,231	22,118	3,295
Tax benefits from share-based awards	(1,369)	—	—	—
Share-based compensation expense	15,995	20,075	37,491	5,586
Impairment of cost method investees and investment securities	2,298	1,816	10,867	1,619
Impairment of goodwill and licensed copyrights	857	1,295	2,843	424
Loss (Gain) on disposals of property and equipment	34	(95)	55	8
Amortization of restructuring reserve	264	264	264	39
Share of results of equity investees	5,027	20,792	(566)	(84)
Deferred income taxes	281	976	(2,197)	(327)
Allowance for doubtful accounts	1,680	601	383	57
Changes in assets and liabilities, net of effects of acquisitions and disposals:				
Prepayments, receivables and other assets	(8,237)	(14,765)	(10,185)	(1,517)
Income tax payable	4,698	6,610	3,060	456
Escrow money payable	2,528	643	5,197	774
Accrued expenses, accounts payable and other liabilities	5,312	23,158	24,355	3,629
Merchant deposits	875	1,389	1,184	177
Deferred revenue and customer advances	4,611	5,690	8,639	1,288
Net cash provided by operating activities	<u>82,854</u>	<u>125,805</u>	<u>150,975</u>	<u>22,496</u>
<b>Cash flows from investing activities:</b>				
Decrease (Increase) in short-term investments, net	5,761	(730)	8,028	1,196
Decrease in trading securities, net	468	—	—	—
Payments for settlement of forward exchange contracts	(256)	(582)	(15)	(3)
Acquisitions of investment securities	(4,677)	(11,872)	(72,472)	(10,799)
Disposals of investment securities	4,354	7,223	10,057	1,499
Acquisitions of equity investees	(39,429)	(53,742)	(11,860)	(1,767)
Disposals of equity investees	4,941	6,185	282	42
Acquisitions of:				
Land use rights and construction in progress relating to office campus	(5,326)	(4,027)	(3,146)	(468)
Other property and equipment	(5,680)	(15,601)	(32,336)	(4,818)
Licensed copyrights and other intangible assets	(6,540)	(10,208)	(14,161)	(2,110)
Cash paid for business combinations, net of cash acquired	(33,448)	(515)	(35,434)	(5,280)
Deconsolidation and disposal of subsidiaries, net of cash proceeds	250	(27)	(10)	(2)
Loans to employees, net of repayments	3	132	7	1
Net cash used in investing activities	<u>(79,579)</u>	<u>(83,764)</u>	<u>(151,060)</u>	<u>(22,509)</u>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Year ended March 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in millions)			
<b>Cash flows from financing activities:</b>				
Issuance of ordinary shares	14,607	399	354	53
Repurchase of ordinary shares	(13,182)	—	(10,872)	(1,620)
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	(13,627)	(1,123)	(167)
Payment for settlement of contingent consideration	—	(770)	—	—
Subscription of rights for Partner Capital Investment Plan (Note 8(c))	87	—	—	—
Dividends paid by non-wholly owned subsidiaries to noncontrolling interests	(163)	(112)	(226)	(34)
Capital injection from noncontrolling interests	1,543	1,124	8,706	1,297
Tax benefits from share-based awards	689	—	—	—
Proceeds from bank borrowings and other borrowings	96,677	26,824	12,116	1,806
Repayment of bank borrowings	(67,344)	(30,414)	(16,347)	(2,436)
Proceeds from unsecured senior notes	—	45,817	—	—
Repayment of unsecured senior notes	—	(8,602)	—	—
Upfront fee payment for a revolving credit facility	—	(280)	—	—
Net cash provided by (used in) financing activities	<u>32,914</u>	<u>20,359</u>	<u>(7,392)</u>	<u>(1,101)</u>
Effect of exchange rate changes on cash and cash equivalents, restricted cash and escrow receivables	2,038	(6,065)	3,245	484
Increase (Decrease) in cash and cash equivalents, restricted cash and escrow receivables	38,227	56,335	(4,232)	(630)
Cash and cash equivalents, restricted cash and escrow receivables at beginning of year	108,164	146,391	202,726	30,207
Cash and cash equivalents, restricted cash and escrow receivables at end of year	<u>146,391</u>	<u>202,726</u>	<u>198,494</u>	<u>29,577</u>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****Supplemental disclosures of cash flow information:***Payment of income taxes*

Income tax paid was RMB9,652 million, RMB10,058 million and RMB15,713 million, for the years ended March 31, 2017, 2018 and 2019, respectively.

*Payment of interest*

Interest paid was RMB2,465 million, RMB2,884 million and RMB4,972 million for the years ended March 31, 2017, 2018 and 2019, respectively.

*Business combinations*

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Cash paid for business combinations	(41,836)	(17,300)	(48,206)
Cash acquired in business combinations	8,388	16,785	12,772
	<u>(33,448)</u>	<u>(515)</u>	<u>(35,434)</u>

The accompanying notes form an integral part of these consolidated financial statements.

**ALIBABA GROUP HOLDING LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2017, 2018 AND 2019**

**1. Organization and principal activities**

Alibaba Group Holding Limited (the "Company") is a limited liability company, which was incorporated in the Cayman Islands on June 28, 1999. The Company is a holding company and conducts its businesses primarily through its subsidiaries. In these consolidated financial statements, where appropriate, the term "Company" also refers to its subsidiaries as a whole. The Company provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. Major shareholders of the Company include SoftBank Group Corp. (together with its subsidiaries, "SoftBank") and Altaba Inc. (formerly known as Yahoo! Inc.) ("Altaba").

The Company has four operating and reportable segments, namely core commerce, cloud computing, digital media and entertainment, and innovation initiatives and others.

The Company's core commerce segment is mainly comprised of (i) the retail and wholesale commerce businesses, (ii) the logistics services business and (iii) the local consumer services business. Retail commerce businesses in the People's Republic of China (the "PRC" or "China") primarily include the mobile commerce destination ("Taobao Marketplace") and the third-party online and mobile platform for brands and retailers ("Tmall"). Retail commerce businesses — cross-border and global include the e-commerce platform across Southeast Asia operated by Lazada (Note 4(i)), the global retail marketplace enabling consumers from around the world to buy directly from manufacturers and distributors primarily in China ("AliExpress") and the import e-commerce platform that allows overseas brands and retailers to reach Chinese consumers ("Tmall Global"). Wholesale commerce businesses in China include the integrated domestic wholesale marketplace ("1688.com"). Wholesale commerce businesses — cross-border and global include the integrated international online wholesale marketplace ("Alibaba.com"). Logistics services business includes a logistics data platform and a nationwide fulfillment network through Cainiao Network (Note 4(f)). Local consumer services business includes the on-demand delivery and local services platform operated by Ele.me (Note 4(c)) and the restaurant and local services guide platform for in-store consumption operated by Koubei (Note 4(c)).

The Company's cloud computing segment is comprised of Alibaba Cloud, which offers a complete suite of cloud services including elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, a machine learning platform and Internet of Things ("IoT") services.

The Company's digital media and entertainment segment leverages the Company's deep data insights to serve the broader interests of consumers through two key distribution platforms, Youku (Note 4(h)) and UC Browser, and through Alibaba Pictures (Note 4(b)) and the Company's other diverse content platforms that provide online videos, films, live events, news feeds, literature and music, among other areas.

The Company's innovation initiatives and others segment includes businesses such as Amap (formerly AutoNavi), DingTalk, Tmall Genie and others.

The Company has a profit sharing interest in Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. (together with its subsidiaries including Alipay.com Co., Ltd. ("Alipay"), "Ant Financial") (Note 4(a)). Ant Financial is an unconsolidated related party that provides payment and financial services to consumers and merchants on the Company's platforms.

**ALIBABA GROUP HOLDING LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2017, 2018 AND 2019**

**2. Summary of significant accounting policies**

**(a) Basis of presentation**

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Translations of balances in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows from Renminbi ("RMB") into the United States Dollar ("US\$") as of and for the year ended March 31, 2019 are solely for the convenience of the readers and are calculated at the rate of US\$1.00=RMB6.7112, representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 29, 2019. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at this rate, or at any other rate.

**(b) Use of estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

**(c) Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries, which include the PRC-registered entities directly or indirectly wholly owned by the Company ("WFOEs") and variable interest entities ("VIEs") over which the Company is the primary beneficiary. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation. The results of subsidiaries acquired or disposed of are recorded in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is an entity in which (i) the Company directly or indirectly controls more than 50% of the voting power; or (ii) the Company has the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors or to govern the financial and operating policies of the investee pursuant to a statute or under an agreement among the shareholders or equity holders. A VIE is required to be consolidated by the primary beneficiary of the entity if the equity holders in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunications services, which include the operations of Internet content providers, the Company operates its Internet and other businesses in which foreign investment is restricted or prohibited in the PRC through certain PRC domestic companies. The equity interests of these PRC domestic companies are held by PRC citizens or by PRC entities owned and/or controlled by PRC citizens. Specifically, these PRC domestic companies that are material to the Company's business are Zhejiang Taobao Network Co., Ltd., Zhejiang Tmall Network Co., Ltd., Alibaba Cloud Computing Ltd., Hangzhou Alibaba Advertising Co., Ltd. and Youku

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**2. Summary of significant accounting policies (Continued)**

**(c) Consolidation (Continued)**

Information Technology (Beijing) Co., Ltd. The registered capital of these PRC domestic companies was funded by the Company through loans extended to the equity holders of these PRC domestic companies. The Company has entered into certain exclusive technical services agreements with these PRC domestic companies, which entitle it to receive a majority of their residual returns and make it obligatory for the Company to absorb a majority of the risk of losses from their activities. In addition, the Company has entered into certain agreements with the equity holders of these PRC domestic companies, including loan agreements that require them to contribute registered capital to those PRC domestic companies, exclusive call option agreements to acquire the equity interests in these companies when permitted by the PRC laws, rules and regulations, equity pledge agreements of the equity interests held by those equity holders, and proxy agreements that irrevocably authorize individuals designated by the Company to exercise the equity owner's rights over these PRC domestic companies.

Details of the typical structure of the Company's significant VIEs are set forth below:

- (i) Contracts that give the Company effective control of VIEs

*Loan agreements*

Pursuant to the relevant loan agreements, the respective WFOEs have granted loans to the equity holders of the VIEs, which may only be used for the purpose of its business operation activities agreed by the WFOEs. The WFOEs may require acceleration of repayment at their absolute discretion. When the equity holders of the VIEs make early repayment of the outstanding amount, the WFOEs or a third-party designated by the WFOEs may purchase the equity interests in the VIEs at a price equal to the outstanding amount of the loan, subject to any applicable PRC laws, rules and regulations. The equity holders of the VIEs undertake not to enter into any prohibited transactions in relation to the VIEs, including the transfer of any business, material assets, intellectual property rights or equity interests in the VIEs to any third party.

*Exclusive call option agreements*

The equity holders of the VIEs have granted the WFOEs exclusive call options to purchase their equity interest in the VIEs at an exercise price equal to the higher of (i) the paid-in registered capital in the VIEs; and (ii) the minimum price as permitted by applicable PRC laws. Each relevant VIE has further granted the relevant WFOE an exclusive call option to purchase its assets at an exercise price equal to the book value of the assets or the minimum price as permitted by applicable PRC laws, whichever is higher. Certain VIEs and their equity holders will also jointly grant the WFOEs (A) exclusive call options to request the VIEs to decrease their registered capital at an exercise price equal to the higher of (i) the paid-in registered capital in the VIEs and (ii) the minimum price as permitted by applicable PRC laws (the "Capital Decrease Price"), and (B) exclusive call options to subscribe for the increased capital of the VIEs at a price equal to the sum of the Capital Decrease Price and the unpaid registered capital, if applicable, as of the capital decrease. The WFOEs may nominate another entity or individual to purchase the equity interest or assets, or to subscribe for the increased capital, if applicable, under the call options. Execution of each call option shall not violate the applicable PRC laws, rules and regulations. Each equity holder of the VIE has agreed that the following amounts, to the extent in excess of the original registered capital that they contributed to the VIE (after deduction of relevant tax expenses), belong to and shall be

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**2. Summary of significant accounting policies (Continued)**

**(c) Consolidation (Continued)**

paid to the WFOEs: (i) proceeds from the transfer of its equity interests in the VIE, (ii) proceeds received in connection with a capital decrease in the VIE, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the VIE upon termination or liquidation. Moreover, any profits, distributions or dividends (after deduction of relevant tax expenses) received by the VIEs also belong to and shall be paid to the WFOEs. The exclusive call option agreements remain in effect until the equity interest or assets that are the subject of these agreements are transferred to the WFOEs.

*Proxy agreements*

Pursuant to the relevant proxy agreements, the equity holders of the VIEs irrevocably authorize any person designated by the WFOEs to exercise their rights as the equity holders of the VIEs, including without limitation the right to vote and appoint directors.

*Equity pledge agreements*

Pursuant to the relevant equity pledge agreements, the equity holders of the VIEs have pledged all of their interests in the equity of the VIEs as a continuing first priority security interest in favor of the corresponding WFOEs to secure the outstanding amounts advanced under the relevant loan agreements described above and to secure the performance of obligations by the VIEs and/or the equity holders under the other structure contracts. Each WFOE is entitled to exercise its right to dispose of the pledged interests in the equity of the VIE held by the equity holders and has priority in receiving payment by the application of proceeds from the auction or sale of the pledged interests, in the event of any breach or default under the loan agreement or other structure contracts, if applicable. These equity pledge agreements remain in force until the later of (i) the full performance of the contractual arrangements by the relevant parties, and (ii) the full repayment of the loans made to the equity holders of the VIEs.

- (ii) Contracts that enable the Company to receive substantially all of the economic benefits from the VIEs

*Exclusive technology services agreements or exclusive services agreements*

Each relevant VIE has entered into an exclusive technology services agreement or an exclusive services agreement with the respective WFOE, pursuant to which the relevant WFOE provides exclusive services to the VIE. In exchange, the VIE pays a service fee to the WFOE, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by the WFOE, resulting in a transfer of substantially all of the profits from the VIE to the WFOE.

*Other arrangements*

The exclusive call option agreements described above also entitle the WFOEs to all profits, distributions or dividends (after deduction of relevant tax expenses) to be received by the VIEs, and the following amounts, to the extent in excess of the original registered capital that they contributed to the VIEs (after deduction of relevant tax expenses) to be received by each equity holder of the VIEs: (i) proceeds from the transfer of its equity interests in the VIEs, (ii) proceeds received in connection with a capital decrease in the VIEs, and (iii) distributions or liquidation residuals from the disposal of its equity interests in the VIEs upon termination or liquidation.

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**2. Summary of significant accounting policies (Continued)**

**(c) Consolidation (Continued)**

Based on these contractual agreements, the Company believes that the PRC domestic companies as described above should be considered as VIEs because the equity holders do not have significant equity at risk nor do they have the characteristics of a controlling financial interest. Given that the Company is the primary beneficiary of these PRC domestic companies, the Company believes that these VIEs should be consolidated based on the structure as described above.

The following financial information of the VIEs in the PRC was recorded in the accompanying consolidated financial statements:

	<u>As of March 31,</u>	
	<u>2018</u>	<u>2019</u>
	(in millions of RMB)	
Cash and cash equivalents and short-term investments	7,507	15,019
Investments in equity investees and investment securities	26,611	28,230
Accounts receivable, net of allowance	5,733	9,540
Amounts due from non-VIE subsidiaries of the Company	1,949	6,398
Prepayment for licensed copyrights	1,736	2,633
Property and equipment and intangible assets	6,788	6,161
Others	4,139	5,992
Total assets	54,463	73,973
Amounts due to non-VIE subsidiaries of the Company	41,090	60,273
Accruals for purchase of licensed copyrights	3,686	3,498
Accrued expenses, accounts payable and other liabilities	10,931	14,594
Deferred revenue and customer advances	4,997	7,213
Deferred tax liabilities	995	448
Total liabilities	61,699	86,026

	<u>Year ended March 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of RMB)		
Revenue (i)	24,712	32,898	66,674
Net loss	(4,688)	(6,167)	(7,063)
Net cash provided by operating activities	3,220	5,547	4,163
Net cash used in investing activities	(2,557)	(20,366)	(8,503)
Net cash provided by financing activities	2,688	14,286	12,373

- (i) Revenue generated by the VIEs are primarily from cloud computing services, digital media and entertainment services, local consumer services and others.

The VIEs did not have any material related party transactions except for the related party transactions which are disclosed in Note 21 or elsewhere in these consolidated financial statements, and those transactions with other subsidiaries that are not VIEs, which were eliminated upon consolidation.

Under the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs and can have assets transferred out of the VIEs under its control. Therefore, the Company considers

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**2. Summary of significant accounting policies (Continued)**

**(c) Consolidation (Continued)**

that there is no asset in any of the VIEs that can be used only to settle obligations of the VIEs, except for registered capital and PRC statutory reserves. As all VIEs are incorporated as limited liability companies under the Company Law of the PRC, creditors of the VIEs do not have recourse to the general credit of the Company for any of the liabilities of the VIEs.

Currently there is no contractual arrangement which requires the Company to provide additional financial support to the VIEs. However, as the Company conducts its businesses primarily based on the licenses and approvals held by its VIEs, the Company has provided and will continue to provide financial support to the VIEs considering the business requirements of the VIEs, as well as the Company's own business objectives in the future.

Unrecognized revenue-producing assets held by the VIEs include certain Internet content provision and other licenses, domain names and trademarks. The Internet content provision and other licenses are required under relevant PRC laws, rules and regulations for the operation of Internet businesses in the PRC, and therefore are integral to the Company's operations. The Internet content provision licenses require that core PRC trademark registrations and domain names are held by the VIEs that provide the relevant services.

**(d) Business combinations and noncontrolling interests**

The Company accounts for its business combinations using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805 "Business Combinations." The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Company and equity instruments issued by the Company. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statements. During the measurement period, which can be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Subsequent to the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any further adjustments are recorded in the consolidated income statements.

In a business combination achieved in stages, the Company re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated income statements.

When there is a change in ownership interests or a change in contractual arrangements that results in a loss of control of a subsidiary, the Company deconsolidates the subsidiary from the date control is lost. Any retained noncontrolling investment in the former subsidiary is measured at fair value and is included in the calculation of the gain or loss upon deconsolidation of the subsidiary.

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**2. Summary of significant accounting policies (Continued)**

**(d) Business combinations and noncontrolling interests (Continued)**

For the Company's non-wholly owned subsidiaries, a noncontrolling interest is recognized to reflect the portion of equity that is not attributable, directly or indirectly, to the Company. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the noncontrolling interest is classified as mezzanine equity. The Company accretes changes in the redemption value over the period from the date that it becomes probable that the mezzanine equity will become redeemable to the earliest redemption date using the effective interest method. Consolidated net income in the consolidated income statements includes net income (loss) attributable to noncontrolling interests and mezzanine equity holders when applicable. Net loss attributable to mezzanine equity holders is included in net loss attributable to noncontrolling interests in the consolidated income statements, while it is excluded from the consolidated statements of changes in shareholders' equity. During the years ended March 31, 2017, 2018 and 2019, net loss attributable to mezzanine equity holders amounted to RMB1,961 million, RMB930 million and RMB438 million, respectively. The cumulative results of operations attributable to noncontrolling interests, along with adjustments for share-based compensation expense arising from outstanding share-based awards relating to subsidiaries' shares, are also recorded as noncontrolling interests on the Company's consolidated balance sheets. Cash flows related to transactions with noncontrolling interests are presented under financing activities in the consolidated statements of cash flows.

**(e) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is comprised of certain members of the Company's management team. The Company had four operating and reportable segments during the periods presented as set out in Notes 1 and 25.

**(f) Foreign currency translation**

The functional currency of the Company is US\$. The Company's subsidiaries with operations in the PRC, Hong Kong, the United States and other jurisdictions generally use their respective local currencies as their functional currencies. The reporting currency of the Company is RMB as the major operations of the Company are within the PRC. The financial statements of the Company's subsidiaries, other than the subsidiaries with the functional currency of RMB, are translated into RMB using the exchange rate as of the balance sheet date for assets and liabilities and the average daily exchange rate for each month for income and expense items. Translation gains and losses are recorded in accumulated other comprehensive income or loss as a component of shareholders' equity.

In the financial statements of the Company's subsidiaries, transactions in currencies other than the functional currency are measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated into the functional currency using the exchange rate at the balance sheet date. All gains and losses arising from foreign currency transactions are recorded in the consolidated income statements during the year in which they occur.

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**2. Summary of significant accounting policies (Continued)**

**(g) Revenue recognition**

In April 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," including related amendments and implementation guidance within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 (collectively, including ASU 2014-09, "ASC 606"), issued by the Financial Accounting Standards Board ("FASB").

ASC 606 supersedes the revenue recognition requirements in ASC 605 and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted ASC 606 beginning on April 1, 2018 using the modified retrospective method applied to those contracts with the customers which were not completed as of April 1, 2018.

Results for reporting periods beginning on April 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with ASC 605. The impact of adopting the new revenue standard was not material to the consolidated financial statements and there was no adjustment to the beginning retained earnings on April 1, 2018.

Revenue is principally comprised of customer management revenue, commissions on transactions, membership fees, logistics services revenue, cloud computing services revenue, sales of goods and other revenue. Revenue represents the amount of consideration the Company is entitled to upon the transfer of promised goods or services in the ordinary course of the Company's activities and is recorded net of value-added tax ("VAT"). Consistent with the criteria of ASC 606 "Revenue from Contracts with Customers," the Company recognizes revenue when performance obligations are satisfied by transferring control of a promised good or service to a customer. For performance obligations that are satisfied at a point in time, the Company also considers the following indicators to assess whether control of a promised good or service is transferred to the customer: (i) right to payment, (ii) legal title, (iii) physical possession, (iv) significant risks and rewards of ownership and (v) acceptance of the good or service. For performance obligations satisfied over time, the Company recognizes revenue over time by measuring the progress toward complete satisfaction of a performance obligation.

For revenue arrangements with multiple distinct performance obligations, each distinct performance obligation is separately accounted for and the total consideration is allocated to each performance obligation based on the relative standalone selling price at contract inception. Revenue arrangements with multiple distinct performance obligations, such as the sale of membership packages and customer management services on wholesale marketplaces and Youku's platforms, are not significant to the Company's total revenue.

The Company evaluates if it is a principal or an agent in a transaction to determine whether revenue should be recorded on a gross or net basis. The Company is acting as the principal if it obtains control over the goods and services before they are transferred to customers. When the Company is primarily obligated in a transaction, is generally subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Company acts as the principal and revenue is recorded on a gross basis. When the Company is not primarily obligated in a transaction, does not generally bear the inventory risk and does not have the ability to establish the price, the Company acts as the agent and revenue is recorded on a net basis.

When services are exchanged or swapped for other services, revenue is recognized based on the estimated standalone selling price of services promised to customer if the fair value of the services received cannot be

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**2. Summary of significant accounting policies (Continued)**

**(g) Revenue recognition (Continued)**

reasonably estimated. The amount of revenue recognized for barter transactions was not material for each of the periods presented.

*Practical expedients and exemptions*

The Company applies the practical expedient to not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less and contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company applies the practical expedient and does not adjust any of the transaction price for the time value of money.

Revenue recognition policies by type are as follows:

(i) Customer management revenue

Within the core commerce segment, the Company provides the following customer management services to merchants on the Company's retail and wholesale marketplaces and certain third-party marketing affiliates' websites:

*Pay for performance ("P4P") marketing services*

P4P marketing services allow merchants to bid for keywords that match product or service listings appearing in search or browser results on the Company's marketplaces. Merchants bid for keywords through an online bidding system. The positioning of the listings and the price for the positioning are determined through an online auction system, which facilitates price discovery through a market-based mechanism. In general, merchants prepay for P4P marketing services and the related revenue is recognized when a user clicks their product or service listings as this is the point of time when the merchants benefit from the marketing services rendered.

*Display marketing services*

Display marketing services allow merchants to place advertisements on the Company's marketplaces, at fixed prices or prices established by a real-time bidding system and in particular formats. In general, merchants need to prepay for display marketing which is accounted for as customer advances and revenue is recognized either ratably over the period in which the advertisement is displayed as the merchants simultaneously consume the benefits as the advertisement is displayed or when an advertisement is viewed by users, depending on the type of marketing services selected by the merchants.

The Company also places P4P marketing services content and display marketing content through the third-party marketing affiliate program. A substantial portion of customer management revenue generated through the third-party marketing affiliate program represented P4P marketing services revenue. In delivery of these customer management services, the Company, through the third-party marketing affiliate program, places the P4P marketing services content of the participating merchants on third-party online resources in the forms of picture or text links through contextual relevance technology to match merchants' marketing content to the textual content of the third-party online resources and the users'

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**2. Summary of significant accounting policies (Continued)**

**(g) Revenue recognition (Continued)**

attributes based on the Company's systems and algorithms. When the links on third-party online resources are clicked, users are diverted to a landing page of the Company's marketplaces where listings of the participating merchant as well as similar products or services of other merchants are presented. In limited cases, the Company may embed a search box for one of its marketplaces on the third-party online resources, and when a keyword is input into the search box, the user will be diverted to the Company's marketplaces where search results are presented. Revenue is recognized when the users further click on the P4P marketing content on the landing pages. The Company places display marketing content on third-party online resources in a similar manner. In general, merchants need to prepay for display marketing which is accounted for as customer advances and revenue is recognized ratably over the period in which the advertisement is displayed as merchants simultaneously consume the benefits as the advertisement is displayed.

P4P marketing services revenue as well as display marketing revenue generated on the Company's marketplaces or through the third-party marketing affiliate program are recorded on a gross basis when the Company is the principal to the merchants in the arrangements. For third-party marketing affiliates with whom the Company has an arrangement to share the revenue, traffic acquisition cost is also recognized at the same time if the P4P marketing content on the landing page clicked by the users is from merchants participating in the third-party marketing affiliate program.

*Taobao services*

In addition, the Company offers the Taobao program which generates commissions from merchants for transactions completed by consumers sourced from certain third-party marketing affiliates' websites and mobile apps. The commission rates on Taobao are set by the merchants. The Company's portion of commission revenue is recognized at the time when the underlying transaction is completed and is recorded on a net basis principally because the Company is not the principal as it does not have latitude in establishing prices or does not have inventory risk. In certain occasions where the Company is the principal of the arrangement (such as arrangements where the Company is obligated to pay for website inventory costs in fixed amounts to third-party marketing affiliates regardless of whether commission revenue is generated from these marketing affiliates), the commission revenue is recorded on a gross basis.

Within the digital media and entertainment segment, the Company offers P4P marketing services to merchants and marketers on websites and mobile media operated by UCWeb. Revenue is recognized when a user clicks their product or service listings as this is the point of time when the merchants benefit from the marketing services rendered. In addition, marketers can also place advertisements on websites and mobile media operated by UCWeb and Youku's platforms in different formats, including video, banners, links, logos and buttons. Revenue is recognized ratably over the period in which the advertisement is displayed as the merchants simultaneously consume the benefits as the advertisement is displayed or when an advertisement is clicked or viewed by users, depending on the type of marketing services selected by the merchants.

**(ii) Commissions on transactions**

The Company earns commissions from merchants when transactions are completed on Tmall and certain other retail marketplaces of the Company. The commissions are generally determined as a percentage

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**2. Summary of significant accounting policies (Continued)**

**(g) Revenue recognition (Continued)**

based on the value of merchandise being sold by the merchants. The commission revenue includes merchant deposits that are expected to be non-refundable and is accounted for as variable consideration (Note 2(ad)). The variable consideration is estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Revenue related to commissions is recognized in the consolidated income statements based on the expected value when the performance obligation is satisfied. Changes to the estimated variable consideration were not material for each of the periods presented.

(iii) Membership fees

The Company earns membership fees revenue from wholesale sellers in respect of the sale of membership packages and subscriptions that allow them to host premium storefronts on the Company's wholesale marketplaces, as well as the provision of other value-added services, and from customers in respect of the sale of membership packages which allow them to access premium content on Youku's paid content platforms. These service fees are paid in advance for a specific contracted service period. All these fees are initially deferred as deferred revenue and customer advances when received and revenue is recognized ratably over the term of the respective service contracts as the services are provided.

(iv) Logistics services revenue

The Company earns logistics services revenue from domestic and international one-stop-shop logistics services and the supply chain management solutions provided by Cainiao Network as well as on-demand delivery services provided by Ele.me. Revenue is recognized at the time when the logistics services are provided.

(v) Cloud computing services revenue

The Company earns cloud computing services revenue from the provision of services such as elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, and machine learning platform and IoT services. These cloud computing services allow customers to use hosted software over the contract period without taking possession of the software. Cloud computing services are mainly charged on either a subscription or consumption basis. Revenue related to cloud services charged on a subscription basis is recognized ratably over the contract period. Revenue related to cloud services charged on a consumption basis, such as the quantity of storage or elastic computing services used in a period, is recognized based on the customer utilization of the resources.

(vi) Sales of goods

Revenue from the sales of goods is mainly generated from Freshippo (formerly Hema), a unique proprietary grocery retail format and new retail pathfinder in the fast-moving consumer goods category, Tmall Global, Intime (Note 4(g)) and Lazada (Note 4(i)). Revenue from the sales of goods is recognized when the control over the promised goods is transferred to customers. Receipts of fees in respect of all other incidental goods or services provided by the Company that are distinct performance obligations are recognized when the control of the underlying goods or services is transferred to the customers. The amounts relating to these incidental services are not material to the Company's total revenue for each of the periods presented.

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**2. Summary of significant accounting policies (Continued)**

**(h) Cost of revenue**

Cost of revenue consists primarily of logistics costs, cost of inventories, bandwidth and co-location fees, depreciation and maintenance expenses for servers and computers, call centers and other equipment, content acquisition costs, staff costs and share-based compensation expense, traffic acquisition costs, payment processing fees and other related incidental expenses that are directly attributable to the Company's principal operations.

**(i) Product development expenses**

Product development expenses consist primarily of staff costs and share-based compensation expense for research and development personnel and other expenses that are directly attributable to the development of new technologies and products for the businesses of the Company, such as the development of the Internet infrastructure, applications, operating systems, software, databases and networks.

The Company expenses all costs that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites or the development of software and website content. Costs incurred in the development phase are capitalized and amortized over the estimated product life. However, since the inception of the Company, the amount of costs qualifying for capitalization has been insignificant. As a result, all website and software development costs have been expensed as incurred.

**(j) Sales and marketing expenses**

Sales and marketing expenses consist primarily of online and offline advertising expenses, promotion expenses, staff costs and share-based compensation expense, sales commissions and other related incidental expenses that are incurred directly to attract or retain consumers and merchants for the Company's marketplaces, mobile products, transaction and service platforms as well as entertainment distribution platforms.

The Company expenses the costs of producing advertisements at the time production occurs, and expenses the costs of delivering advertisements in the period in which the advertising space or airtime is used. Advertising and promotional expenses totaled RMB8,799 million, RMB16,814 million and RMB22,013 million during the years ended March 31, 2017, 2018 and 2019, respectively.

**(k) Share-based compensation**

Share-based awards granted are measured at fair value on grant date and share-based compensation expense is recognized (i) immediately at the grant date if no vesting conditions are required, or (ii) using the accelerated attribution method, net of estimated forfeitures, over the requisite service period. The fair values of restricted share units ("RSUs") and restricted shares are determined with reference to the fair value of the underlying shares and the fair value of share options is generally determined using the Black-Scholes valuation model. Share-based awards granted to non-employees are initially measured at fair value on the grant date and re-measured at each reporting date through the vesting date. The value is recognized as an expense over the respective service period, net of estimated forfeitures. Share-based compensation expense, when recognized, is charged to the consolidated income statements with the corresponding entry to additional paid-in capital, liability or noncontrolling interests as disclosed in Note 2(d).

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**2. Summary of significant accounting policies (Continued)**

**(k) Share-based compensation (Continued)**

On each measurement date, the Company reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share-based awards granted by the Company, including the fair value of the underlying shares, expected life and expected volatility. The Company recognizes the impact of any revisions to the original forfeiture rate assumptions in the consolidated income statements, with a corresponding adjustment to equity.

**(l) Other employee benefits**

The Company's subsidiaries in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. The relevant labor regulations require the Company's subsidiaries in the PRC to pay the local labor and social welfare authorities monthly contributions based on the applicable benchmarks and rates stipulated by the local government. The relevant local labor and social welfare authorities are responsible for meeting all retirement benefits obligations and the Company's subsidiaries in the PRC have no further commitments beyond their monthly contributions. The contributions to the plan are expensed as incurred. During the years ended March 31, 2017, 2018 and 2019, contributions to the plan amounting to RMB2,710 million, RMB3,587 million and RMB5,608 million, respectively, were charged to the consolidated income statements.

The Company also makes payments to other defined contribution plans and defined benefit plans for the benefit of employees employed by subsidiaries outside of the PRC. Amounts contributed during the years ended March 31, 2017, 2018 and 2019 were insignificant.

**(m) Income taxes**

The Company accounts for income taxes using the liability method, under which deferred income taxes are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized as income or expense in the period that includes the enactment date. Valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that the asset will not be realizable in the foreseeable future.

Deferred taxes are also recognized on the undistributed earnings of subsidiaries, which are presumed to be transferred to the parent company and are subject to withholding taxes, unless there is sufficient evidence to show that the subsidiary has invested or will invest the undistributed earnings indefinitely or that the earnings will be remitted in a tax-free liquidation.

The Company adopts ASC 740 "Income Taxes" which prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The Company did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of and for the years ended March 31, 2017, 2018 and 2019.

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**2. Summary of significant accounting policies (Continued)**

**(n) Government grants**

Government grants are recognized as income in other income, net or as a reduction of specific costs and expenses for which the grants are intended to compensate. Such amounts are recognized in the consolidated income statements upon receipt and when all conditions attached to the grants are fulfilled.

**(o) Leases**

Leases are classified as either capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to the ownership of assets are accounted for as capital leases as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments (net of any incentives received from the lessor) are recognized in the consolidated income statements on a straight-line basis over the lease terms. The Company had no significant capital leases for the years ended March 31, 2017, 2018 and 2019.

**(p) Cash and cash equivalents**

The Company considers all short-term, highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Cash and cash equivalents primarily represent bank deposits, fixed deposits with maturities of less than three months and investments in money market funds. As of March 31, 2018 and 2019, the Company had certain amounts of cash held in accounts managed by Alipay in connection with the provision of online and mobile commerce and related services for a total amount of RMB1,687 million and RMB3,720 million, respectively, which have been classified as cash and cash equivalents on the consolidated balance sheets.

**(q) Short-term investments**

Short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year and investments in money market funds or other investments that the Company has the intention to redeem within one year. As of March 31, 2018 and 2019, the investments in fixed deposits that were recorded as short-term investments amounted to RMB2,919 million and RMB961 million, respectively. As of the same dates, the Company had certain amounts of short-term investments held in accounts managed by Alipay for a total amount of RMB890 million and nil, respectively.

**(r) Accounts receivable**

Accounts receivable represents the amounts that the Company has an unconditional right to consideration. The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivable amounts. The allowance for doubtful accounts is estimated based upon the Company's assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect the customers' ability to pay.

**(s) Inventories**

Inventories mainly consist of merchandise available for sale. They are accounted for using the weighted average cost and stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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**2. Summary of significant accounting policies (Continued)**

**(t) Investment securities**

Investment securities represent the Company's investments in equity securities that are not accounted for under the equity method or cost method, as well as other investments which primarily consist of debt investments.

(i) Equity securities

In April 2018, the Company adopted ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," including related technical corrections and improvements issued within ASU 2018-13. ASU 2016-01 amended various aspects of the recognition, measurement, presentation, and disclosure for financial instruments, and simplified the impairment assessment and enhanced the disclosure requirements of equity investments.

Prior to the adoption of ASU 2016-01, equity securities that have readily determinable fair values and were not accounted for using the equity method were classified as available-for-sale, and were carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive income (loss) as a component of shareholders' equity. Upon the adoption of ASU 2016-01, the Company carries these equity securities at fair value with unrealized gains and losses recorded in the consolidated income statements. Unrealized gains recorded in accumulated other comprehensive income as of March 31, 2018 related to equity securities previously classified as available-for-sale, in the amount of RMB8,196 million, net of tax, were reclassified into retained earnings as of April 1, 2018.

In addition, prior to the adoption of ASU 2016-01, the cost method was used to account for certain equity investments in privately held companies over which the Company neither has control nor significant influence through investments in common stock or in-substance common stock. Upon the adoption of ASU 2016-01, the Company no longer accounts for these equity securities using the cost method. Beginning on April 1, 2018, the Company elected to record a majority of equity investments in privately held companies using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer that were completed on or after April 1, 2018. These equity securities, which amounted to RMB59,942 million as of March 31, 2018, were previously classified under investments in equity investees (Note 2(u)) and were reclassified into investment securities on the consolidated balance sheets as of April 1, 2018. The consolidated balance sheet as of March 31, 2018 was not retrospectively adjusted.

Equity investments in privately held companies accounted for using the measurement alternative are subject to periodic impairment reviews. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities.

In computing realized gains and losses on equity securities, the Company determines cost based on amounts paid using the average cost method. Dividend income is recognized when the right to receive the payment is established.

(ii) Debt investments

Debt investments are generally stated at amortized cost. The maturities of these debt investments generally range from one to ten years. In addition, the Company has elected the fair value option for certain investments including convertible bonds subscribed. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an

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**2. Summary of significant accounting policies (Continued)**

**(t) Investment securities (Continued)**

event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with realized or unrealized gains and losses recorded in the consolidated income statements. Interest income from debt investments is recognized using the effective interest method which is reviewed and adjusted periodically based on changes in estimated cash flows.

**(u) Investments in equity investees**

The Company applies the equity method to account for equity investments in common stock or in-substance common stock, according to ASC 323 "Investments — Equity Method and Joint Ventures," over which it has significant influence but does not own a majority equity interest or otherwise control.

An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. The Company considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity's common stock.

Under the equity method, the Company's share of the post-acquisition profits or losses of the equity investee is recognized in the consolidated income statements and its share of post-acquisition movements in accumulated other comprehensive income is recognized in other comprehensive income. The Company records its share of the results of the equity investees on a one quarter in arrears basis. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. When the Company's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity investee.

The Company continually reviews its investments in equity investees to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Company considers in its determination include the financial condition, operating performance and the prospects of the equity investee; other company specific information such as recent financing rounds; the geographic region, market and industry in which the equity investee operates; and the length of time that the fair value of the investment is below its carrying value. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

Prior to the adoption of ASU 2016-01, investments in equity investees also included certain equity investments in privately held companies over which the Company neither has control nor significant influence through investments in common stock or in-substance common stock, which were accounted for under the cost method. Under the cost method, the Company carried the investment at cost and recognized income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits. Upon the adoption of ASU 2016-01, the Company no longer accounts for these equity securities using the cost method, and RMB59,942 million were reclassified into investment securities (Note 2(t)) as of April 1, 2018. The consolidated balance sheet as of March 31, 2018 was not retrospectively adjusted.

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**2. Summary of significant accounting policies (Continued)**

**(v) Property and equipment, net**

Property and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is computed using the straight-line method with no residual value based on the estimated useful lives of the various classes of assets, which range as follows:

Computer equipment and software	3 – 5 years
Furniture, office and transportation equipment	3 – 10 years
Buildings	20 – 50 years
Property improvements	shorter of remaining lease period or estimated useful life

Construction in progress represents buildings and related premises under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to the respective category of property and equipment when completed and ready for its intended use.

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated income statements.

**(w) Land use rights**

Land use rights represent lease prepayments to the local government authorities. Land use rights are carried at cost less accumulated amortization and any impairment loss. Amortization is provided to write off the cost of lease prepayments on a straight-line basis over the period of the right which is 30 – 50 years.

As of March 31, 2019, the Company revised the presentation to report land use rights under prepayments, receivables and other assets (Note 12) on the consolidated balance sheet. Accordingly, land use rights, net as of March 31, 2018 in the amount of RMB9,377 million was reclassified to prepayments, receivables and other assets to conform with the current year presentation.

**(x) Intangible assets other than licensed copyrights**

Intangible assets mainly include those acquired through business combinations and purchased intangible assets. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets arising from business combinations are recognized and measured at fair value upon acquisition. Purchased intangible assets are initially recognized and measured at cost upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

User base and customer relationships	1 – 16 years
Trade names, trademarks and domain names	3 – 20 years
Developed technology and patents	2 – 5 years
Non-compete agreements	over the contracted term of up to 6 years

**(y) Licensed copyrights**

Licensed copyrights related to titles to movies, television series, variety shows, animations and other video content acquired from external parties are carried at the lower of unamortized cost or net realizable value.

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**2. Summary of significant accounting policies (Continued)**

**(y) Licensed copyrights (Continued)**

The amortization period for the licensed content vary depending on the type of content, which typically ranges from six months to ten years. Licensed copyrights are presented on the consolidated balance sheets as current assets under prepayments, receivables and other assets, or non-current assets under intangible assets, net, based on estimated time of usage. Licensed copyrights are generally amortized using an accelerated method based on historical viewership consumption patterns. Estimates of the consumption patterns for licensed copyrights are reviewed periodically and revised if necessary. For the years ended March 31, 2017, 2018 and 2019, amortization expenses in connection with the licensed copyrights of RMB3,886 million, RMB6,111 million and RMB11,391 million were recorded in cost of revenue within the Company's digital media and entertainment segment.

On a periodic basis, the Company evaluates the program usefulness of its licensed copyrights pursuant to the guidance in ASC 920 "Entertainment — Broadcasters," which provides that the rights be reported at the lower of unamortized cost or estimated net realizable value. When there is a change in the expected usage of licensed copyrights, the Company estimates the net realizable value of licensed copyrights to determine if any impairment exists. The net realizable value of licensed copyrights is determined by estimating the expected cash flows from advertising and membership fees, less any direct costs, over the remaining useful lives of the licensed copyrights. The Company estimates these cash flows for each category of content separately. Estimates that impact these cash flows include anticipated levels of demand for the Company's advertising services and the expected selling prices of the Company's advertisements on the entertainment distribution platforms. For the years ended March 31, 2017, 2018 and 2019, impairment charges in connection with the licensed copyrights of RMB857 million, RMB801 million and RMB2,843 million were recorded in cost of revenue within the Company's digital media and entertainment segment.

**(z) Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed.

In performing the two-step quantitative impairment test, the first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not

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**2. Summary of significant accounting policies (Continued)**

**(z) Goodwill (Continued)**

result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

**(aa) Impairment of long-lived assets other than goodwill and licensed copyrights**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If the assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment of long-lived assets was recognized for the years ended March 31, 2017, 2018 and 2019.

**(ab) Derivatives and hedging**

All contracts that meet the definition of a derivative are recognized on the consolidated balance sheets as either assets or liabilities and recorded at fair value. Changes in the fair value of derivatives are either recognized periodically in the consolidated income statements or in other comprehensive income depending on the use of the derivatives and whether they qualify for hedge accounting and are so designated as cash flow hedges, fair value hedges or net investment hedges.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge (which includes the item and risk that is being hedged), the derivative that is being used and how hedge effectiveness is being assessed. A derivative has to be effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The effectiveness of the hedging relationship is evaluated on a prospective and retrospective basis using qualitative and quantitative measures of correlation. Qualitative methods may include comparison of critical terms of the derivative to those of the hedged item. Quantitative methods include a comparison of the changes in the fair value or discounted cash flow of the hedging instrument to that of the hedged item. A hedging relationship is considered effective if the results of the hedging instrument are within a ratio of 80% to 125% of the results of the hedged item.

*Interest rate swaps*

Interest rate swaps designated as hedging instruments to hedge against the cash flows attributable to recognized assets or liabilities or forecasted payments may qualify as cash flow hedges. The Company entered into interest rate swap contracts to swap floating interest payments related to certain borrowings for fixed interest payments to hedge the interest rate risk associated with certain forecasted payments and obligations. The effective portion of changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges is recognized in accumulated other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in interest and investment income, net in the consolidated income statements. Amounts in accumulated other comprehensive income are reclassified into earnings in the same period during which the hedged forecasted transaction affects earnings.

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**2. Summary of significant accounting policies (Continued)**

**(ab) Derivatives and hedging (Continued)**

*Forward exchange contracts*

Forward exchange contracts designated as hedging instruments to hedge against the future changes in currency exposure of net investments in foreign operations may qualify as net investment hedges. The Company entered into forward exchange contracts to hedge the foreign currency risk associated with investments in net assets of certain subsidiaries with operations in the PRC of which the functional currency is RMB. The effective portion of the changes in fair value of the forward exchange contracts that are designated and qualify as net investment hedges is recognized in accumulated other comprehensive income to offset the cumulative translation adjustments relating to those subsidiaries. The gain or loss relating to the ineffective portion, which is measured based on changes in forward exchange rates, is recognized immediately in other income, net in the consolidated income statements. Amounts accumulated are removed from accumulated other comprehensive income and recognized in the consolidated income statements upon disposal of those subsidiaries. Once the hedge becomes ineffective, hedge accounting is discontinued prospectively.

Changes in the fair value of the derivatives not qualified for hedge accounting are reported in the consolidated income statements. The estimated fair value of the derivatives is determined based on relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

**(ac) Bank borrowings and unsecured senior notes**

Bank borrowings and unsecured senior notes are recognized initially at fair value, net of upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees. Upfront fees, debt discounts or premiums, debt issuance costs and other incidental fees are recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statements over the estimated term of the facilities using the effective interest method.

**(ad) Merchant deposits**

The Company collects deposits representing an annual upfront service fee from merchants on Tmall and AliExpress before the beginning of each calendar year. These deposits are initially recorded as a liability by the Company. The deposits are refundable to a merchant if the level of sales volume that is generated by that merchant on Tmall or AliExpress meets the target during the period. If the transaction volume target is not met at the end of each calendar year, the relevant deposits will become non-refundable. These merchant deposits are accounted for as variable consideration at an amount that is estimated at contract inception. The estimate is updated at the end of each reporting period and when there are changes in circumstances during the reporting period. Merchant deposits are recognized as commission revenue in the consolidated income statements when the likelihood of refund to the merchant is considered remote based on the patterns of sales volume generated by the merchant during the reporting period.

**(ae) Deferred revenue and customer advances**

Deferred revenue and customer advances generally represent cash received from customers that relate to goods or services to be provided in the future. Deferred revenue, mainly relating to membership fees and cloud computing services revenue, is stated at the amount of service fees received less the amount previously recognized as revenue upon the provision of the respective services to customers.

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**2. Summary of significant accounting policies (Continued)**

**(af) Commitments and contingencies**

In the normal course of business, the Company is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for the contingencies are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses these contingent liabilities, which inherently involves judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in legal proceedings, the Company, in consultation with its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of the reasonably possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

**(ag) Treasury shares**

The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account on the consolidated balance sheets. At retirement of the treasury shares, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings. The treasury shares account includes 20,789,596 and 18,737,922 ordinary shares issued at par to wholly-owned subsidiaries of the Company for the purpose of certain equity investment plans for management as of March 31, 2018 and 2019, respectively.

The Company applies the treasury stock method for the accounting of the reciprocal relationship in which Suning (Note 4(y)) held ordinary shares of the Company. The treasury shares account included 4,162,856 ordinary shares representing the Company's share of Suning's investment in the Company as of March 31, 2018. Suning has disposed all of its equity interest in the Company as of March 31, 2019.

**(ah) Statutory reserves**

In accordance with the relevant regulations and their articles of association, subsidiaries of the Company incorporated in the PRC are required to allocate at least 10% of their after-tax profit determined based on the PRC accounting standards and regulations to the general reserve until the reserve has reached 50% of the relevant subsidiary's registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not transferable to the Company in the form of loans, advances or cash dividends. During the years ended March 31, 2017, 2018 and 2019, appropriations to the general reserve

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**2. Summary of significant accounting policies (Continued)**

**(ah) Statutory reserves (Continued)**

amounted to RMB836 million, RMB298 million and RMB690 million, respectively. No appropriations to the enterprise expansion fund and staff welfare and bonus fund have been made by the Company.

**(ai) Reclassification of comparative figures**

In April 2018, the Company adopted ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." As a result of adopting this new accounting update, the Company retrospectively adjusted the consolidated statements of cash flows to include restricted cash and escrow receivables in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The impact of the retrospective reclassification on cash flows from operating activities, investing activities and effect of exchange rate changes for the year ended March 31, 2018 was an increase of RMB634 million, an increase of RMB126 million and an increase of RMB2 million, respectively. The impact of the retrospective application on cash flows from operating activities, investing activities and effect of exchange rate changes for the year ended March 31, 2017 was an increase of RMB2,528 million, a decrease of RMB1,215 million and a decrease of RMB4 million, respectively.

**3. Recent accounting pronouncements**

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" and issued certain transitional guidance and subsequent amendments between January 2018 and March 2019 within ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, including ASU 2016-02, "ASC 842"). ASU 2016-02 creates a new topic in ASC 842 "Leases" to replace the current topic in ASC 840 "Leases," which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. ASC 842 affects both lessees and lessors, although for the latter the provisions are similar to the current model, but are updated to align with certain changes to the lessee model and also the new revenue recognition provisions contained in ASC 606. The new guidance is effective for the Company for the year ending March 31, 2020 and interim reporting periods during the year ending March 31, 2020. The Company adopted the new guidance beginning on April 1, 2019 using the modified retrospective method and no adjustments will be made to the comparative periods. As permitted under the transition guidance, the Company will carry forward the assessment of whether the contracts contain or are leases, classification of the leases and remaining lease terms. Based on the Company's portfolio of leases as of March 31, 2019, approximately RMB24.9 billion of right-of-use assets and RMB19.4 billion of liabilities, primarily relating to property leases, will be recognized on the Company's consolidated balance sheet upon adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement on Credit Losses on Financial Instruments," and issued subsequent amendments to the initial guidance and transitional guidance between November 2018 and May 2019 within ASU 2018-19, ASU 2019-04 and ASU 2019-05. ASU 2016-13 introduces new guidance for credit losses on instruments within its scope. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. The new guidance also modifies the impairment model for available-for-sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on an available-for-sale debt security is a credit loss. Further, the new guidance indicates that entities may not use the length of time a security has been in an unrealized loss position as a factor in concluding whether a credit

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**3. Recent accounting pronouncements (Continued)**

loss exists. The new guidance is effective for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for the Company for the year ending March 31, 2020 and interim reporting periods during the year ending March 31, 2020. The Company is evaluating the effects, if any, of the adoption of this guidance on the Company's financial position, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-04, "Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating step two from the goodwill impairment test. Step two of the goodwill impairment test measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with its carrying amount. The new guidance is effective prospectively for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is evaluating the effects, if any, of the adoption of this guidance on the Company's financial position, results of operations and cash flows.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," and issued subsequent amendments to the initial guidance or transitional guidance within ASU 2019-04 in April 2019. ASU 2017-12 simplifies the application of hedge accounting and makes more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. The new guidance permits a qualitative effectiveness assessment for certain hedges instead of a quantitative test after the initial qualification, if the company can reasonably support an expectation of high effectiveness throughout the term of the hedge. Also, for cash flow hedges and net investment hedges, if the hedge is highly effective, all changes in the fair value of the derivative hedging instrument will be recorded in other comprehensive income. The Company adopted the new guidance prospectively beginning on April 1, 2019. At this time, the Company does not expect that the adoption of this guidance will have a material impact on the Company's financial position, results of operations and cash flows.

In June 2018, the FASB issued ASU 2018-07, "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. An entity should apply the requirements of ASC 718 to non-employee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The Company adopted the new guidance beginning on April 1, 2019. The adoption of this guidance will impact the accounting of the share-based awards granted to non-employees but the Company does not expect that the adoption of this guidance will have a material impact on the Company's financial position, results of operations and cash flows.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement," which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The new guidance is effective for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted for the adoption of either the entire ASU or only the provisions that eliminate or modify the requirements. The Company is

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**3. Recent accounting pronouncements (Continued)**

evaluating the effects, if any, of the adoption of this guidance on the fair value disclosure in the consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities," which provides guidance that indirect interests held through related parties under common control will be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests. These indirect interests were previously treated the same as direct interests. The consideration of indirect interests on a proportional basis is consistent with how indirect interests held through related parties under common control are treated when determining if a reporting entity within a related party group is the primary beneficiary of a VIE. The new guidance is effective retrospectively for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021 with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company is evaluating the effects, if any, of the adoption of this guidance on the Company's financial position, results of operations and cash flows.

In November 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606." ASU 2018-18 clarifies that elements of collaborative arrangements could qualify as transactions with customers in the scope of ASC 606. The amendments require the application of existing guidance to determine the units of account in collaborative arrangement for purposes of identifying transactions with customers. For transactions outside the scope of ASC 606, companies can apply elements of ASC 606 or other relevant guidance by analogy, or apply a reasonable accounting policy if there is no appropriate analogy. ASU 2018-18 is effective retrospectively for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. The Company is evaluating the effects, if any, of the adoption of this guidance on the Company's financial position, results of operations and cash flows.

In March 2019, the FASB issued ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)". This guidance aligns the accounting guidance for production costs for (1) films and (2) episodic content produced for television series and streaming services. This new guidance also clarifies when a company should test films and license agreements for program material for impairment at the film-group level, amends the presentation and disclosure requirements for produced or licensed content and addresses statement of cash flows classification for license arrangements. The new guidance is effective prospectively for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. The Company is evaluating the effects, if any, of the adoption of this guidance on the Company's financial position, results of operations and cash flows.

In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." Apart from the amendments to ASU 2016-13 and ASU 2017-12 mentioned above, the ASU also included subsequent amendments to ASU 2016-01, which the Company adopted in April 2018 (Note 2(t)). The guidance in relation to the amendments to ASU 2016-01 is effective for the Company for the year ending March 31, 2021 and interim reporting periods during the year ending March 31, 2021. Early adoption is permitted. The Company is evaluating the effects, if any, of the adoption of these guidance on the Company's financial position, results of operations and cash flows.

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**4. Significant restructuring transaction, mergers and acquisitions and investments**

*Restructuring transaction*

**(a) 2014 restructuring of the relationship with Ant Financial and Alipay and 2018 amendments**

In August 2014, the Company entered into a share and asset purchase agreement (the "2014 SAPA"), and entered into or amended certain ancillary agreements including an amendment and restatement of the intellectual property license agreement with Alipay (the "2014 IPLA"). Pursuant to these agreements, the Company restructured its relationships with Ant Financial and Alipay.

As of August 2014, the fair value of the restructured arrangement exceeded the fair value of the pre-existing arrangement with Ant Financial by RMB1.3 billion. As Ant Financial was controlled by a director and major shareholder of the Company, the excess value provided to the Company in this related party transaction was accounted for as an equity contribution by the shareholder in the statement of changes in shareholders' equity. Given the nature of this transaction, the corresponding asset representing the excess value receivable by the Company was accounted for as a restructuring reserve in equity and amortized as an expense in the consolidated income statements over the expected term of the restructured arrangement which is estimated to be five years. The amortization of the excess value of RMB264 million, RMB264 million and RMB264 million were recorded in other income, net in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively (Note 6).

In February 2018, the Company amended both the 2014 SAPA (the amended version of which is referred to as the "2018 SAPA") and the Alipay commercial agreement, and agreed with Ant Financial and certain other parties on forms of certain ancillary agreements, including an amendment and restatement of the 2014 IPLA ("the 2018 IPLA"). The 2018 SAPA and amendment to the Alipay commercial agreement were entered into to facilitate the planned acquisition of a 33% equity interest in Ant Financial, and the forms of certain ancillary agreements will be entered into and/or become effective upon the closing of the acquisition of this equity interest.

Apart from the amended provisions described below, the key terms of the agreements with Ant Financial and Alipay from the 2014 restructuring remain substantially unchanged.

***2014 SAPA and 2018 SAPA***

*Sale of SME loan business and certain other assets*

Pursuant to the 2014 SAPA, the Company agreed to sell certain securities and assets primarily relating to the SME loan business and other related services to Ant Financial for an aggregate cash consideration of RMB3,219 million. The sale was completed in February 2015. In addition, pursuant to software system use and service agreements relating to the know-how and related intellectual property that we agreed to sell together with the SME loan business and related services, the Company will receive annual fees (the "SME Annual Fee") for a term of seven years. These SME Annual Fees, which are recognized as other revenue, are determined as follows: for calendar years 2015 to 2017, the entities operating the SME loan business paid an annual fee equal to 2.5% of the average daily balance of the SME loans provided by these entities, and in calendar years 2018 to 2021, these entities will pay an annual fee equal to the amount of the fees paid in calendar year 2017. The Company accounts for the SME Annual Fee in the periods when the services are provided, where the payments are expected to approximate the estimated fair values of the services provided. The SME Annual Fee of RMB847 million, RMB956 million and RMB954 million were recorded in revenue in

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(a) 2014 restructuring of the relationship with Ant Financial and Alipay and 2018 amendments (Continued)**

the consolidated financial statements for the years ended March 31, 2017, 2018 and 2019, respectively (Note 21).

*Planned issuance of equity interest*

Pursuant to the 2014 SAPA, the Company is entitled to receive up to 33% equity interest in Ant Financial under certain circumstances. To facilitate the acquisition of equity interest in Ant Financial contemplated under the 2014 SAPA, the 2018 SAPA provides that Ant Financial will issue new securities to the Company representing a 33% equity interest in Ant Financial, subject to the receipt of the necessary PRC regulatory approvals and the satisfaction of other conditions set forth in the 2018 SAPA.

Under the 2014 SAPA and the 2018 SAPA, the consideration to acquire the 33% equity interest in Ant Financial will be fully funded by payments from Ant Financial and its subsidiaries to the Company in consideration for certain intellectual property and assets that the Company will transfer upon the issuance of the equity interest. The consideration is determined based on the fair value of the underlying assets. The Company currently estimates the total consideration for the acquisition of the 33% equity interest in Ant Financial will be approximately RMB12.2 billion before deducting expenses in connection with the transfers and share subscription. The large majority of the intellectual property and assets to be transferred as part of these arrangements was previously planned to be transferred to Ant Financial pursuant to the 2014 SAPA. Ant Financial may elect to defer certain offshore transfer payments, in which case the Company's obligations to pay corresponding consideration for the equity issuance will also be deferred. If the Company has made all its outstanding equity issuance consideration payments at a time when Ant Financial has not made all corresponding transfer payments to the Company, Ant Financial or its subsidiaries will issue interest-bearing promissory notes to the Company. In any event, Ant Financial must complete all outstanding transfer payments to the Company, by the earlier of (i) the first anniversary of an Ant Financial IPO meeting certain minimum criteria for a qualified IPO set forth in the 2018 SAPA (a "Qualified IPO"), and (ii) the fifth anniversary of the issuance of the equity interest.

Upon the issuance of the equity interest, the Company will enter into the 2018 IPLA and the Profit Share Payments under the 2014 IPLA will automatically terminate.

*Removal of liquidity event payment obligation*

Under the 2014 SAPA, in the event of a qualified IPO of Ant Financial or Alipay, if the Company had not acquired equity interest in Ant Financial prior to the closing of such IPO, the Company was entitled, at its election, to receive a one-time liquidity event payment equal to 37.5% of the equity value, immediately prior to the qualified IPO. If the Company had acquired the equity interest in Ant Financial, but in an aggregate amount less than 33%, the percentage of Ant Financial's equity value used to calculate this liquidity event payment would be adjusted proportionately. In lieu of receiving the liquidity event payment, the Company could instead elect to receive the Profit Share Payments under the 2014 IPLA described below in perpetuity, subject to the receipt of regulatory approvals. If the Company so elected, in connection with the qualified IPO, Ant Financial would have been required to use its commercially reasonable efforts to obtain these regulatory approvals. If these approvals were not obtained, then Ant Financial would have been obligated to pay the Company the liquidity event payment described above.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(a) 2014 restructuring of the relationship with Ant Financial and Alipay and 2018 amendments (Continued)**

The 2018 SAPA no longer provides for this liquidity event payment, as the Company has agreed to acquire the entire 33% equity interest in Ant Financial upon the equity issuance.

*Regulatory unwind and long-stop date*

The 2018 SAPA provides that, if a relevant governmental authority prohibits the Company from owning all or a portion of its equity interest in Ant Financial after the equity issuance has occurred through enactment of a law, rule or regulation, or explicitly requires Ant Financial to redeem this equity interest, and the prohibition or request is not subject to appeal and cannot otherwise be resolved, then to the extent necessary, Ant Financial will redeem the equity interest; the related intellectual property and asset transfers, and ancillary transactions under the 2018 SAPA will be unwound; and the terms of the 2014 SAPA, the 2014 IPLA, and other related agreements will be restored, including the prior Profit Share Payments and liquidity event payment terms discussed above. If there is a partial unwind where the Company retains a portion of its equity interest in Ant Financial, but less than the full 33%, then pursuant to the terms of the 2014 SAPA and the 2014 IPLA, the prior Profit Share Payments arrangement and liquidity event payment amount will be proportionately reduced based on the amount of equity interest retained by the Company.

Similarly, if a governmental authority prohibits the equity issuance through enactment of a law, rule or regulation, and the prohibition is not subject to appeal and cannot otherwise be resolved, or if the equity issuance has not occurred by the first anniversary of the establishment of a PRC subsidiary to acquire the relevant equity interest, which time period may be extended in certain circumstances, then the 2018 SAPA and related agreements will terminate, and the 2014 SAPA and other related agreements will come back into effect.

*Pre-emptive rights*

As was the case under the 2014 SAPA, under the 2018 SAPA, following the receipt of equity interest in Ant Financial, the Company will have pre-emptive rights to participate in other issuances of equity securities by Ant Financial and certain of its affiliates prior to the time of a Qualified IPO of Ant Financial. These pre-emptive rights entitle the Company to maintain the equity ownership percentage the Company held in Ant Financial immediately prior to any such issuances. In connection with the exercise of the pre-emptive rights the Company is also entitled to receive certain payments from Ant Financial, effectively funding the subscription for these additional equity interest, up to a value of US\$1.5 billion, subject to certain adjustments. In addition, under the 2018 SAPA, in certain circumstances the Company is permitted to exercise pre-emptive rights through an alternative arrangement which will further protect the Company from dilution.

*Corporate governance provisions*

Under the 2018 SAPA, upon the issuance of the equity interest, in addition to an independent director, the Company will have the right to nominate two officers or employees of the Company for election to the board of Ant Financial. In each case, these director nomination rights will continue unless required to be terminated by applicable laws and regulations or listing rules in connection with an Ant Financial Qualified IPO process or the Company ceases to own a certain amount of its post-issuance equity interests in Ant Financial.

In connection with the 2018 SAPA, the Company also agreed on the form of the 2018 IPLA, agreed to certain revisions to the previously-agreed form of cross license agreement, and agreed on new forms of various

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(a) 2014 restructuring of the relationship with Ant Financial and Alipay and 2018 amendments (Continued)**

intellectual property transfer agreements to be entered into in connection with, and to implement, the contemplated intellectual property and asset transfers.

***2014 IPLA and 2018 IPLA***

***2014 IPLA***

Under the 2014 IPLA, the Company receives, in addition to a software technology service fee, royalty streams related to Alipay and other current and future businesses of Ant Financial (collectively, the "Profit Share Payments"). The Profit Share Payments are paid at least annually and equal the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Financial, subject to certain adjustments. The expense reimbursement represents the reimbursement for the costs and expenses incurred by the Company in the provision of software technology services. The Company accounts for the Profit Share Payments in the periods when the services are provided, where the payments are expected to approximate the estimated fair values of the services provided. In addition, if the Company acquires any equity interest in Ant Financial, the Profit Share Payments will also be reduced in proportion to the equity issuances made to the Company. The Profit Share Payments will be terminated upon the issuance of the 33% equity interest by Ant Financial.

Income in connection with the Profit Share Payments, net of costs incurred by the Company, of RMB2,086 million, RMB3,444 million and RMB517 million, was recorded in other income, net in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively (Notes 6 and 21).

***2018 IPLA***

Pursuant to the 2018 SAPA, the Company, Ant Financial and Alipay agreed to enter into the 2018 IPLA upon the closing of the planned acquisition of a 33% equity interest in Ant Financial, at which time the Company will also transfer certain intellectual property and assets to Ant Financial and its subsidiaries and the current arrangement of Profit Share Payments will immediately terminate.

The 2018 IPLA will terminate upon the earliest of:

- the full payment of all pre-emptive rights funded payments under the 2018 SAPA;
- the closing of a Qualified IPO of Ant Financial or Alipay; and
- the transfer to Ant Financial of intellectual property the Company owns that is exclusively related to the business of Ant Financial.

The 2018 amendments are effective subject to the receipt of the necessary PRC regulatory approvals and the satisfaction of other conditions set forth in the 2018 SAPA.

***Mergers and acquisitions***

**(b) Acquisition of Alibaba Pictures Group Limited ("Alibaba Pictures")**

Alibaba Pictures, a company that is listed on the Hong Kong Stock Exchange ("HKSE"), is an Internet-driven integrated platform that covers content production, promotion and distribution, IP licensing and integrated

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(b) Acquisition of Alibaba Pictures Group Limited ("Alibaba Pictures") (Continued)**

management, cinema ticketing management and data services for the entertainment industry. In June 2014, the Company initially acquired a controlling equity interest in Alibaba Pictures. In June 2015, following a financing transaction that diluted the Company's shareholding from a controlling interest to a minority investment, the Company deconsolidated the financial results of Alibaba Pictures and accounted for the investment in the remaining equity interest under the equity method. A gain of RMB24,734 million arising from the revaluation of the Company's remaining equity interest was recognized in the consolidated income statement for the year ended March 31, 2016. In December 2017, the Company determined that the decline in the market value against the carrying value of this investment was other-than-temporary and an impairment charge of RMB18,116 million was recorded in share of results of equity investees in the consolidated income statement for the year ended March 31, 2018 (Note 13).

In March 2019, the Company subscribed for newly issued ordinary shares of Alibaba Pictures for a cash consideration of Hong Kong Dollar ("HK\$")1,250 million (RMB1,069 million). Upon the completion of the transaction, the Company's equity interest in Alibaba Pictures increased from approximately 49% to approximately 51%, and Alibaba Pictures became a consolidated subsidiary of the Company.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	11,032
Amortizable intangible assets (ii)	
User base and customer relationships	2,269
License	934
Developed technology and patents	533
Trade names, trademarks and domain names	221
Goodwill	20,052
Deferred tax liabilities	(844)
Noncontrolling interests (iii)	(16,899)
Total	<u>17,298</u>

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	1,069
- fair value of previously held equity interests	16,229
Total	<u>17,298</u>

- (i) Net assets acquired primarily included cash, cash equivalents and short-term investments of RMB4,444 million and investment securities of RMB4,365 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 15 years and a weighted-average amortization period of 11.3 years.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(b) Acquisition of Alibaba Pictures Group Limited ("Alibaba Pictures") (Continued)**

(iii) Fair value of the noncontrolling interests was estimated with reference to the market price per share as of the acquisition date.

A gain of RMB5,825 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2019. The fair value of the previously held equity interests was estimated with reference to the market price per share as of the acquisition date.

The Company expected greater integration and synergies between Alibaba Pictures and the Company's related businesses on both content production and distribution to deliver high-quality entertainment experiences for consumers in the PRC. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Alibaba Pictures and the Company, the assembled workforce and their knowledge and experience in the digital media and entertainment sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

**(c) Acquisitions and integration of Rajax Holding ("Ele.me") and Koubei Holding Limited ("Koubei")**

*Ele.me*

Ele.me is a leading on-demand delivery and local services platform in the PRC. In March 2016, the Company and Ant Financial completed a portion of the subscription for newly issued preferred shares in Ele.me through a joint investment vehicle, based on a total combined commitment of US\$1,250 million, of which the Company's total commitment was US\$900 million (RMB5,891 million). The Company paid a cash consideration of US\$540 million (RMB3,512 million) for the initial subscription in March 2016, and the remaining committed balance of US\$360 million (RMB2,394 million) was settled in cash in August 2016. After the initial subscription, the effective equity interest in Ele.me held by the Company was approximately 20% on a fully diluted basis. In April and August 2017, the joint investment vehicle completed additional investments in newly issued preferred shares in Ele.me for a total investment amount of US\$1,200 million (RMB8,090 million), of which the Company's investment was US\$864 million (RMB5,824 million). As a result, the Company's effective equity interest in Ele.me increased to approximately 27% on a fully diluted basis. The investment was accounted for under the cost method (Note 13) for the years ended March 31, 2017 and 2018. Upon the adoption of ASU 2016-01, the investment is accounted for using the measurement alternative (Note 11).

In May 2018, the joint investment vehicle completed the acquisition of all outstanding shares of Ele.me that it did not already own at a consideration of US\$5,482 million (RMB34,923 million). Upon the completion of the acquisition, Ele.me became a consolidated subsidiary of the Company.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(c) Acquisitions and integration of Rajax Holding ("Ele.me") and Koubei Holding Limited ("Koubei") (Continued)**

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net liabilities assumed (i)	(6,327)
Amortizable intangible assets (ii)	
User base and customer relationships	13,702
Trade names, trademarks and domain names	5,764
Non-compete agreements	4,188
Developed technology and patents	1,415
Goodwill	34,572
Deferred tax liabilities	(481)
Noncontrolling interests (iii)	(5,015)
Total	<u>47,818</u>

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	30,133
- contingent cash consideration (iv)	4,790
- fair value of previously held equity interests	12,895
Total	<u>47,818</u>

- (i) Net liabilities assumed primarily included payables to merchants and other logistics providers of RMB4,259 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding ten years and a weighted-average amortization period of 5.8 years.
- (iii) Fair value of the noncontrolling interests was estimated based on the equity value of Ele.me derived by the purchase consideration, adjusted for a discount for control premium.
- (iv) The amount is payable contingent upon the satisfaction of certain non-compete provisions by the respective selling equity holders, and will not exceed RMB4,790 million.

A gain of RMB1,657 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2019. The fair value of the previously held equity interests was estimated based on the equity value of Ele.me derived by the purchase consideration, adjusted for a discount for control premium.

The Company expected that the acquisition will deepen Ele.me's integration into the Company's digital economy and advance the Company's New Retail strategy to provide a seamless online and offline consumer experience in the local consumer services sector. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Ele.me and the Company, the assembled workforce and

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(c) Acquisitions and integration of Rajax Holding ("Ele.me") and Koubei Holding Limited ("Koubei") (Continued)**

their knowledge and experience in the local consumer services sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

*Koubei*

Koubei is one of the PRC's leading restaurant and local services guide platforms for in-store consumption. In 2015, the Company and Ant Financial set up Koubei, a joint venture in which the Company and Ant Financial each held a 49.6% equity interest, while an unrelated third party affiliated with a major Chinese establishment held the remaining minority equity interests. The capital injection from the Company included cash of RMB3.0 billion as well as the injection of certain related businesses. The injection of cash and businesses was completed as of March 31, 2017. A gain of RMB128 million, approximating the fair value of the businesses being injected, was recognized in relation to the contribution of the businesses in interest and investment income, net in the consolidated income statement for the year ended March 31, 2017. The investment was accounted for under the equity method (Note 13).

In January 2017, Koubei issued preferred equity interests to unrelated third parties, and the Company's equity interest in Koubei was diluted to approximately 38% on a fully diluted basis.

*Integration of Ele.me and Koubei*

In December 2018, the Company completed the integration of Ele.me and Koubei under a newly established holding company and paid a cash consideration of US\$465 million (RMB3,196 million) in connection with the integration. Immediately prior to the integration, the Company held an approximately 90% equity interest in Ele.me and an approximately 38% equity interest in Koubei on a fully diluted basis. Upon the completion of the integration, the Company held an approximately 72% equity interest in this new holding company ("Local Services Holdco") which owns substantially all of the equity interest in Ele.me and Koubei, resulting in an effective controlling equity interest held by the Company in each of Ele.me and Koubei. Upon the completion of the integration, the Company's effective equity interest in Ele.me decreased, resulting in an increase in noncontrolling interests and additional paid-in capital amounting to RMB6,715 million and RMB7,515 million, respectively.

Upon the completion of the integration, Koubei became a consolidated subsidiary of the Company. The allocation of the purchase price as of the date of acquisition of Koubei is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	3,534
Amortizable intangible assets (ii)	
User base and customer relationships	18,330
Trade names, trademarks and domain names	1,158
Developed technology and patents	322
Goodwill	36,544
Deferred tax liabilities	(2,372)
Noncontrolling interests (iii)	(17,682)
Total	<u>39,834</u>

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(c) Acquisitions and integration of Rajax Holding ("Ele.me") and Koubei Holding Limited ("Koubei") (Continued)**

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	3,196
- non-cash consideration	14,648
- fair value of previously held equity interests	21,990
Total	<u>39,834</u>

- (i) Net assets acquired primarily included cash and cash equivalents of RMB4,475 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 13 years and a weighted-average amortization period of 6.3 years.
- (iii) Fair value of the noncontrolling interests as of the acquisition date was estimated based on the purchase price to acquire newly issued preferred shares of Local Services Holdco that was paid by new and existing investors in December 2018, with certain adjustments made to reflect other factors that may affect the fair value estimation.

A gain of RMB21,990 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2019. The fair value of the previously held equity interests as of the acquisition date was estimated based on the purchase price to acquire newly issued preferred shares of Local Services Holdco that was paid by new and existing investors in December 2018, with certain adjustments made to reflect other factors that may affect the fair value estimation.

The Company expected that its commerce platform technology, know-how and infrastructure will deliver consumer insights and digitized operational solutions to empower local merchants on the Koubei platform. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Koubei and the Company, the assembled workforce and their knowledge and experience in the local consumer services sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

Subsequent to the integration, the Company acquired additional equity interest in Local Services Holdco for a cash consideration of US\$1,905 million (RMB13,082 million) in December 2018. Other investors, including SoftBank, also acquired equity interests in Local Services Holdco. As a result, noncontrolling interests increased by RMB3,216 million.

In May 2019, the Company subscribed for additional equity interest in Local Services Holdco for a cash consideration of US\$450 million.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(d) Acquisition of DSM Grup Danışmanlık İletişim ve Satış Ticaret A.Ş. ("Trendyol")**

Trendyol is one of the leading online fashion retailers in Turkey. In July 2018, the Company acquired an approximately 85% equity interest in Trendyol for a cash consideration of US\$728 million (RMB4,980 million). In connection with the transaction, the Company also entered into an agreement with the founders of Trendyol, allowing them to acquire additional equity interests in Trendyol from the Company or sell a portion of their equity interests in Trendyol to the Company in the future.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	1,009
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	660
User base and customer relationships	388
Developed technology and patents	30
Goodwill	3,938
Deferred tax liabilities	(228)
Noncontrolling interests (iii)	(817)
Total	<u>4,980</u>

- (i) Net assets acquired primarily included cash and cash equivalents of RMB1,206 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 15 years and a weighted-average amortization period of 12.5 years.
- (iii) Fair value of the noncontrolling interests was estimated with reference to the purchase price per share as of the acquisition date, adjusted for a discount for control premium, and includes the fair value of an option granted to the founders of Trendyol to acquire additional interests in Trendyol from the Company as of the date of acquisition.

The acquisition of Trendyol underscored the Company's commitment to international expansion. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Trendyol and the Company, the assembled workforce and their knowledge and experience in e-commerce. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

In December 2018, the Company purchased additional equity interests in Trendyol for a cash consideration of US\$2 million (RMB16 million). The transaction resulted in a reduction of noncontrolling interests amounting to RMB14 million. Upon the completion of the transaction, the Company's equity interest in Trendyol remained at approximately 85%.

**(e) Acquisition of Kaiyuan Commerce Co., Ltd. ("Kaiyuan")**

Kaiyuan is one of the leading department store operators in the northwestern part of the PRC. In April 2018, the Company acquired a 100% equity interest in Kaiyuan for a cash consideration of RMB3,362 million.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(e) Acquisition of Kaiyuan Commerce Co., Ltd. ("Kaiyuan") (Continued)**

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	2,750
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	203
Goodwill	1,047
Deferred tax liabilities	(638)
Total	<u>3,362</u>

- (i) Net assets acquired primarily included property and equipment of RMB3,458 million and bank borrowings of RMB651 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods of ten years.

The Company expected that Kaiyuan will complement the Company's New Retail initiatives to reengineer the fundamentals of retail operations and transform the retail landscape. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Kaiyuan and the Company, the assembled workforce and their knowledge and experience in the retail business in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

**(f) Acquisition of Cainiao Smart Logistics Network Limited ("Cainiao Network")**

Cainiao Network operates a logistics data platform which leverages the capacity and capabilities of logistics partners to offer domestic and international one-stop-shop logistics services and supply chain management solutions, fulfilling various logistics needs of merchants and consumers at scale. It uses data insights and technology to improve efficiency across the logistics value chain. The Company previously held an approximately 47% equity interest in Cainiao Network. The investment was accounted for under the equity method.

In October 2017, the Company completed the subscription for newly issued ordinary shares of Cainiao Network for a cash consideration of US\$803 million (RMB5,322 million). Following the completion of the transaction, the Company's equity interest in Cainiao Network increased to approximately 51% and Cainiao Network became a consolidated subsidiary of the Company.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(f) Acquisition of Cainiao Smart Logistics Network Limited ("Cainiao Network") (Continued)**

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	23,937
Amortizable intangible assets (ii)	
User base and customer relationships	9,344
Trade names, trademarks and domain names	4,965
Developed technology and patents	459
Goodwill	32,418
Deferred tax assets	920
Deferred tax liabilities	(5,197)
Noncontrolling interests (iii)	(33,189)
Total	<u>33,657</u>

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	5,322
- fair value of previously held equity interests	28,335
Total	<u>33,657</u>

- (i) Net assets acquired primarily included the cash consideration of RMB5,322 million, property and equipment of RMB15,144 million and bank borrowings of RMB5,288 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 16 years and a weighted-average amortization period of 14.3 years.
- (iii) Fair value of the noncontrolling interests was estimated with reference to the purchase price per share as of the acquisition date.

A gain of RMB22,442 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2018. The fair value of the previously held equity interests was estimated based on the purchase price per share of Cainiao Network as of the acquisition date.

The Company expected that the acquisition of control over Cainiao Network will help enhance the overall logistics experience for consumers and merchants across the Company's digital economy, and enable greater efficiencies and lower costs in the logistics sector in the PRC. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Cainiao Network and the Company, the assembled workforce and their knowledge and experience in the logistics sector in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

**(g) Acquisition of Intime Retail (Group) Company Limited ("Intime")**

Intime is one of the leading department store operators in the PRC that was previously listed on the HKSE. The Company owned a 9.9% equity interest in Intime which was accounted for as an available-for-sale security

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(g) Acquisition of Intime Retail (Group) Company Limited ("Intime") (Continued)**

and subscribed for a convertible bond which was accounted for under the fair value option and recorded under investment securities.

In June 2016, the Company completed the conversion of all of the convertible bond that the Company previously subscribed for into newly issued ordinary shares of Intime, at a conversion price of HK\$7.13 per share. Upon the completion of the conversion, the Company's equity interest in Intime increased to approximately 28% and the investment was accounted for under the equity method. The sum of the market value of the previously held equity interests in Intime and the fair value of the convertible bond on the date of conversion, amounting to RMB4,758 million, was recognized as the cost of investment under the equity method upon the completion of the conversion. Out of this amount, RMB250 million was allocated to amortizable intangible assets, RMB426 million was allocated to deferred tax liabilities and RMB4,934 million was allocated to net assets acquired.

In May 2017, the Company and the founder of Intime completed the privatization of Intime, upon which all of the issued and outstanding shares of Intime that the Company, the founder of Intime and certain other shareholders did not own were cancelled in exchange for a payment of HK\$10.00 per share in cash. The Company paid a cash consideration of HK\$12,605 million (RMB11,131 million) in the privatization. Upon the completion of the privatization, the Company increased its shareholding in Intime to approximately 74% and Intime became a consolidated subsidiary of the Company. Following the completion of the privatization, the listing of the shares of Intime on the HKSE was withdrawn.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	20,920
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	1,131
User base and customer relationships	72
Developed technology and patents	16
Goodwill	4,757
Deferred tax liabilities	(2,790)
Noncontrolling interests (iii)	(6,301)
Total	<u>17,805</u>

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	11,131
- fair value of previously held equity interests	<u>6,674</u>
Total	<u>17,805</u>

- (i) Net assets acquired primarily included property and equipment of RMB23,492 million and bank borrowings of RMB4,110 million as of the date of acquisition.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(g) Acquisition of Intime Retail (Group) Company Limited ("Intime") (Continued)**

- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding eleven years and a weighted-average amortization period of 10.1 years.
- (iii) Fair value of the noncontrolling interests was estimated with reference to the purchase price of HK\$10.00 per share in the privatization.

A gain of RMB1,861 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2018. The fair value of the previously held equity interests was estimated with reference to the purchase price of HK\$10.00 per share in the privatization.

The Company expected Intime to support its strategy to transform conventional retail by leveraging its substantial consumer reach, rich data and technology. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Intime and the Company, the assembled workforce and their knowledge and experience in the retail business in the PRC. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

In February 2018 and October 2018, the Company purchased additional ordinary shares of Intime from certain minority shareholders for a cash consideration of HK\$6,712 million (RMB5,428 million) and HK\$203 million (RMB180 million), respectively, which resulted in a reduction of noncontrolling interests amounting to RMB5,854 million and RMB162 million during the years ended March 31, 2018 and 2019, respectively. Upon the completion of the purchase of additional ordinary shares in October 2018, the Company's equity interest in Intime increased to approximately 99%.

**(h) Acquisition of Youku Tudou Inc. ("Youku")**

Youku is one of the largest online video platforms in the PRC that was previously listed on the New York Stock Exchange ("NYSE"). In April 2016, the Company completed an acquisition of all of the issued and outstanding shares of Youku that the Company or Yunfeng, which is comprised of certain investment funds the general partner of which the executive chairman of the Company has equity interests in, did not previously own, at a purchase price of US\$27.60 per American Depositary Share ("ADS"). Following the completion of the transaction, the Company held an approximately 98% equity interest in Youku. As a result, Youku became a consolidated subsidiary of the Company, with Yunfeng holding an approximately 2% noncontrolling interests. The listing of the ADS of Youku on the NYSE was withdrawn upon the closing of the transaction.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(h) Acquisition of Youku Tudou Inc. ("Youku") (Continued)**

The cash consideration of US\$4,443 million (RMB28,724 million) was paid upon the closing of the transaction. The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired (i)	5,923
Amortizable intangible assets (ii)	
Trade names, trademarks and domain names	4,047
User base and customer relationships	284
Developed technology and patents	143
Others	175
Goodwill	26,395
Deferred tax assets	73
Deferred tax liabilities	(1,167)
Noncontrolling interests (iii)	(773)
Total	<u>35,100</u>

	<u>Amounts</u> <u>(in millions of RMB)</u>
Total purchase price is comprised of:	
- cash consideration	28,724
- fair value of previously held equity interests	6,376
Total	<u>35,100</u>

- (i) Net assets acquired primarily included cash and cash equivalents and short-term interest-bearing deposits with total balance of RMB5,857 million and licensed copyrights of RMB703 million as of the date of acquisition.
- (ii) Acquired amortizable intangible assets had estimated amortization periods not exceeding 20 years and a weighted-average amortization period of 17.4 years.
- (iii) Fair value of the noncontrolling interests was estimated with reference to the purchase price of US\$27.60 per ADS in the step acquisition.

A gain of RMB518 million in relation to the revaluation of the previously held equity interests was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2017. The fair value of the previously held equity interests was estimated with reference to the purchase price of US\$27.60 per ADS in the step acquisition.

Youku is a core part of the Company's strategy to offer digital entertainment to consumers in the Company's digital economy, thereby strengthening user engagement and loyalty as well as enabling a new marketing channel for the merchants and brands in the Company's digital economy. Further, Youku created additional revenue sources for the Company from advertising and membership subscriptions. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Youku and the

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(h) Acquisition of Youku Tudou Inc. ("Youku") (Continued)**

Company, the assembled workforce and their knowledge and experience in the digital entertainment business. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

Subsequent to the completion of the transaction and as a resolution to negotiations with certain former management members and shareholders of Youku with respect to an option to purchase up to 15% of its equity, the Company issued 1.3 million ordinary shares and 3.4 million restricted share units of the Company to certain former management members and shareholders in April 2017. An expense of RMB994 million relating to the 1.3 million ordinary shares issued was recorded in interest and investment income, net in the consolidated income statement for the year ended March 31, 2018. The 3.4 million restricted share units contain vesting conditions pursuant to a non-compete agreement that was entered into by the Company and a former management member of Youku in April 2017 (Note 15).

In December 2017, the Company made a capital injection of US\$132 million (RMB870 million) in Youku, which resulted in a reduction of noncontrolling interests. As of March 31, 2019, the Company owned 100% of the equity interests in Youku.

**(i) Acquisition of Lazada Group S.A. ("Lazada")**

Lazada operates a leading e-commerce platform across Southeast Asia, with local language websites and mobile apps in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In April 2016, the Company completed an acquisition of an approximately 54% equity interest in Lazada for a cash consideration of US\$1,020 million (RMB6,607 million). Lazada became a consolidated subsidiary of the Company after the completion of the transaction.

The allocation of the purchase price as of the date of acquisition is summarized as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
Net assets acquired	2,874
Amortizable intangible assets (i)	
User base and customer relationships	2,014
Non-compete agreements	959
Trade names, trademarks and domain names	292
Developed technology and patents	79
Goodwill	5,216
Deferred tax assets	616
Deferred tax liabilities	(1,027)
Noncontrolling interests (ii)	(4,416)
Total	<u>6,607</u>

- (i) Acquired amortizable intangible assets had estimated amortization periods not exceeding three years and a weighted-average amortization period of 2.5 years.
- (ii) Fair value of the noncontrolling interests was estimated with reference to the purchase price per share as of the acquisition date. The noncontrolling interests is classified as mezzanine equity due to certain put and call arrangements with other Lazada shareholders.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(i) Acquisition of Lazada Group S.A. ("Lazada") (Continued)**

Lazada offers merchants and brands a one-stop marketplace solution to access consumers in the six countries. Lazada also sells products on its platforms directly via its own retail operations. In addition, it has an in-house logistics operation, which is supported by the highly scalable warehouse management system, to ensure quick and reliable order fulfillment. The Company believed that Lazada will be the vehicle for expansion into the Southeast Asia consumer market, including potential cross-border opportunities to introduce Chinese merchants and international brands to Southeast Asian consumers. Goodwill arising from this acquisition was attributable to the synergies expected from the combined operations of Lazada and the Company, the assembled workforce and their knowledge and experience in e-commerce in Southeast Asia. The Company did not expect the goodwill recognized to be deductible for income tax purposes.

During the year ended March 31, 2018, the Company purchased additional equity interest in Lazada for a cash consideration of US\$1,016 million (RMB6,877 million), as a result of the partial exercise of the put and call arrangement with minority shareholders. In addition, the Company made capital injections amounting to US\$483 million (RMB3,124 million) and US\$770 million (RMB5,222 million) into Lazada during the years ended March 31, 2018 and 2019, respectively. The Company also acquired additional equity interest held by certain management members and employees of Lazada for a total consideration of US\$87 million (RMB578 million) and US\$20 million (RMB133 million) for the same periods, respectively. These transactions resulted in a reduction of noncontrolling interests amounting to RMB1,681 million and an addition of RMB400 million during the years ended March 31, 2018 and 2019, respectively. Upon the completion of these transactions, the Company's equity interest in Lazada was approximately 92%.

In April 2019 and June 2019, the Company made additional capital injections amounting to US\$300 million, which resulted in a further increase in the Company's equity interest in Lazada.

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(j) Other acquisitions**

Other acquisitions that constitute business combinations are summarized in the following table:

	<b>Year ended March 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of RMB)</b>		
Net assets (liabilities)	2,315	(58)	2,133
Identifiable intangible assets	2,903	411	2,560
Deferred tax liabilities	(412)	(60)	(545)
	4,806	293	4,148
Noncontrolling interests and mezzanine equity	(8,365)	(77)	(2,993)
Net identifiable (liabilities) assets	(3,559)	216	1,155
Goodwill	11,797	618	6,465
Total purchase consideration	8,238	834	7,620
Fair value of previously held equity interests	(1,169)	(133)	(1,778)
Purchase consideration settled	(6,602)	(575)	(5,053)
Contingent/deferred consideration as of year end	467	126	789
Total purchase consideration is comprised of:			
- cash consideration	7,069	701	5,842
- fair value of previously held equity interests	1,169	133	1,778
Total	8,238	834	7,620

In relation to the revaluation of previously held equity interests, the Company recognized a gain of RMB252 million, RMB133 million and RMB715 million in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively, for the other acquisitions that constitute business combinations.

Pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, either individually or in aggregate.

***Equity investments and others***

**(k) STO Express Co., Ltd. ("STO Express")**

STO Express, a company that is listed on the Shenzhen Stock Exchange, is one of the leading express delivery services companies in the PRC. In March 2019, the Company made a loan to the controlling shareholder of STO Express with a principal amount of RMB5.0 billion for a term of three years. The controlling shareholder of STO Express has pledged a portion of its equity interest in STO Express in relation to the loan. The loan is accounted for at amortized cost and is recorded under investment securities (Note 11) on the consolidated balance sheets.

In addition, the Company entered into a share purchase agreement to acquire a 49% equity interest in an investment vehicle to be established by the controlling shareholder, which will hold a 29.9% equity interest in

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(k) STO Express Co., Ltd. ("STO Express") (Continued)**

STO Express for a cash consideration of RMB4.7 billion. The completion of this transaction is subject to customary closing conditions.

**(l) Investment in Focus Media Information Technology Co., Ltd. ("Focus Media")**

Focus Media, a company that is listed on the Shenzhen Stock Exchange, operates a media network for advertisements, including within cinemas, and advertising posters and displays in elevators of office and residential buildings. During the year ended March 31, 2019, the Company acquired a total equity interest of approximately 7% in Focus Media for a cash consideration of approximately RMB10.7 billion. The investment is carried at fair value with unrealized gains and losses recorded in the consolidated income statements (Note 11). New Retail Strategic Opportunities Fund, L.P. (the "Offshore Retail Fund") (Note 4(n)) is also an investor in this transaction.

The Company has also entered into an agreement with Hangzhou Hanyun Xinling Equity Investment Fund (the "Onshore Retail Fund") (Note 4(n)) under which the Onshore Retail Fund will participate in the gain and loss related to a certain portion of the equity interest in Focus Media held by the Company. The arrangement is carried at fair value with unrealized gains and losses recorded in the consolidated income statements.

In addition, the Company agreed to acquire a 10% equity interest of an entity controlled by the founder and chairman of Focus Media, which holds an approximately 23% equity interest in Focus Media, for a cash consideration of US\$511 million (RMB3,429 million). This transaction has not been completed as of March 31, 2019. Such arrangement is carried at fair value with unrealized gains and losses recorded in the consolidated income statements.

**(m) Investment in PT Tokopedia ("Tokopedia")**

Tokopedia operates one of the leading e-commerce platforms in Indonesia. During the year ended March 31, 2018, the Company completed a minority investment in existing and newly issued preferred shares of Tokopedia for a total cash consideration of US\$445 million (RMB2,920 million). In connection with the initial investment, the Company also agreed to subscribe for up to US\$500 million in additional preferred shares of Tokopedia at the then fair market value if so elected by Tokopedia during a 24-month period after the completion of the initial investment. Pursuant to the agreement, the Company acquired additional newly issued preferred shares of Tokopedia for a total cash consideration of US\$500 million (RMB3,443 million) in December 2018. Upon the completion of this investment, the Company held an approximately 29% equity interest in Tokopedia on a fully diluted basis. SoftBank is also an existing shareholder of Tokopedia. The preferred shares are not considered in-substance common stock given that the shares contain certain terms such as liquidation preference over ordinary shares. As a result, such investment was accounted for under the cost method (Note 13) for the year ended March 31, 2018. Upon the adoption of ASU 2016-01, the investment is accounted for using the measurement alternative (Note 11).

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(n) Investments in Hangzhou Hanyun Xinling Equity Investment Fund Partnership (the "Onshore Retail Fund") and New Retail Strategic Opportunities Fund, L.P. (the "Offshore Retail Fund")**

The Onshore Retail Fund and the Offshore Retail Fund were set up to raise capital to invest in retail related businesses in the PRC and internationally, respectively. The Company is able to exercise significant influence over the investment decisions in both funds. In August 2017 and January 2018, the Company made a commitment to invest RMB1.6 billion and US\$200 million in the Onshore Retail Fund and the Offshore Retail Fund, relating to which the Company has funded RMB462 million and RMB922 million to the Onshore Retail Fund as of March 31, 2018 and 2019, respectively; and US\$77 million and US\$78 million to the Offshore Retail Fund as of March 31, 2018 and 2019, respectively. As of March 31, 2019, the Company held an approximately 20% equity interest in the Onshore Retail Fund and an approximately 10% equity interest in the Offshore Retail Fund. The investments are accounted for under the equity method (Note 13).

**(o) Investment in Huatai Securities Co, Ltd. ("Huatai Securities")**

Huatai Securities, a company that is listed on both the Shanghai Stock Exchange and the HKSE, is a leading integrated securities group in the PRC. In July 2018, the Company acquired an approximately 3% interest in Huatai Securities for a cash consideration of RMB3.5 billion. The investment is carried at fair value with unrealized gains and losses recorded in the consolidated income statements (Note 11).

**(p) Investment in ZTO Express (Cayman) Inc. ("ZTO Express")**

ZTO Express, a company that is listed on the NYSE, is one of the leading express delivery services companies in the PRC. In June 2018, the Company completed an investment in newly issued ordinary shares of ZTO Express for a cash consideration of US\$1,100 million (RMB7,114 million), representing an approximately 8% equity interest in ZTO Express. The Offshore Retail Fund (Note 4(n)) is also an investor in this transaction. The investment is carried at fair value with unrealized gains and losses recorded in the consolidated income statements (Note 11).

**(q) Investment in Huitongda Network Co., Ltd. ("Huitongda")**

Huitongda operates a rural online services platform in the PRC. In April 2018, the Company completed an investment in existing and newly issued shares of Huitongda for a cash consideration of RMB4,500 million, representing a 20% equity interest in Huitongda. The equity interest in Huitongda held by the Company is not considered in-substance common stock given that the equity interest contains certain terms such as liquidation preference over ordinary shares. As a result, the investment is accounted for using the measurement alternative (Note 11).

**(r) Investment in Shiji Retail Information Technology Co., Ltd. ("Shiji Retail")**

Shiji Retail is engaged in the provision of retail information system solutions. In April 2018, the Company acquired a 38% equity interest in Shiji Retail for a cash consideration of US\$486 million (RMB3,062 million). The equity interest in Shiji Retail held by the Company is not considered in-substance common stock given that the equity interest contains certain terms such as liquidation preference over ordinary shares. As a result, the investment is accounted for using the measurement alternative (Note 11).

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(s) Investment in Wanda Film Holding Co., Ltd. ("Wanda Film")**

Wanda Film, a company that is listed on the Shenzhen Stock Exchange, is principally engaged in the investment and management of cinemas and film distribution businesses. In March 2018, the Company completed an investment in existing ordinary shares of Wanda Film for a cash consideration of RMB4,676 million, representing an approximately 8% equity interest in Wanda Film. The investment was accounted for under the cost method (Note 13) given that a readily determinable fair value was not available due to the suspension of trading of its shares for an extended period as of March 31, 2018. In November 2018, the trading of the shares of Wanda Film resumed and as a result, the Company began to carry the investment at fair value with unrealized gains and losses recorded in the consolidated income statements (Note 11).

**(t) Investment in Beijing Easyhome Furnishing Chain Group Co., Ltd. ("Easyhome")**

Easyhome is one of the largest home improvement supplies and furniture chains in the PRC. In March 2018, the Company completed an investment in Easyhome for a cash consideration of RMB3,635 million, representing a 10% equity interest in Easyhome. Yunfeng and the Onshore Retail Fund (Note 4(n)) are also investors in this transaction. Such investment was accounted for under the cost method (Note 13) for the year ended March 31, 2018. Upon the adoption of ASU 2016-01, such investment is accounted for using the measurement alternative (Note 11).

**(u) Investment in Sun Art Retail Group Limited ("Sun Art")**

Sun Art, a company that is listed on the HKSE, is a leading hypermarket operator in the PRC. In December 2017, the Company completed investments in existing ordinary shares of Sun Art and existing ordinary shares of A-RT Retail Holdings Limited, a limited liability company incorporated in Hong Kong that holds an approximately 51% equity interest in Sun Art, for an aggregate consideration of HK\$19,303 million (RMB16,264 million). In January 2018, the Company acquired additional ordinary shares of Sun Art from public shareholders through a mandatory general offer as required under Hong Kong regulations, for a cash consideration of HK\$2 million (RMB2 million). After the completion of these transactions, the Company's effective equity interest in Sun Art was approximately 31%, which is comprised of the direct equity interest of 21% and the indirect equity interest through its shareholding in A-RT Retail Holdings Limited. The Offshore Retail Fund (Note 4(n)) is also an investor in this transaction.

The investment in Sun Art is accounted for under the equity method (Note 13). Out of the total cash consideration, RMB2,499 million was allocated to amortizable intangible assets, RMB2,953 million was allocated to goodwill, RMB2,187 million was allocated to deferred tax liabilities and RMB12,999 million was allocated to net assets acquired.

**(v) Investment in China United Network Communications Ltd. ("China Unicom")**

China Unicom, a company that is listed on the Shanghai Stock Exchange, is a major telecommunications company in the PRC. In October 2017, the Company completed an investment in newly issued ordinary shares of China Unicom for a cash consideration of RMB4,325 million, representing an approximately 2% equity interest in China Unicom. The investment was accounted for as an available-for-sale security (Note 11) for the year ended March 31, 2018. Upon the adoption of ASU 2016-01, the investment is carried at fair value with unrealized gains and losses recorded in the consolidated income statements (Note 11).

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(w) Investment in BEST Inc. (formerly known as Best Logistics Technologies Limited) ("Best Logistics")**

Best Logistics is a provider of comprehensive supply-chain solutions and services. In September 2017, in connection with the completion of Best Logistics' initial public offering on the NYSE, all preferred shares of Best Logistics held by the Company were automatically converted into ordinary shares of Best Logistics. Concurrently, the Company acquired additional equity interests in Best Logistics for a cash consideration of US\$100 million (RMB657 million), after which the equity interests in Best Logistics held by the Company increased to approximately 23%. Upon the completion of the share conversion, the original investment with a carrying value of US\$256 million (RMB1,679 million) was reclassified from a cost method investment to an equity method investment (Note 13). Out of the total purchase price, which included the cash consideration and the carrying amount of the previously held interests in Best Logistics, RMB1,072 million was allocated to amortizable intangible assets, RMB443 million was allocated to goodwill, RMB214 million was allocated to deferred tax liabilities and RMB1,035 million was allocated to net assets acquired.

Cainiao Network (Note 4(f)) is also an existing shareholder of Best Logistics with an approximately 5% equity interest. Upon the consolidation of Cainiao Network in October 2017, the Company began to account for Cainiao Network's investment in Best Logistics under the equity method (Note 13), and the fair value of this investment at the time amounting to US\$215 million (RMB1,420 million) was recognized as the new investment cost. Out of this amount, RMB652 million was allocated to amortizable intangible assets, RMB270 million was allocated to goodwill, RMB131 million was allocated to deferred tax liabilities and RMB629 million was allocated to net assets acquired.

After the completion of these transactions, the Company's equity interest in Best Logistics was approximately 28%.

**(x) Investment in Xiaoju Kuaizhi Inc. ("Didi Chuxing")**

Didi Chuxing is a leading transportation network company that provides vehicles and taxis for hire in the PRC via smartphone applications. During the years ended March 31, 2017 and 2018, the Company completed additional investments in preferred shares of Didi Chuxing for a total cash consideration of US\$400 million (RMB2,652 million). In September 2017, the Company completed a partial disposal of its investment in Didi Chuxing to SoftBank for a cash consideration of US\$639 million (RMB4,198 million), and a disposal gain of RMB2,096 million was recognized in interest and investment income, net in the consolidated income statement for the year ended March 31, 2018. Upon the completion of the partial disposal and subsequent additional investments by SoftBank and other investors, the Company's equity interest in Didi Chuxing was approximately 5% on a fully diluted basis. The investment was accounted for under the cost method (Note 13) for the year ended March 31, 2018. Upon the adoption of ASU 2016-01, the investment is accounted for using the measurement alternative (Note 11).

**(y) Investment in Suning.com Co., Ltd. (formerly known as Suning Commerce Group Co., Ltd.) ("Suning")**

Suning, a company that is listed on the Shenzhen Stock Exchange, is one of the largest consumer electronics retail chains in the PRC. In May 2016, the Company completed the subscription for newly issued ordinary shares for a cash consideration of RMB28.2 billion, representing a 19.99% equity interest in Suning. The investment is accounted for under the equity method (Note 13).

Concurrent with the Company's investment in Suning, Suning subscribed for approximately 26.3 million newly issued ordinary shares of the Company which represent an approximately 1.1% equity interest in the Company

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**4. Significant restructuring transaction, mergers and acquisitions and investments (Continued)**

**(y) Investment in Suning.com Co., Ltd. (formerly known as Suning Commerce Group Co., Ltd.) ("Suning") (Continued)**

for a cash consideration of US\$81.51 per ordinary share. The Company's share of Suning's investment in the Company amounting to US\$429 million (RMB2,823 million) was deducted from the investment cost of Suning and recognized as an issuance of treasury shares during the year ended March 31, 2017.

Out of the total purchase consideration, net of the amount related to the treasury shares described above, RMB5,100 million was allocated to amortizable intangible assets, RMB9,113 million was allocated to goodwill, RMB1,582 million was allocated to deferred tax liabilities and RMB12,778 million was allocated to net assets acquired.

During the years ended March 31, 2018 and March 31, 2019, Suning completed disposal of its equity interest in the Company. Accordingly, RMB590 million and RMB2,233 million was added back to the investment cost of Suning during the years ended March 31, 2018 and 2019, respectively, and the recognition of the corresponding treasury shares was reversed.

*Equity transactions and acquisitions that were not completed as of March 31, 2019*

**(z) Investment in Red Star Macalline Group Corporation Limited ("Red Star")**

Red Star, a company that is listed on both the HKSE and Shanghai Stock Exchange, is a leading home improvement and furnishings shopping mall operator in the PRC. In May 2019, the Company completed the subscription of exchangeable bonds issued by the controlling shareholder of Red Star for a cash consideration of RMB4,359 million. The exchangeable bonds have a term of five years and are exchangeable into ordinary shares of Red Star at an initial price of RMB12.28 per share. In addition, the Company acquired an approximately 2% equity interest in Red Star for a total consideration of HK\$447 million. The Offshore Retail Fund (Note 4(n)) is also an investor in this transaction.

**(aa) Investment in China TransInfo Technology Co., Ltd. ("China TransInfo")**

China TransInfo, a company that is listed on the Shenzhen Stock Exchange, is a PRC-based smart city infrastructure and service provider, including intelligent transportation operation services. In May 2019, the Company agreed to acquire a 15% equity interest in China TransInfo for a cash consideration of RMB3,595 million. The completion of the transaction is subject to customary closing conditions.

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**5. Revenue**

Revenue by segment is as follows:

	Year ended March 31,		
	2017 (i)	2018 (i) (in millions of RMB)	2019
Core commerce:			
China commerce retail (ii)			
- Customer management	77,530	114,285	145,684
- Commission	34,066	46,525	61,847
- Others	2,513	15,749	40,084
	114,109	176,559	247,615
China commerce wholesale (iii)	5,679	7,164	9,988
International commerce retail (iv)	7,336	14,216	19,558
International commerce wholesale (v)	6,001	6,625	8,167
Cainiao logistics services (vi)	—	6,759	14,885
Local consumer services (vii)	—	—	18,058
Others	755	2,697	5,129
Total core commerce	133,880	214,020	323,400
Cloud computing (viii)	6,663	13,390	24,702
Digital media and entertainment (ix)	14,733	19,564	24,077
Innovation initiatives and others (x)	2,997	3,292	4,665
Total	158,273	250,266	376,844

- (i) Prior period amounts have not been adjusted due to the adoption of ASC 606 under the modified retrospective method (Note 2(g)).
- (ii) Revenue from China commerce retail is primarily generated from the Company's China retail marketplaces and includes revenue from customer management, commissions and sales of goods.
- (iii) Revenue from China commerce wholesale is primarily generated from 1688.com and includes revenue from membership fees and customer management.
- (iv) Revenue from international commerce retail is primarily generated from Lazada (Note 4(i)) and AliExpress and includes revenue from sales of goods, commissions, logistics services and customer management.
- (v) Revenue from international commerce wholesale is primarily generated from Alibaba.com and includes membership fees and revenue from customer management.
- (vi) Revenue from Cainiao logistics services represents revenue from the domestic and cross-border fulfillment services provided by Cainiao Network (Note 4(f)).
- (vii) Revenue from local consumer services primarily represents revenue from the provision of delivery services and other services provided by Ele.me (Note 4(c)).
- (viii) Revenue from cloud computing is primarily generated from the provision of services, such as elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, and machine learning platform and IoT services.

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**5. Revenue (Continued)**

- (ix) Revenue from digital media and entertainment is primarily generated from Youku (Note 4(h)) and UCWeb and includes revenue from customer management and membership fees.
- (x) Revenue from innovation initiatives and others is primarily generated from businesses such as Amap and other innovation initiatives. Other revenue also includes the SME Annual Fee received from Ant Financial and its affiliates (Note 4(a)).

Revenue by type is as follows:

	Year ended March 31,		
	2017 (i)	2018 (i)	2019
	(in millions of RMB)		
Customer management services			
P4P and display marketing	83,581	119,822	151,654
Other customer management services	5,706	9,076	13,962
Total customer management services	89,287	128,898	165,616
Commission	37,848	52,411	81,086
Membership fees	10,638	13,823	19,139
Logistics services	—	6,759	23,397
Cloud computing services	6,663	13,390	24,702
Sales of goods	3,889	18,719	46,942
Other revenue (ii)	9,948	16,266	15,962
Total	<u>158,273</u>	<u>250,266</u>	<u>376,844</u>

- (i) Prior period amounts have not been adjusted due to the adoption of ASC 606 under the modified retrospective method (Note 2(g)).
- (ii) Other revenue includes other value-added services provided through various platforms and the SME Annual Fee received from Ant Financial and its affiliates (Note 4(a)).

The amount of revenue recognized for performance obligations satisfied (or partially satisfied) in prior periods for contracts with expected duration of more than one year during the year ended March 31, 2019 was not material. As permitted under the transitional provision in ASC 606, the amount of revenue recognized for performance obligations satisfied (or partially satisfied) as of March 31, 2018 is not disclosed.

**6. Other income, net**

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Profit Share Payments (Note 4(a))	2,086	3,444	517
Government grants (i)	451	555	666
Amortization of restructuring reserve (Note 4(a))	(264)	(264)	(264)
Exchange differences	2,328	(1,679)	(1,950)
Others	1,485	2,104	1,252
Total	<u>6,086</u>	<u>4,160</u>	<u>221</u>

- (i) Government grants mainly represent amounts received from central and local governments in connection with the Company's investments in local business districts and contributions to technology development.

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**7. Income tax expenses**

*Composition of income tax expenses*

	Year ended March 31,		
	2017	2018	2019
		(in millions of RMB)	
Current income tax expense	13,495	17,223	18,750
Deferred taxation	281	976	(2,197)
	13,776	18,199	16,553

Under the current laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed. The Company's subsidiaries incorporated in Hong Kong were subject to the Hong Kong profits tax rate at 16.5% for the years ended March 31, 2017, 2018 and 2019. The Company's subsidiaries incorporated in other jurisdictions were subject to income tax charges calculated according to the tax laws enacted or substantially enacted in the countries where they operate and generate income.

Current income tax expense primarily includes the provision for PRC Enterprise Income Tax ("EIT") for subsidiaries operating in the PRC and withholding tax on earnings that have been declared for distribution by PRC subsidiaries to offshore holding companies. Substantially all of the Company's income before income tax and share of results of equity investees are generated by these PRC subsidiaries. These subsidiaries are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws, rules and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Further, certain subsidiaries were recognized as Software Enterprises and thereby entitled to full exemption from EIT for two years beginning from their first profitable calendar year and a 50% reduction for the subsequent three calendar years. In addition, a duly recognized Key Software Enterprise within China's national plan can enjoy a preferential EIT rate of 10%. The Key Software Enterprise status is subject to review by the relevant authorities every year. The timing of the annual review and notification by the relevant authorities may vary from year to year, and the related tax adjustments in relation to the change in applicable EIT rate as a result of notification of qualification are accounted for in the period in which the Key Software Enterprise status is recognized and notified.

The tax status of the subsidiaries of the Company with major taxable profits is described below:

- Alibaba (China) Technology Co., Ltd. ("Alibaba China") and Taobao (China) Software Co., Ltd. ("Taobao China"), entities primarily engaged in the operations of the Company's wholesale marketplaces and Taobao Marketplace, respectively, obtained the annual review and notification relating to the renewal of the Key Software Enterprises status for the taxation years of 2015, 2016 and 2017 in the quarters ended September 30, 2016, 2017 and 2018, respectively. Accordingly, Alibaba China and Taobao China, which had qualified as High and New Technology Enterprises and applied an EIT rate of 15% for the taxation years of 2015, 2016 and 2017, reflected the reduction in tax rate to 10% for the taxation years of 2015, 2016 and 2017 in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019.

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**7. Income tax expenses (Continued)**

- Zhejiang Tmall Technology Co., Ltd. ("Tmall China"), an entity primarily engaged in the operations of Tmall, was recognized as a High and New Technology Enterprise and also granted the Software Enterprise status and was thereby entitled to an income tax exemption for two years beginning from its first profitable taxation year of 2012, and a 50% reduction for the subsequent three years starting from the taxation year of 2014. Accordingly, Tmall China was entitled to an EIT rate of 12.5% during the taxation years of 2015 and 2016. Tmall China obtained notification of recognition as a Key Software Enterprise for the taxation years of 2016 and 2017 in the quarter ended September 30, 2017 and 2018. Accordingly, Tmall China, which had applied an EIT rate of 12.5% and 15% for the taxation years of 2016 and 2017, respectively, reflected the reduction in tax rate to 10% for the taxation years of 2016 and 2017 in the consolidated income statement for the years ended March 31, 2018 and 2019.

The total tax adjustments for Alibaba China, Taobao China, Tmall China and certain other PRC subsidiaries of the Company, amounting to RMB720 million, RMB2,295 million and RMB4,656 million, were recorded in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively. The annual review and notification relating to the renewal of the Key Software Enterprises status for the taxation year of 2018 has not yet been obtained as of March 31, 2019. Accordingly, Alibaba China, Taobao China and Tmall China continued to apply an EIT rate of 15% for the taxation year of 2018 as High and New Technology Enterprises.

Most of the remaining PRC entities of the Company are subject to EIT at 25% for the years ended March 31, 2017, 2018 and 2019.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong. Since the equity holders of the major PRC subsidiaries of the Company are Hong Kong incorporated companies and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed. As of March 31, 2019, the Company had fully accrued the withholding tax on the earnings distributable by all of the subsidiaries of the Company in the PRC, except for those undistributed earnings that the Company intends to invest indefinitely in the PRC which amounted to RMB49.7 billion.

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**7. Income tax expenses (Continued)**

*Composition of deferred tax assets and liabilities*

	As of March 31,	
	2018	2019
	(in millions of RMB)	
<i>Deferred tax assets</i>		
Licensed copyrights	1,191	2,475
Tax losses carried forward and others (i)	9,467	21,896
	10,658	24,371
Valuation allowance	(8,476)	(21,838)
Total deferred tax assets	2,182	2,533
<i>Deferred tax liabilities</i>		
Identifiable intangible assets	(9,181)	(12,659)
Withholding tax on undistributed earnings (ii)	(8,375)	(7,901)
Investment securities and others	(1,756)	(1,957)
Total deferred tax liabilities	(19,312)	(22,517)
Net deferred tax liabilities	(17,130)	(19,984)

(i) Others is primarily comprised of property and equipment, deferred revenue and customer advances, as well as accrued expenses which are not deductible until paid under PRC tax laws.

(ii) The related deferred tax liabilities as of March 31, 2018 and 2019 were provided on the assumption that 100% of the distributable reserves of the major PRC subsidiaries will be distributed as dividends, except for those undistributed earnings that the Company intends to invest indefinitely in the PRC which amounted to RMB28.6 billion and RMB49.7 billion, respectively.

Valuation allowances provided on the deferred tax assets mainly related to the tax losses carried forward due to the uncertainty surrounding their realization. If events occur in the future that improve the certainty of realization, an adjustment to the valuation allowances will be made and consequently income tax expenses will be reduced.

As of March 31, 2019, the accumulated tax losses of subsidiaries incorporated in the United States, Indonesia and Singapore, subject to the agreement of the relevant tax authorities, of RMB3,690 million, RMB3,686 million and RMB3,075 million, respectively, are allowed to be carried forward to offset against future taxable profits. The carry forward of tax losses in the United States and Singapore has no time limit, while the tax losses in Indonesia will expire, if unused, in the years ending March 31, 2020 through 2024. The accumulated tax losses of subsidiaries incorporated in the PRC, subject to the agreement of the PRC tax authorities, of RMB73,148 million as of March 31, 2019 will expire, if unused, in the years ending March 31, 2020 through 2024.

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**7. Income tax expenses (Continued)**

*Reconciliation of the differences between the statutory EIT rate applicable to profits of the consolidated entities and the income tax expenses of the Company:*

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB, except per share data)		
Income before income tax and share of result of equity investees	60,029	100,403	96,221
Income tax computed at statutory EIT rate (25%)	15,007	25,101	24,055
Effect of different tax rates available to different jurisdictions	(772)	392	(1,568)
Effect of tax holiday and preferential tax benefit on assessable profits of subsidiaries incorporated in the PRC	(10,507)	(14,782)	(17,687)
Non-deductible expenses and non-taxable income, net (i)	6,090	1,780	8,168
Tax savings from additional deductions on certain research and development expenses available for subsidiaries incorporated in the PRC (ii)	(1,694)	(2,330)	(5,774)
Withholding tax on the earnings distributed and anticipated to be remitted	3,009	4,393	3,954
Change in valuation allowance, deduction of certain share-based compensation expense and others (iii)	2,643	3,645	5,405
Income tax expenses	<u>13,776</u>	<u>18,199</u>	<u>16,553</u>
Effect of tax holidays inside the PRC on basic earnings per share/ADS (RMB)	<u>4.21</u>	<u>5.79</u>	<u>6.86</u>

- (i) Expenses not deductible for tax purposes and non-taxable income primarily represent investment income (loss), share-based compensation expense, interest expense and exchange differences. Investment income (loss) during the year ended March 31, 2017 includes gains from the revaluation of previously held equity interest relating to the acquisition of Youku (Note 4(h)). Investment income (loss) during the year ended March 31, 2018 includes gains from the revaluation of previously held equity interests relating to the acquisitions of Cainiao Network (Note 4(f)) and Intime (Note 4(g)). Investment income (loss) during the year ended March 31, 2019 includes gains from the revaluation of previously held equity interest relating to the acquisitions of Koubei (Note 4(c)) and Alibaba Pictures (Note 4(b)).
- (ii) This amount represents tax incentives relating to the research and development expenses of certain major operating subsidiaries in the PRC.
- (iii) This amount primarily represents valuation allowance against the deferred tax assets associated with operating losses, amortization of licensed copyrights and other timing differences which may not be realized as a tax benefit.

**8. Share-based awards**

Share-based awards such as RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, share appreciation rights and share payments may be granted to any directors, employees and consultants of the Company or affiliated companies under the equity incentive plan adopted in 2011, which govern the terms of the awards. In September 2014, the Company adopted a post-IPO equity incentive plan (the "2014 Plan") which has a ten-year term. Share-based awards are only available for issuance under the 2014 Plan. If an award under the previous plan terminates, expires or lapses, or is cancelled for any reason, ordinary shares subject to the award become available for the grant of a new award under the 2014 Plan. Starting from

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**8. Share-based awards (Continued)**

April 1, 2015 and on each anniversary thereof, an additional amount equal to the lesser of (A) 25,000,000 ordinary shares, and (B) such lesser number of ordinary shares as determined by the board of directors will become available for the grant of a new award under the 2014 Plan. All share-based awards granted under the 2014 Plan are subject to dilution protection should the capital structure of the Company be affected by a share split, reverse share split, share dividend or other dilutive action. The 2014 Plan has substantially similar terms as the plan adopted in 2011 except that (i) the 2014 Plan is administered by the compensation committee of the board (or a subcommittee thereof), or such other committee of the board to which the board has delegated power to act, or the board in the absence of any such committee, and (ii) certain terms are adjusted for the purposes of compliance with the Sarbanes-Oxley Act of 2002, U.S. Securities Act of 1933 and the regulations thereunder, as amended from time to time and U.S. Securities Exchange Act of 1934 and the regulations thereunder, as amended from time to time, among others. As of March 31, 2019, the number of shares authorized but unissued was 34,151,552 ordinary shares.

RSUs and share options granted are generally subject to a four-year vesting schedule as determined by the administrator of the plans. Depending on the nature and the purpose of the grant, RSUs and share options generally vest 25% or 50% upon the first or second anniversary of the vesting commencement date, respectively, as provided in the grant agreement, and 25% every year thereafter. No outstanding RSUs or share options will be subject to vesting or exercisable after the expiry of a maximum of six years from the date of grant. Certain RSUs and share options granted to the senior management members of the Company are subject to a six-year vesting schedule. No outstanding RSUs or share options will be subject to vesting or exercisable after the expiry of a maximum of eight years from the date of grant.

**(a) RSUs relating to ordinary shares of the Company**

A summary of the changes in the RSUs relating to ordinary shares granted by the Company during the year ended March 31, 2019 is as follows:

	<u>Number of RSUs</u>	<u>Weighted- average grant date fair value</u> US\$
Awarded and unvested as of April 1, 2018	68,424,858	100.93
Granted	24,863,988	181.74
Vested	(24,337,392)	84.31
Cancelled/forfeited	(4,604,961)	135.06
Awarded and unvested as of March 31, 2019	<u>64,346,493</u>	<u>136.00</u>
Expected to vest as of March 31, 2019 (i)	53,175,748	134.59

(i) RSUs expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding RSUs.

As of March 31, 2018 and 2019, 1,983,785 and 1,878,835 outstanding RSUs were held by non-employees, respectively. These RSUs were subject to re-measurement through each vesting date to determine the appropriate amount of the expense.

As of March 31, 2019, there were RMB22,432 million of unamortized compensation costs related to these outstanding RSUs, net of expected forfeitures and after re-measurement applicable to the awards granted to non-employees. These amounts are expected to be recognized over a weighted average period of 1.9 years.

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**8. Share-based awards (Continued)**

**(a) RSUs relating to ordinary shares of the Company (Continued)**

During the years ended March 31, 2017, 2018 and 2019, the Company recognized share-based compensation expense of RMB12,322 million, RMB16,165 million and RMB22,137 million, respectively, in connection with the above RSUs, net of cash reimbursement from related companies, including Ant Financial (Note 21).

**(b) Share options relating to ordinary shares of the Company**

A summary of the changes in the share options relating to ordinary shares granted by the Company during the year ended March 31, 2019 is as follows:

	Number of share options	Weighted average exercise price US\$	Weighted average remaining contractual life (in years)
Outstanding as of April 1, 2018	7,938,015	70.10	4.5
Exercised	(795,809)	45.02	
Cancelled/forfeited/expired	(25,000)	76.81	
Outstanding as of March 31, 2019	<u>7,117,206</u>	<u>72.88</u>	3.7
Vested and exercisable as of March 31, 2019	<u>3,258,039</u>	<u>75.32</u>	3.6
Vested and expected to vest as of March 31, 2019 (i)	7,016,598	72.78	3.7

(i) Share options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding share options.

As of March 31, 2018 and 2019, 141,000 and 76,550 outstanding share options were held by non-employees, respectively. These share options were subject to re-measurement through each vesting date to determine the appropriate amount of the expense.

As of March 31, 2019, the aggregate intrinsic value of all outstanding options was RMB5,243 million. As of the same date, the aggregate intrinsic value of options that were vested and exercisable and options that were vested and expected to vest is RMB2,347 million and RMB5,173 million, respectively.

During the years ended March 31, 2017, 2018 and 2019, the weighted average grant date fair value of share options granted was US\$22.89, nil and nil, respectively, and the total grant date fair value of options vested during the same years was RMB348 million, RMB452 million and RMB311 million, respectively. During the same years, the aggregate intrinsic value of share options exercised was RMB1,799 million, RMB1,980 million and RMB708 million, respectively.

Cash received from option exercises under the share option plans for the years ended March 31, 2017, 2018 and 2019 was RMB287 million, RMB174 million and RMB220 million, respectively.

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**8. Share-based awards (Continued)**

**(b) Share options relating to ordinary shares of the Company (Continued)**

No share options were granted during the years ended March 31, 2018 and 2019. The fair value of each option grant is estimated on the date of grant using the Black-Scholes model by applying the assumptions below:

	<u>Year ended</u> <u>March 31,</u> <u>2017</u>
Risk-free interest rate (i)	1.23% – 1.30%
Expected dividend yield (ii)	0%
Expected life (years) (iii)	4.38
Expected volatility (iv)	31.7% – 33.2%

- (i) Risk-free interest rate is based on the yields of United States Treasury securities with maturities similar to the expected life of the share options in effect at the time of grant.
- (ii) Expected dividend yield is assumed to be nil as the Company has no history or expectation of paying a dividend on its ordinary shares.
- (iii) Expected life of share options is based on the average between the vesting period and the contractual term for each grant.
- (iv) Expected volatility is assumed based on the historical volatility of the Company's comparable companies in the period equal to the expected life of each grant.

As of March 31, 2019, there were RMB111 million of unamortized compensation costs related to these outstanding share options, net of expected forfeitures and after re-measurement applicable to the awards granted to non-employees. These amounts are expected to be recognized over a weighted average period of 1.5 years.

During the years ended March 31, 2017, 2018 and 2019, the Company recognized share-based compensation expense of RMB524 million, RMB270 million and RMB181 million, respectively, in connection with the above share options, net of cash reimbursement from related companies, including Ant Financial (Note 21).

**(c) Partner Capital Investment Plan relating to ordinary shares of the Company**

Beginning in 2013, the Company offered selected members of the Alibaba Partnership rights to acquire restricted shares of the Company. For the rights offered before 2016, these rights and the underlying restricted shares were subject to a non-compete provision, and the holders were entitled to purchase restricted shares at a price of US\$14.50 per share during a four-year period. Upon the exercise of the rights, the underlying ordinary shares may not be transferred for a period of eight years from the date of subscription of the relevant rights. For the rights offered since 2016, the rights and the underlying restricted shares were subject to certain service provisions that were not related to employment, and holders were entitled to purchase restricted shares at a price between US\$23.00 and US\$26.00 per share, over a period of ten years from the vesting commencement date.

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**8. Share-based awards (Continued)**

**(c) Partner Capital Investment Plan relating to ordinary shares of the Company (Continued)**

The number of ordinary shares underlying these rights is 18,000,000 shares, of which the rights to subscribe for 17,500,000 shares had been offered and subscribed up to March 31, 2019. The rights offered before 2016 were accounted for as noncontrolling interests of the Company as these rights were issued by the Company's subsidiaries and classified as equity at the subsidiary level. The rights offered in the subsequent periods were accounted for as share options issued by the Company.

As of March 31, 2019, there were RMB941 million of unamortized compensation costs related to these rights, net of expected forfeitures and after re-measurement applicable to the awards granted to non-employees. These amounts are expected to be recognized over a weighted average period of 4.5 years. Share-based compensation expense of RMB241 million, RMB435 million and RMB409 million was recognized in connection with these rights for the years ended March 31, 2017, 2018 and 2019, respectively.

The fair value of each right to acquire restricted shares is estimated on the subscription date using the Black-Scholes model by applying the assumptions below:

	Year ended March 31,		
	2017	2018	2019
Risk-free interest rate (i)	1.86%	2.07%	2.94%
Expected dividend yield (ii)	0%	0%	0%
Expected life (years) (iii)	8.25	8.25	8.25
Expected volatility (iv)	39.0%	34.2%	33.0%

- (i) Risk-free interest rate is based on the yields of United States Treasury securities with maturities similar to the expected life of the share-based awards in effect at the time of grant.
- (ii) Expected dividend yield is assumed to be nil as the Company has no history or expectation of paying a dividend on its ordinary shares.
- (iii) Expected life of the rights is based on management's estimate on timing of redemption for ordinary shares by the participants.
- (iv) Expected volatility is assumed based on the historical volatility of the Company's comparable companies in the period equal to expected life of each right.

**(d) Share-based awards relating to Ant Financial**

Since March 2014, Junhan, the general partner of which is a company wholly-owned by the executive chairman of the Company and a major equity holder of Ant Financial, has made grants of share economic rights similar to share appreciation awards linked to the valuation of Ant Financial (the "SERs") to certain employees of the Company. Since April 2018, Ant Financial, through its subsidiary, has granted certain RSU awards to certain employees of the Company. The SERs will be settled in cash by Junhan upon disposal of these awards by the holders. The RSU awards may be settled in cash or equity by the Ant Financial subsidiary upon vesting of the awards. Junhan and the Ant Financial subsidiary have the right to repurchase the vested SERs or RSU awards (or any underlying shares of the vested RSU awards) granted by them, as applicable, from the holders upon an initial public offering of Ant Financial or the termination of the holders' employment with the Company at a price to be determined based on the then fair market value of Ant Financial. These awards are generally subject to a four-year vesting schedule as determined by the administrator of the plan. Depending on

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**8. Share-based awards (Continued)**

**(d) Share-based awards relating to Ant Financial (Continued)**

the nature and the purpose of the grant, these awards generally vest 25% or 50% upon the first or second anniversary of the vesting commencement date, respectively, as provided in the grant agreement, and 25% every year thereafter. Certain awards granted to the senior management members of the Company are subject to a six-year vesting schedule. The Company has no obligation to reimburse Junhan, Ant Financial or its subsidiaries for the cost associated with these awards.

For accounting purposes, these awards meet the definition of a financial derivative. The cost relating to these awards is recognized by the Company and the related expense is recognized over the requisite service period in the consolidated income statements with a corresponding credit to additional paid-in capital. Subsequent changes in the fair value of these awards are recorded in the consolidated income statements. The expenses relating to the SERs are re-measured at the fair value on each reporting date until their settlement dates. The expenses relating to the RSU awards granted by Ant Financial's subsidiary are re-measured at the fair value on each reporting date until their vesting dates.

During the years ended March 31, 2017, 2018 and 2019, the Company recognized expenses of RMB2,188 million, RMB2,278 million and RMB12,855 million in respect of the share-based awards relating to Ant Financial, respectively.

**(e) Share-based compensation expense by function**

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Cost of revenue	3,893	5,505	8,915
Product development expenses	5,712	7,374	15,378
Sales and marketing expenses	1,772	2,037	4,411
General and administrative expenses	4,618	5,159	8,787
Total	15,995	20,075	37,491

**9. Earnings per share**

Basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares, adjusted for treasury shares.

For the calculation of diluted earnings per share, net income attributable to ordinary shareholders for basic earnings per share is adjusted by the effect of dilutive securities, including share-based awards, under the treasury stock method. Potentially dilutive securities, of which the amounts are insignificant, have been excluded from the computation of diluted net income per share if their inclusion is anti-dilutive.

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**9. Earnings per share (Continued)**

The following table sets forth the computation of basic and diluted net income per share/ADS for the following periods:

	Year ended March 31,		
	2017	2018	2019
(in millions of RMB, except share data and per share data)			
<b>Numerator:</b>			
Net income attributable to ordinary shareholders for computing net income per ordinary share — basic	43,675	63,985	87,600
Dilution effect arising from share-based awards issued by a subsidiary and equity investees	(11)	(21)	(42)
Net income attributable to ordinary shareholders for computing net income per ordinary share — diluted	43,664	63,964	87,558
<b>Shares (denominator):</b>			
Weighted average number of shares used in calculating net income per ordinary share — basic (million shares)	2,493	2,553	2,580
Adjustments for dilutive RSUs and share options (million shares)	80	57	43
Weighted average number of shares used in calculating net income per ordinary share — diluted (million shares)	2,573	2,610	2,623
Net income per ordinary share/ADS — basic (RMB)	<u>17.52</u>	<u>25.06</u>	<u>33.95</u>
Net income per ordinary share/ADS — diluted (RMB)	<u>16.97</u>	<u>24.51</u>	<u>33.38</u>

**10. Restricted cash and escrow receivables**

	As of March 31,	
	2018	2019
(in millions of RMB)		
Money received or receivable on escrow services offered by AliExpress (i)	3,171	8,354
Others	246	164
	<u>3,417</u>	<u>8,518</u>

- (i) The amount represents customer funds held by external payment networks outside the PRC relating to AliExpress with a corresponding liability recorded under escrow money payable.

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**11. Investment securities and fair value disclosure**

	As of March 31, 2018				
	Original cost	Gross unrealized gains	Gross unrealized losses	Provision for decline in value	Carrying value
(in millions of RMB)					
Equity securities:					
Listed equity securities	20,303	10,990	(1,587)	(983)	28,723
Equity securities accounted for under the fair value option	498	67	—	—	565
Debt investments (i)	13,898	—	—	(179)	13,719
	<u>34,699</u>	<u>11,057</u>	<u>(1,587)</u>	<u>(1,162)</u>	<u>43,007</u>

	As of March 31, 2019				
	Original cost	Gross unrealized gains	Gross unrealized losses	Provision for decline in value	Carrying value
(in millions of RMB)					
Equity securities:					
Listed equity securities	57,121	15,968	(11,887)	—	61,202
Investments in privately held companies (ii)	81,894	14,107	(78)	(13,250)	82,673
Debt investments (i)	23,843	44	(20)	(725)	23,142
	<u>162,858</u>	<u>30,119</u>	<u>(11,985)</u>	<u>(13,975)</u>	<u>167,017</u>

- (i) Debt investments include convertible bonds accounted for under the fair value option, for which the fair value as of March 31, 2018 and 2019 were RMB1,256 million and RMB2,742 million, respectively. Unrealized gains recorded on these convertible bonds in the consolidated income statements were nil and RMB44 million during the years ended March 31, 2018 and 2019, respectively. Debt investments also include investments in certain wealth management products amounting to RMB6.9 billion as of March 31, 2018 and 2019. These investments were pledged to a financial institution in the PRC to secure a financing provided by this financial institution amounting to RMB6.9 billion to one of the Company's founders and an equity holder in certain of the Company's variable interest entities, to support his minority investment through a PRC limited partnership in Wasu Media Holding Co., Ltd., a company listed on the Shenzhen Stock Exchange.
- (ii) Upon the adoption of ASU 2016-01, certain investments in privately held companies that were previously accounted for under the cost method with a carrying value of RMB59,942 million as of March 31, 2018 were reclassified into investment securities as of April 1, 2018.

Details of the significant additions during the years ended March 31, 2017, 2018 and 2019 are set out in Note 4.

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**11. Investment securities and fair value disclosure (Continued)**

For equity securities, a summary of gains and losses, including impairment losses, recognized in interest and investment income, net is as follows:

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Net unrealized gains recognized during the period for equity securities still held as of the end of the period	—	11	598
Net gains recognized during the period from disposals of equity securities during the period	5,601	1	5,120
Net gains recognized during the period on equity securities	<u>5,601</u>	<u>12</u>	<u>5,718</u>

As of March 31, 2018, net unrealized gains of RMB9,403 million on listed equity securities previously classified as available-for-sale were recorded in accumulated other comprehensive income. Upon the adoption of ASU 2016-01, the Company carried these equity securities at fair value with unrealized gains and losses recorded in the consolidated income statements. Unrealized gains and losses recorded in accumulated other comprehensive income as of March 31, 2018 related to those equity securities previously classified as available-for-sale, in the amount of RMB8,196 million, net of tax, were reclassified into retained earnings as of April 1, 2018 (Note 2(t)). For listed equity securities previously classified as available-for-sale with unrealized losses, their related aggregate fair values amounted to RMB7,636 million as of March 31, 2018. The carrying amounts of listed equity securities previously classified as available-for-sale that were in a loss position over twelve months were insignificant as of the same date.

In addition, upon the adoption of ASU 2016-01, the Company no longer accounts for certain other equity investments in privately held companies over which the Company neither has control nor significant influence through investment in common stock or in-substance common stock using the cost method. Beginning on April 1, 2018, the Company elected to record a majority of equity investments in privately held companies using the measurement alternative (Note 2(t)). These equity securities, which amounted to RMB59,942 million as of March 31, 2018, were previously classified under investments in equity investees and were reclassified into investment securities on the consolidated balance sheets as of April 1, 2018 (Note 13). During the year ended March 31, 2019, upward adjustments of RMB15,474 million, and impairments and downward adjustments of RMB10,404 million, were recorded in interest and investment income, net, in the consolidated income statement. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities. As of March 31, 2019, the amount of investments in privately held companies for which the Company elected to record using the measurement alternative amounted to RMB81,514 million.

During the years ended March 31, 2017, 2018 and 2019, no realized gains or losses were recognized for the disposal of debt investments. During the same periods, impairment losses on debt investments of RMB173 million, RMB6 million and RMB546 million were recorded in interest and investment income, net in the consolidated income statements, respectively.

The carrying amount of debt investments approximates their fair value due to the fact that the related effective interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable maturities.

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**11. Investment securities and fair value disclosure (Continued)**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs reflecting assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Fair value of short-term investments and listed equity securities are based on quoted prices in active markets for identical assets or liabilities. Other financial instruments, such as interest rate swap contracts, are valued based on inputs derived from or corroborated by observable market data. Valuations of convertible and exchangeable bonds that do not have a quoted price are performed using valuation models such as the binomial model with unobservable inputs including risk-free interest rate and expected volatility. The valuation of contingent consideration is performed using an expected cash flow method with unobservable inputs including the probability to achieve the contingencies, which is assessed by the Company, in connection with the contingent consideration arrangements. Investments in privately held companies for which the Company elected to record using the measurement alternative were re-measured on a non-recurring basis, and are categorized within Level 3 under the fair value hierarchy. The values were estimated based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs including volatility, as well as rights and obligations of the securities that the Company holds.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized under the fair value hierarchy:

	As of March 31, 2018			Total
	Level 1	Level 2	Level 3	
	(in millions of RMB)			
<b>Assets</b>				
Short-term investments	6,086	—	—	6,086
Restricted cash and escrow receivables	3,417	—	—	3,417
Listed equity securities	28,723	—	—	28,723
Equity securities accounted for under the fair value option	—	—	565	565
Convertible bonds accounted for under the fair value option	—	—	1,256	1,256
Interest rate swap contracts	—	542	—	542
	<u>38,226</u>	<u>542</u>	<u>1,821</u>	<u>40,589</u>
<b>Liabilities</b>				
Contingent consideration in relation to investments and acquisitions	—	—	120	120
	<u>—</u>	<u>—</u>	<u>120</u>	<u>120</u>

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**11. Investment securities and fair value disclosure (Continued)**

	As of March 31, 2019			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Short-term investments	3,262	—	—	3,262
Restricted cash and escrow receivables	8,518	—	—	8,518
Listed equity securities	61,202	—	—	61,202
Convertible bonds accounted for under the fair value option	244	—	2,498	2,742
Interest rate swap contracts	—	331	—	331
Others	604	1,444	1,159	3,207
	<u>73,830</u>	<u>1,775</u>	<u>3,657</u>	<u>79,262</u>
<b>Liabilities</b>				
Contingent consideration in relation to investments and acquisitions	—	—	5,122	5,122
	<u>—</u>	<u>—</u>	<u>5,122</u>	<u>5,122</u>

Convertible bonds categorized within Level 3 under the fair value hierarchy:

	Amounts (in millions of RMB)
Balance as of April 1, 2017	—
Additions	1,264
Foreign currency translation adjustments	(8)
Balance as of March 31, 2018	1,256
Additions	1,153
Foreign currency translation adjustments	89
Balance as of March 31, 2019	<u>2,498</u>

Contingent consideration in relation to investments and acquisitions categorized within Level 3 under the fair value hierarchy:

	Amounts (in millions of RMB)
Balance as of April 1, 2017	921
Payment	(770)
Net decrease in fair value	(17)
Foreign currency translation adjustments	(14)
Balance as of March 31, 2018	120
Additions (i)	4,790
Net decrease in fair value	(45)
Foreign currency translation adjustments	257
Balance as of March 31, 2019	<u>5,122</u>

(i) Additions during the year ended March 31, 2019 were related to the acquisition of Ele.me (Note 4(c)).

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**12. Prepayments, receivables and other assets**

	<u>As of March 31,</u>	
	<u>2018</u>	<u>2019</u>
	<u>(in millions of RMB)</u>	
Current:		
Accounts receivable, net of allowance	7,284	13,771
Inventories	4,535	8,534
Amounts due from related companies (i)	8,080	7,445
VAT receivables, net of allowance (ii)	8,915	7,347
Prepaid cost of revenue, sales and marketing and other expenses	4,283	7,049
Advances to/receivables from customers, merchants and others	3,700	4,689
Deferred direct selling costs (iii)	1,643	1,990
Licensed copyrights (Note 2(y))	964	1,126
Interest receivables	672	867
Loan receivables, net	419	490
Others	2,733	5,282
	<u>43,228</u>	<u>58,590</u>
Non-current:		
Prepayment for acquisition of property and equipment	5,933	7,643
Film costs and prepayment for licensed copyrights and others	5,614	7,205
Land use rights, net (iv)	9,377	6,419
Deferred tax assets (Note 7)	2,182	2,533
Fair value of interest rate swap contracts	542	331
Deferred direct selling costs (iii)	188	281
Others	2,438	3,606
	<u>26,274</u>	<u>28,018</u>

- (i) Amounts due from related companies primarily represent balances arising from transactions with Ant Financial and its subsidiaries (Notes 4(a) and 21). The balances are unsecured, interest free and repayable within the next twelve months.
- (ii) VAT receivables mainly represent VAT receivable from relevant PRC tax authorities arising from the Company's VAT refund service. The Company provides advance settlement of relevant VAT refund amounts to its customers prior to receiving the VAT refund from tax authorities. To provide this service, the Company relies on short-term banking facilities and takes on credit risk if the Company fails to recover the prepaid VAT amount.
- (iii) The Company is obligated to pay certain costs upon the receipt of membership fees from merchants or other customers, which primarily consist of sales commissions. The membership fees are initially deferred and recognized as revenue in the consolidated income statements in the period in which the services are rendered. As such, the related costs are also initially deferred and recognized in the consolidated income statements in the same period as the related service fees are recognized.
- (iv) As of March 31, 2019, the Company revised the presentation to report land use rights under prepayments, receivables and other assets on the consolidated balance sheet. Accordingly, land use rights, net as of

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**12. Prepayments, receivables and other assets (Continued)**

March 31, 2018 in the amount of RMB9,377 million was reclassified to prepayments, receivables and other assets to conform with the current year presentation.

**13. Investments in equity investees**

	Cost method	Equity method	Total
	(in millions of RMB)		
Balance as of April 1, 2017	35,404	84,964	120,368
Additions (i)	34,121	26,391	60,512
Share of results, other comprehensive income and other reserves (ii)	—	(3,660)	(3,660)
Disposals	(3,051)	(474)	(3,525)
Transfers (iii)	(1,725)	(9,011)	(10,736)
Impairment loss (iv)	(1,753)	(18,153)	(19,906)
Foreign currency translation adjustments	(3,054)	(299)	(3,353)
Balance as of March 31, 2018	59,942	79,758	139,700
Transfer of cost method investments (v)	(59,942)	—	(59,942)
Balance as of April 1, 2018	—	79,758	79,758
Additions (i)	—	14,360	14,360
Share of results, other comprehensive income and other reserves (ii)	—	1,905	1,905
Disposals	—	(1,160)	(1,160)
Transfers (iii)	—	(10,153)	(10,153)
Impairment loss (iv)	—	(493)	(493)
Foreign currency translation adjustments	—	237	237
Balance as of March 31, 2019	—	84,454	84,454

- (i) Details of the significant additions of the investments in equity investees are set out in Note 4.
- (ii) Share of results, other comprehensive income and other reserves include the share of results of the equity investees, the gain or loss arising from the deemed disposal of the equity investees and the amortization of basis differences. The amount excludes the expenses relating to the share-based awards underlying the equity of the Company and Ant Financial granted to employees of certain equity investees (Note 8(d)).
- (iii) During the year ended March 31, 2018, transfers under the equity method were primarily related to the consolidation of Cainiao Network (Note 4(f)) and Intime (Note 4(g)) upon the acquisition of control by the Company.

During the year ended March 31, 2019, transfers under the equity method were primarily related to the consolidation of Alibaba Pictures (Note 4(b)).

- (iv) Impairment charges in connection with the equity method investments of RMB245 million, RMB18,153 million and RMB493 million were recorded in share of results of equity investees in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively.

Impairment charges in connection with the cost method investments of RMB2,125 million and RMB1,753 million were recorded in interest and investment income, net in the consolidated income statements for the years ended March 31, 2017 and 2018, respectively.

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**13. Investments in equity investees (Continued)**

Out of the impairment charges relating to the equity method investments for the year ended March 31, 2018, RMB18,116 million was related to the Company's investment in Alibaba Pictures (Note 4(b)). The fair value measurements with respect to the impairments of other equity investees were individually insignificant and utilized a number of different unobservable inputs not subject to meaningful aggregation.

- (v) Upon the adoption of ASU 2016-01, the Company no longer accounts for certain other equity investments in privately held companies over which the Company neither has control nor significant influence through investment in common stock or in-substance common stock using the cost method, and RMB59,942 million were reclassified into investment securities (Note 11) as of April 1, 2018.

As of March 31, 2018, cost method investments with an aggregate carrying amount of RMB30,318 million have appreciated in value and the Company estimated the fair value to be approximately RMB61,936 million. As of the same date, for certain other cost method investments with an aggregate carrying amount of RMB29,624 million, the Company identified no events or changes in circumstances that may have a significant adverse effect on the fair value of the investments and determined that it is not practicable to estimate their fair values.

As of March 31, 2019, equity method investments with an aggregate carrying amount of RMB56,463 million that are publicly traded have increased in value and the total market value of these investments amounted to RMB72,200 million.

For the years ended March 31, 2017, 2018 and 2019, equity method investments held by the Company in aggregate have met the significance criteria as defined under Rule 4-08 (g) of Regulation S-X. As such, the Company is required to present summarized financial information for all of its equity method investments as a group as follows:

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Operating data:			
Revenue	125,701	284,706	488,775
Cost of revenue	(109,790)	(242,068)	(405,074)
(Loss) Income from operations	(9,071)	(7,072)	3,840
Net (loss) income	(6,743)	195	2,923

	As of March 31,	
	2018	2019
	(in millions of RMB)	
Balance sheet data:		
Current assets	200,742	257,502
Non-current assets	184,310	222,484
Current liabilities	162,340	205,272
Non-current liabilities	26,107	34,191
Noncontrolling interests and mezzanine equity	16,586	10,151

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**14. Property and equipment, net**

	As of March 31,	
	2018	2019
	(in millions of RMB)	
Buildings and property improvements	45,909	61,940
Computer equipment and software	33,852	53,187
Construction in progress	5,110	6,959
Furniture, office and transportation equipment	2,057	3,889
	86,928	125,975
Less: accumulated depreciation and amortization	(20,439)	(33,945)
Net book value	66,489	92,030

Depreciation and amortization expenses recognized for the years ended March 31, 2017, 2018 and 2019 were RMB5,177 million, RMB8,654 million and RMB14,818 million, respectively.

**15. Intangible assets, net**

	As of March 31,	
	2018	2019
	(in millions of RMB)	
User base and customer relationships	13,510	47,913
Trade names, trademarks and domain names	14,198	22,592
Non-compete agreements (i)	7,820	12,528
Developed technology and patents	5,463	9,510
Licensed copyrights (Note 2(y))	9,182	9,225
Others	225	1,358
	50,398	103,126
Less: accumulated amortization and impairment	(22,933)	(34,850)
Net book value	27,465	68,276

- (i) In April 2017, the Company entered into a non-compete agreement with a former management member of Youku (Note 4(h)), with a fair value of RMB2,528 million. As of March 31, 2019, the remaining amortization period of the non-compete agreement is one year.

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**15. Intangible assets, net (Continued)**

The estimated aggregate amortization expenses for each of the five succeeding fiscal years and thereafter are as follows:

	<u>Amounts</u> <u>(in millions of RMB)</u>
For the year ending March 31,	
2020	14,418
2021	11,362
2022	8,779
2023	7,793
2024	7,378
Thereafter	<u>18,546</u>
	<u>68,276</u>

**16. Goodwill**

Changes in the carrying amount of goodwill by segment for the years ended March 31, 2018 and 2019 were as follows:

	<u>Core commerce</u>	<u>Cloud computing</u>	<u>Digital media and entertainment</u>	<u>Innovation initiatives and others</u>	<u>Total</u>
	<u>(in millions of RMB)</u>				
Balance as of April 1, 2017	79,855	368	40,521	4,676	125,420
Additions (i)	37,458	—	335	—	37,793
Impairment	—	—	(494)	—	(494)
Foreign currency translation adjustments	(515)	—	(55)	—	(570)
Balance as of March 31, 2018	<u>116,798</u>	<u>368</u>	<u>40,307</u>	<u>4,676</u>	<u>162,149</u>
Additions (i)	80,760	1,118	20,165	575	102,618
Foreign currency translation adjustments	157	(25)	36	—	168
Balance as of March 31, 2019	<u>197,715</u>	<u>1,461</u>	<u>60,508</u>	<u>5,251</u>	<u>264,935</u>

(i) During the year ended March 31, 2018, additions under the core commerce segment were primarily related to the acquisition of Cainiao Network (Note 4(f)).

During the year ended March 31, 2019, additions under the core commerce segment and the digital media and entertainment segment were primarily related to the acquisitions of Koubei and Ele.me (Note 4(c)) and the acquisition of Alibaba Pictures (Note 4(b)), respectively.

Gross goodwill balances were RMB166,093 million and RMB268,879 million as of March 31, 2018 and 2019, respectively. Accumulated impairment losses were RMB3,944 million as of March 31, 2018 and 2019.

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**16. Goodwill (Continued)**

In the annual goodwill impairment assessment, the Company concluded that the carrying amounts of certain reporting units exceeded their respective fair values and recorded impairment losses of nil, RMB494 million and nil during the years ended March 31, 2017, 2018 and 2019, respectively. The impairment losses were resulted from a revision of long-term financial outlook and the change in business model of those reporting units. The impairment loss was determined by comparing the carrying amounts of goodwill associated with the reporting units with their respective implied fair values of the goodwill. The goodwill impairment is presented as an unallocated item in the segment information (Note 25) because the CODM of the Company does not consider this as part of the segment operating performance measure.

**17. Deferred revenue and customer advances**

Deferred revenue and customer advances primarily represent service fees prepaid by merchants or customers for which the relevant services have not been provided. The respective balances are as follows:

	As of March 31,	
	2018	2019
	(in millions of RMB)	
Deferred revenue	13,350	18,448
Customer advances	9,940	13,814
	23,290	32,262
Less: current portion	(22,297)	(30,795)
Non-current portion	993	1,467

All service fees received in advance are initially recorded as customer advances. These amounts are transferred to deferred revenue upon commencement of the provision of services by the Company and are recognized in the consolidated income statements in the period in which the services are provided. In general, service fees received in advance are non-refundable after the amounts are transferred to deferred revenue. Substantially all of the balances of deferred revenue and customer advances are generally recognized as revenue within one year. The amount of revenue recognized during the year ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

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**18. Accrued expenses, accounts payable and other liabilities**

	As of March 31,	
	2018	2019
	(in millions of RMB)	
Current:		
Payables and accruals for cost of revenue and sales and marketing expenses	40,363	51,958
Accrued bonus and staff costs, including sales commission	11,212	14,034
Payable to merchants and third party marketing affiliates	6,584	12,554
Other deposits and advances received	6,271	10,447
Payables and accruals for purchases of property and equipment	6,095	5,548
Amounts due to related companies (i)	1,996	4,570
Other taxes payable (ii)	2,382	3,448
Contingent and deferred consideration in relation to investments and acquisitions	807	3,301
Accrued professional services and administrative expenses	1,371	2,361
Accrued donations	1,215	1,738
Accrual for interest expense	885	924
Others (iii)	1,984	6,828
	<u>81,165</u>	<u>117,711</u>
Non-current:		
Contingent and deferred consideration in relation to investments and acquisitions	408	3,872
Others	1,637	2,315
	<u>2,045</u>	<u>6,187</u>

- (i) Amounts due to related companies primarily represent balances arising from the transactions with Ant Financial and its subsidiaries (Note 21). The balances are unsecured, interest free and repayable within the next twelve months.
- (ii) Other taxes payable represent business tax, VAT and related surcharges and PRC individual income tax of employees withheld by the Company.
- (iii) Other current liabilities as of March 31, 2019 include a settlement provision of US\$250 million (RMB1,679 million) for a U.S. federal class action lawsuit that has been pending since January 2015 (Note 24(g)).

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**19. Bank borrowings**

Bank borrowings are analyzed as follows:

	As of March 31	
	2018	2019
	(in millions of RMB)	
Current portion:		
Short-term other borrowings (i)	6,028	7,356
Non-current portion:		
US\$4.0 billion syndicated loan denominated in US\$ (ii)	24,957	26,780
Long-term other borrowings (iii)	9,196	8,647
	<u>34,153</u>	<u>35,427</u>

- (i) As of March 31, 2018 and 2019, the Company had short-term borrowings from banks which were repayable within one year or on demand and charged interest rates ranging from 2.2% to 6.1% and 2.9% to 19.0% per annum, respectively. As of March 31, 2019, the weighted average interest rate of these borrowings was 4.1% per annum. The borrowings are primarily denominated in RMB or US\$.
- (ii) As of March 31, 2018 and 2019, the Company had a five-year US\$4.0 billion syndicated loan, which was entered into with a group of eight lead arrangers. The loan has a five-year bullet maturity and is priced at 110 basis points over LIBOR. The related floating interest payments are hedged by certain interest rate swap contracts entered into by the Company. The proceeds of the loan were used for general corporate and working capital purposes (including acquisitions). In May 2019, the loan terms were modified such that the interest rate of the loan was reduced to 85 basis points over LIBOR and the maturity of the loan was extended to May 2024.
- (iii) As of March 31, 2018 and 2019, the Company had long-term borrowings from banks with weighted average interest rates of approximately 4.5% and 4.6% per annum, respectively. The borrowings are all denominated in RMB.

Certain other bank borrowings are collateralized by a pledge of certain bank deposits, buildings and property improvements, construction in progress and land use rights in the PRC with carrying values of RMB20,927 million and RMB18,314 million, as of March 31, 2018 and 2019, respectively. As of March 31, 2019, the Company is in compliance with all covenants in relation to bank borrowings.

In April 2017, the Company obtained a new revolving credit facility provided by certain financial institutions for an amount of US\$5.15 billion, which has not yet been drawn down. The interest rate on any outstanding utilized amount under this new credit facility is calculated based on LIBOR plus 95 basis points. This facility is reserved for general corporate and working capital purposes (including acquisitions).

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**19. Bank borrowings (Continued)**

As of March 31, 2019, the borrowings will be due according to the following schedule:

	<u>Principal amounts</u> <u>(in millions of RMB)</u>
Within 1 year	7,358
Between 1 to 2 years	841
Between 2 to 3 years	27,986
Between 3 to 4 years	577
Between 4 to 5 years	559
Beyond 5 years	5,576
	<u>42,897</u>

**20. Unsecured senior notes**

In November 2014, the Company issued unsecured senior notes including floating rate and fixed rate notes with varying maturities for an aggregate principal amount of US\$8.0 billion (the "2014 Senior Notes"), of which US\$1.3 billion was repaid in November 2017. The 2014 Senior Notes are senior unsecured obligations that are listed on the HKSE, and interest is payable in arrears, quarterly for the floating rate notes and semiannually for the fixed-rate notes.

In December 2017, the Company issued another series of unsecured fixed rate senior notes with varying maturities for an aggregate principal amount of US\$7.0 billion (the "2017 Senior Notes"). The 2017 Senior Notes are senior unsecured obligations that are listed on the Singapore Stock Exchange, and interest is payable in arrears semiannually.

The following table provides a summary of the Company's unsecured senior notes as of March 31, 2018 and 2019:

	<u>As of March 31,</u>		<u>Effective</u> <u>interest rate</u>
	<u>2018</u>	<u>2019</u>	
	<u>(in millions of RMB)</u>		
US\$2,250 million 2.500% notes due 2019	14,083	15,110	2.67%
US\$1,500 million 3.125% notes due 2021	9,365	10,044	3.26%
US\$700 million 2.800% notes due 2023	4,372	4,687	2.90%
US\$2,250 million 3.600% notes due 2024	14,050	15,061	3.68%
US\$2,550 million 3.400% notes due 2027	15,848	16,989	3.52%
US\$700 million 4.500% notes due 2034	4,339	4,650	4.60%
US\$1,000 million 4.000% notes due 2037	6,219	6,663	4.06%
US\$1,750 million 4.200% notes due 2047	10,880	11,655	4.25%
US\$1,000 million 4.400% notes due 2057	6,216	6,658	4.44%
Carrying value	85,372	91,517	
Unamortized discount and debt issuance costs	624	589	
Total principal amounts of unsecured senior notes	85,996	92,106	
Less: current portion of principal amounts of unsecured senior notes	—	(15,127)	
Non-current portion of principal amounts of unsecured senior notes	<u>85,996</u>	<u>76,979</u>	

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**20. Unsecured senior notes (Continued)**

The 2014 Senior Notes and the 2017 Senior Notes were issued at a discount with a total amount of US\$47 million (RMB297 million). The debt issuance costs of US\$82 million (RMB517 million) were presented as a direct deduction from the principal amount of the unsecured senior notes on the consolidated balance sheets. The effective interest rates for the unsecured senior notes include the interest charged on the notes as well as amortization of the debt discounts and debt issuance costs.

The 2014 Senior Notes and the 2017 Senior Notes contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets. As of March 31, 2019, the Company is in compliance with all these covenants. In addition, the 2014 Senior Notes and the 2017 Senior Notes rank senior in right of payment to all of the Company's existing and future indebtedness expressly subordinated in right of payment to the notes and rank at least equally in right of payment with all of the Company's existing and future unsecured unsubordinated indebtedness (subject to any priority rights pursuant to applicable law).

The proceeds from issuance of the 2014 Senior Notes were used in full to refinance a previous syndicated loan in the same amount. The proceeds from the issuance of the 2017 Senior Notes were used for general corporate purposes.

As of March 31, 2019, the future principal payments for the Company's unsecured senior notes will be due according to the following schedule:

	<u>Principal amounts</u> <u>(in millions of RMB)</u>
Within 1 year	15,127
Between 1 to 2 years	—
Between 2 to 3 years	10,084
Between 3 to 4 years	—
Between 4 to 5 years	4,706
Thereafter	62,189
	<u>92,106</u>

As of March 31, 2018 and 2019, the fair values of the Company's unsecured senior notes, based on Level 2 inputs, were US\$13,317 million (RMB83,590 million) and US\$13,679 million (RMB91,964 million), respectively.

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**21. Related party transactions**

During the years ended March 31, 2017, 2018 and 2019, other than disclosed elsewhere, the Company had the following material related party transactions:

*Transactions with Ant Financial and its affiliates*

	<u>Year ended March 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of RMB)		
<b>Amounts earned by the Company</b>			
Profit Share Payments (i)	2,086	3,444	517
SME Annual Fee (ii)	847	956	954
Administrative and support services (iii)	531	676	1,017
Commission on transactions (iii)	409	497	591
Cloud computing revenue (iii)	264	482	761
Other amounts earned (iii)	144	529	898
	<u>4,281</u>	<u>6,584</u>	<u>4,738</u>
<b>Amounts incurred by the Company</b>			
Payment processing fee (iv)	5,487	6,295	8,252
Other amounts incurred (iii)	952	1,894	1,328
	<u>6,439</u>	<u>8,189</u>	<u>9,580</u>

- (i) In 2014, the Company entered into the 2014 IPLA with Ant Financial. Under the 2014 IPLA, the Company receives the Profit Share Payments amounting to the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Financial, subject to certain adjustments (Note 4(a)).

Profit Share Payments were recognized in consolidated income statements, net of the costs incurred for the provision of the software technology services reimbursed by Ant Financial. The amounts reimbursed by Ant Financial to the Company were RMB245 million, RMB37 million and RMB106 million for the years ended March 31, 2017, 2018 and 2019, respectively.

- (ii) The Company entered into software system use and service agreements with Ant Financial in 2014. In calendar years 2016 to 2017, the Company received the SME Annual Fee equal to 2.5% of the average daily balance of the SME loans made by Ant Financial and its affiliates. In calendar years 2018 to 2021, the Company received or will receive the SME Annual Fee equal to the amount paid in calendar year 2017 (Note 4(a)).
- (iii) The Company has other commercial arrangements, treasury management arrangements and cost sharing arrangements with Ant Financial, its subsidiaries and affiliates on various sales and marketing, cloud computing, treasury management, and other administrative and support services.

In addition, the Company entered into agreements with Ant Financial and its affiliates under which the Company receives a cash reimbursement for RSUs and options relating to the certain shares granted to employees of Ant Financial, its subsidiaries and affiliates, upon the vesting of the RSUs and options.

- (iv) The Company and Alipay, among others, entered into a commercial agreement in 2011 whereby the Company receives payment processing services in exchange for a payment processing fee, which was recognized in cost of revenue.

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**21. Related party transactions (Continued)**

As of March 31, 2018 and 2019, the Company had certain amounts of cash and short-term investments held in accounts managed by Alipay.

*Transactions with Cainiao Network*

The Company has commercial arrangements with Cainiao Network to receive certain logistics services. Expenses incurred in connection with the logistics services provided by Cainiao Network of RMB4,444 million and RMB3,437 million were recorded in the consolidated income statements for the year ended March 31, 2017 and for the period from April 1, 2017 to the date of consolidation of Cainiao Network in October 2017, respectively.

The Company also has cost sharing and other services arrangements with Cainiao Network and its subsidiaries primarily related to various administrative and support services. In connection with these services provided by the Company, RMB152 million and RMB123 million were recorded in the consolidated income statements for the year ended March 31, 2017 and for the period from April 1, 2017 to the date of consolidation of Cainiao Network in October 2017, respectively.

*Transactions with Weibo Corporation ("Weibo")*

The strategic collaboration agreement and the marketing cooperation agreement that were entered into between the Company and Weibo, an equity investee of the Company, expired in January 2016. Expenses incurred in connection with the marketing services provided by Weibo pursuant to these agreements and other commercial arrangements of RMB340 million, RMB615 million and RMB624 million were recorded in the cost of revenue and sales and marketing expenses in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively.

The Company also has other commercial arrangements with Weibo primarily related to cloud computing services. In connection with these services provided by the Company, RMB105 million, RMB223 million and RMB304 million were recorded in revenue in the consolidated income statements for the years ended March 31, 2017, 2018 and 2019, respectively.

*Transactions with other investees*

Cainiao Network has commercial arrangements with certain investees of the Company related to logistics services. Revenues recognized in connection with these services of RMB72 million and RMB261 million were recorded in the consolidated income statements for the period from the date of consolidation of Cainiao Network in October 2017 to March 31, 2018 and the year ended March 31, 2019, respectively. Expenses incurred in connection with these services of RMB5,608 million and RMB12,933 million were recorded in the consolidated income statements for the same periods, respectively.

The Company has extended loans to certain of the Company's investees for working capital and other uses in conjunction with the Company's investments. As of March 31, 2019, the aggregate outstanding balance of these loans was RMB2,543 million, with durations generally ranging from one month to ten years and interest rates of up to 10% per annum.

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**21. Related party transactions (Continued)**

*Repurchase of ordinary shares from SoftBank*

In June 2016, the Company entered into a share purchase agreement with SoftBank, pursuant to which the Company repurchased 27,027,027 ordinary shares from SoftBank at US\$74.00 per share for an aggregate consideration of approximately US\$2.0 billion. These ordinary shares were cancelled upon the completion of the transaction.

*Other transactions*

The Company's digital economy offers different platforms on which different enterprises operate and the Company believes that all transactions on the Company's platforms are conducted on terms obtained in arms-length transactions with similar unrelated parties.

Other than the transactions disclosed above or elsewhere in the consolidated financial statements, the Company has commercial arrangements with SoftBank, its investees and other related parties to provide and receive certain marketing, logistics, traffic acquisition, cloud computing and other services and products. The amounts relating to these services provided and received represent less than 1% of the Company's revenue and total costs and expenses, respectively, for the years ended March 31, 2017, 2018 and 2019.

In addition, the Company has made certain acquisitions and equity investments together with related parties from time to time during the years ended March 31, 2017, 2018 and 2019. The agreements for acquisitions and equity investments were entered into by the parties involved and conducted on fair value basis. The significant acquisitions and equity investments together with related parties are included in Note 4.

**22. Restricted net assets**

PRC laws and regulations permit payments of dividends by the Company's subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries incorporated in the PRC are required to annually appropriate 10% of their net income to the statutory reserve prior to payment of any dividends, unless the reserve has reached 50% of their respective registered capital. Furthermore, registered share capital and capital reserve accounts are also restricted from distribution. As a result of the restrictions described above and elsewhere under PRC laws and regulations, the Company's subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends. The restriction amounted to RMB112,524 million as of March 31, 2019. Except for the above or disclosed elsewhere, there is no other restriction on the use of proceeds generated by the Company's subsidiaries to satisfy any obligations of the Company.

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**23. Commitments**

**(a) Capital commitments**

Capital expenditures contracted for are analyzed as follows:

	<b>As of March 31,</b>	
	<b>2018</b>	<b>2019</b>
	<b>(in millions of RMB)</b>	
Contracted but not provided for:		
Purchase of property and equipment	3,181	5,656
Construction of corporate campuses	2,607	3,576
	<u>5,788</u>	<u>9,232</u>

**(b) Operating lease commitments for office facility and transportation equipment**

The Company has leased office premises and transportation equipment under non-cancellable operating lease agreements. These leases have different terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>As of March 31,</b>	
	<b>2018</b>	<b>2019</b>
	<b>(in millions of RMB)</b>	
No later than 1 year	2,760	4,984
Later than 1 year and no later than 5 years	7,652	10,675
More than 5 years	11,940	15,346
Total	<u>22,352</u>	<u>31,005</u>

For the years ended March 31, 2017, 2018 and 2019, the Company incurred rental expenses under operating leases of RMB747 million, RMB2,279 million and RMB4,699 million, respectively.

**(c) Commitments for co-location and bandwidth fees, licensed copyrights and marketing expenses**

	<b>As of March 31,</b>	
	<b>2018</b>	<b>2019</b>
	<b>(in millions of RMB)</b>	
No later than 1 year	19,737	21,768
Later than 1 year and no later than 5 years	12,097	22,291
More than 5 years	3,672	4,964
Total	<u>35,506</u>	<u>49,023</u>

**(d) Investment commitments**

The Company was obligated to pay up to RMB15,174 million and RMB23,954 million for business combinations and equity investments under various arrangements as of March 31, 2018 and 2019, respectively. The commitment balance as of March 31, 2018 primarily includes the consideration for the investment in Shiji Retail (Note 4(r)) and the acquisition of Kaiyuan (Note 4(e)). The commitment balance as of March 31, 2019

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**23. Commitments (Continued)**

**(d) Investment commitments (Continued)**

primarily includes the consideration for the investment relating to STO Express (Note 4(k)), Focus Media (Note 4(l)) and the remaining committed capital of certain investment funds.

**(e) Sponsorship commitment**

In January 2017, the Company entered into a framework agreement with the International Olympic Committee (the "IOC") and the United States Olympic Committee for a long-term partnership arrangement through 2028. Joining in The Olympic Partner worldwide sponsorship program, the Company has become the official "E-Commerce Services" Partner and "Cloud Services" Partner of the IOC. In addition, the Company has been granted certain marketing rights, benefits and opportunities relating to future Olympic Games and related initiatives, events and activities. The Company will provide at least US\$815 million worth of cash, cloud infrastructure services and cloud computing services, as well as marketing and media support in connection with various Olympic initiatives, events and activities, including the Olympic Games and the Winter Olympic Games through 2028. As of March 31, 2018 and 2019, the aggregate amount of cash to be paid and value of services to be provided in the future approximates US\$770 million and US\$738 million, respectively.

**24. Risks and contingencies**

- (a) The Company is incorporated in the Cayman Islands and considered as a foreign entity under PRC laws. Due to legal restrictions on foreign ownership and investment in, among other areas, value-added telecommunications services, which include the operations of Internet content providers, the Company conducts its Internet businesses and other businesses through various contractual arrangements with VIEs that are held by PRC citizens or by PRC entities owned and/or controlled by PRC citizens. The VIEs hold the licenses and approvals that are essential for their business operations in the PRC and the Company has entered into various agreements with the VIEs and their equity holders such that the Company has the right to benefit from their licenses and approvals and generally has control of the VIEs. In the Company's opinion, the current ownership structure and the contractual arrangements with the VIEs and their equity holders as well as the operations of the VIEs are in substantial compliance with all existing PRC laws, rules and regulations. However, there may be changes and other developments in PRC laws, rules and regulations. Accordingly, the Company gives no assurance that PRC government authorities will not take a view in the future that is contrary to the opinion of the Company. If the current ownership structure of the Company and its contractual arrangements with the VIEs and their equity holders were found to be in violation of any existing or future PRC laws or regulations, the Company's ability to conduct its business could be impacted and the Company may be required to restructure its ownership structure and operations in the PRC to comply with the changes in the PRC laws which may result in deconsolidation of the VIEs.
- (b) The PRC market in which the Company operates poses certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Company to operate or invest in online and mobile commerce or other Internet related businesses, representing the principal services provided by the Company, in the PRC. The information and technology industries are highly regulated. Restrictions are currently in place or are unclear regarding what specific segments of these industries foreign owned enterprises, like the Company, may operate. If new or more extensive restrictions were imposed on the segments in which the Company is permitted to operate, the Company could be required to sell or cease to operate or invest in some or all of its current businesses in the PRC.

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**24. Risks and contingencies (Continued)**

- (c) The Company's sales, purchase and expense transactions are generally denominated in RMB and a significant portion of the Company's assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Company in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies and require certain supporting documentation in order to effect the remittance. If the foreign exchange control system prevents the Company from obtaining sufficient foreign currencies to satisfy its currency demands, the Company may not be able to pay dividends in foreign currencies and the Company's ability to fund its business activities that are conducted in foreign currencies could be adversely affected.
- (d) Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents, short-term investments, restricted cash and investment securities. As of March 31, 2017, 2018 and 2019, substantially all of the Company's cash and cash equivalents, short-term investments and restricted cash were held by major financial institutions located worldwide, including Hong Kong and the PRC. If the banking system or the financial markets deteriorate or become volatile, the financial institutions and other issuers of financial instruments held by the Company could become insolvent and the markets for these instruments could become illiquid, in which case the Company could lose some or all of the value of its investments.
- (e) During the years ended March 31, 2017, 2018 and 2019, the Company offered a trade assurance program on the international wholesale marketplaces at no charge to the wholesale buyers and sellers. If the wholesale sellers who participate in this program do not deliver the products in their stated specifications to the wholesale buyers on schedule, the Company may compensate the wholesale buyers for their losses on behalf of the wholesale sellers up to a pre-determined amount following a review of each particular case. In turn, the Company will seek a full reimbursement from the wholesale sellers for the prepaid reimbursement amount, yet the Company is exposed to a risk over the collectability of the reimbursement from the wholesale sellers. During the years ended March 31, 2017, 2018 and 2019, the Company did not incur any material losses with respect to the compensation provided under this program. Given that the maximum compensation for each wholesale seller is pre-determined based on their individual risk assessments by the Company considering their credit profile or other relevant information, the Company determined that the likelihood of material default on the payments are not probable and therefore no provisions have been made in relation to this program.
- (f) In the ordinary course of business, the Company makes strategic investments in privately held companies and listed securities to increase the service offerings and expand capabilities. The Company continually reviews its investments to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors which the Company considers in its determination include the length of time that the fair value of the investment is below the Company's carrying value; post-balance sheet date fair value of the investment; the financial condition, operating performance, strategic collaboration with and the prospects of the investee; the economic or technological environment in which the investee operates; and other entity specific information, such as recent financing rounds completed by the investee companies. Fair value of the listed securities is subject to volatility and may be materially affected by market fluctuations. If the decline in fair value is significant and other-than-temporary, the carrying value of the investment is written down to its fair value and this may negatively impact the results of operations of the Company.

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**24. Risks and contingencies (Continued)**

(g) In the ordinary course of business, the Company is from time to time involved in legal proceedings and litigations relating to disputes relating to trademarks and other intellectual property, among others. As of March 31, 2019, the Company accrued a settlement provision of US\$250 million (RMB1,679 million) for the settlement of a U.S. federal class action lawsuit in exchange for a full release of all claims brought in the lawsuit that has been pending since January 2015 (Note 18). Except for the above, there are no legal proceedings and litigations that have in the recent past had, or to the Company's knowledge, are probable to have, a material impact on the Company's financial positions, results of operations or cash flows. Except for the above, the Company did not accrue any other material loss contingencies in this respect as of March 31, 2017, 2018 and 2019.

**25. Segment information**

The Company presents segment information after elimination of inter-company transactions. In general, revenue, cost of revenue and operating expenses are directly attributable, or are allocated, to each segment. The Company allocates costs and expenses that are not directly attributable to a specific segment, such as those that support infrastructure across different segments, to different segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant costs and expenses. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

The following tables present the summary of each segment's revenue, income from operations and adjusted earnings before interest, taxes and amortization ("Adjusted EBITA") which is considered as a segment operating performance measure, for the years ended March 31, 2017, 2018 and 2019:

	Year ended March 31, 2017						Unallocated (i)	Consolidated
	Core commerce	Cloud computing	Digital media and entertainment	Innovation initiatives and others	Total segments	(in millions of RMB, except percentages)		
<b>Revenue</b>	133,880	6,663	14,733	2,997	158,273	—	158,273	
<b>Income (Loss) from operations</b>	74,180	(1,681)	(9,882)	(6,798)	55,819	(7,764)	48,055	
Add: share-based compensation expense	5,994	1,201	1,454	3,017	11,666	4,329	15,995	
Add: amortization of intangible assets	2,258	4	1,886	656	4,804	318	5,122	
<b>Adjusted EBITA (ii)</b>	<u>82,432</u>	<u>(476)</u>	<u>(6,542)</u>	<u>(3,125)</u>	<u>72,289</u>	<u>(3,117)</u>		
<b>Adjusted EBITA margin (iii)</b>	62%	(7)%	(44)%	(104)%				

**ALIBABA GROUP HOLDING LIMITED**  
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**FOR THE YEARS ENDED MARCH 31, 2017, 2018 AND 2019**

**25. Segment information (Continued)**

	Year ended March 31, 2018						Consolidated
	Core commerce	Cloud computing	Digital media and entertainment	Innovation initiatives and others	Total segments	Unallocated (i)	
	(in millions of RMB, except percentages)						
<b>Revenue</b>	214,020	13,390	19,564	3,292	250,266	—	250,266
<b>Income (Loss) from operations</b>	102,743	(3,085)	(14,140)	(6,901)	78,617	(9,303)	69,314
Add: share-based compensation expense	8,466	2,274	2,142	3,707	16,589	3,486	20,075
Add: amortization of intangible assets	2,891	12	3,693	198	6,794	326	7,120
Add: impairment of goodwill	—	—	—	—	—	494	494
<b>Adjusted EBITA (ii)</b>	<u>114,100</u>	<u>(799)</u>	<u>(8,305)</u>	<u>(2,996)</u>	<u>102,000</u>	<u>(4,997)</u>	
<b>Adjusted EBITA margin (iii)</b>	53%	(6)%	(42)%	(91)%			

	Year ended March 31, 2019						Consolidated
	Core commerce	Cloud computing	Digital media and entertainment	Innovation initiatives and others	Total segments	Unallocated (i)	
	(in millions of RMB, except percentages)						
<b>Revenue</b>	323,400	24,702	24,077	4,665	376,844	—	376,844
<b>Income (Loss) from operations</b>	109,312	(5,508)	(20,046)	(11,795)	71,963	(14,879)	57,084
Add: share-based compensation expense	17,694	4,332	2,988	5,774	30,788	6,703	37,491
Add: amortization of intangible assets	9,161	18	1,262	50	10,491	236	10,727
Add: settlement of U.S. federal class action lawsuit	—	—	—	—	—	1,679	1,679
<b>Adjusted EBITA (ii)</b>	<u>136,167</u>	<u>(1,158)</u>	<u>(15,796)</u>	<u>(5,971)</u>	<u>113,242</u>	<u>(6,261)</u>	
<b>Adjusted EBITA margin (iii)</b>	42%	(5)%	(66)%	(128)%			

**ALIBABA GROUP HOLDING LIMITED**  
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**25. Segment information (Continued)**

The following table presents the reconciliation from the Adjusted EBITA to the consolidated net income for the years ended March 31, 2017, 2018 and 2019:

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Total Segments Adjusted EBITA	72,289	102,000	113,242
Unallocated (i)	(3,117)	(4,997)	(6,261)
Share-based compensation expense	(15,995)	(20,075)	(37,491)
Amortization of intangible assets	(5,122)	(7,120)	(10,727)
Impairment of goodwill	—	(494)	—
Settlement of U.S. federal class action lawsuit	—	—	(1,679)
<b>Consolidated income from operations</b>	<b>48,055</b>	<b>69,314</b>	<b>57,084</b>
Interest and investment income, net	8,559	30,495	44,106
Interest expenses	(2,671)	(3,566)	(5,190)
Other income, net	6,086	4,160	221
Income tax expenses	(13,776)	(18,199)	(16,553)
Share of results of equity investees	(5,027)	(20,792)	566
<b>Consolidated net income</b>	<b>41,226</b>	<b>61,412</b>	<b>80,234</b>

The following table presents the total depreciation and amortization expenses of property and equipment and land use rights by segment for the years ended March 31, 2017, 2018 and 2019:

	Year ended March 31,		
	2017	2018	2019
	(in millions of RMB)		
Core commerce	2,124	3,784	6,672
Cloud computing	1,438	3,047	6,580
Digital media and entertainment	752	986	1,182
Innovation initiatives and others and unallocated (i)	970	972	528
<b>Total depreciation and amortization expenses of property and equipment and land use rights</b>	<b>5,284</b>	<b>8,789</b>	<b>14,962</b>

- (i) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.
- (ii) Adjusted EBITA represents net income before (i) interest and investment income, net, other income, net, interest expense, income tax expenses and share of results of equity investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization of intangible assets and impairment of goodwill, and (iii) settlement of a U.S. federal class action lawsuit, which are not reflective of the Company's core operating performance.
- (iii) Adjusted EBITA margin represents Adjusted EBITA divided by revenue.

Details of the Company's revenue by segment are set out in Note 5. As substantially all of the Company's long-lived assets are located in the PRC and substantially all of the Company's revenue is derived from within the PRC, no geographical information is presented.



**Schedules of Material Differences of Contractual Arrangements of Material Variable Interest Entities and their Respective Equity Holders****I. Loan Agreement Schedule**

The material differences in the loan agreements by and among the VIE Shareholders and the WFOEs in connection with our material contractual arrangements for the material variable interest entities and their respective equity holders are set forth below.

1. loan agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”) and Taobao (China) Software Co., Ltd. (the “WFOE”) on January 4, 2019; the agreement will terminate (i) 20 years from the effective date of the loan agreement on January 4, 2019, (ii) upon the expiry of the business term of the WFOE, or (iii) the expiry of the business term of Zhejiang Taobao Network Co., Ltd. (the “VIE”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB65,032,517, which shall only be used for operation activities approved by the WFOE; the VIE Shareholder made representations in the agreement that, among other things, it shall not cause the VIE to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;
  2. loan agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”) and Alibaba (China) Technology Co., Ltd. (the “WFOE”) on December 27, 2018; the agreement will expire (i) 20 years from the effective date of the loan agreement on December 27, 2018, (ii) upon the expiry of the business term of the WFOE, or (iii) upon the expiry of the business term of Hangzhou Alibaba Advertising Co., Ltd. (the “VIE”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB10,041,800, which shall only be used for operation activities approved by the WFOE; the VIE Shareholder made representations in the agreement that, among other things, it shall not cause the VIE to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;
  3. loan agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”) and Zhejiang Alibaba Cloud Computing Ltd. (the “WFOE”) on July 19, 2018; the agreement will expire (i) 20 years from the effective date of the loan agreement on July 16, 2018, (ii) upon the expiry of the business term of the WFOE, or (iii) upon the expiry of the business term of Alibaba Cloud Computing Ltd. (the “VIE”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB50,025,013, which shall only be used for operation activities approved by the WFOE; the VIE Shareholder made representations in the agreement that, among other things, it shall not cause the VIE to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;
  4. (1) loan agreement entered into by Liu Dele and 1Verge Internet Technology (Beijing) Co., Ltd. (the “WFOE”) on November 21, 2012; the term of the loan is 10 years from execution date; the term of the loan is 10 years from execution date, subject to automatic extension of successive 10 years periods; the aggregate principal amount under the loan agreements is RMB16 million, which shall only be used for investment in 1Verge Information Technology (Beijing) Co., Ltd. (the “VIE”); Liu Dele made representations in the agreement that, among other things, he shall not enter into any contracts with a value exceeding RMB100,000 without the prior written consent of the WFOE, except those entered into in the ordinary course of business.
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(2) loan agreement entered into by Qin Qiong and 1Verge Internet Technology (Beijing) Co., Ltd. (the “WFOE”) on November 21, 2012; the term of the loans is 10 years from execution date, subject to automatic extension of successive 10 years periods; the aggregate principal amount under the loan agreements is RMB4 million, which shall only be used for investment in 1Verge Information Technology (Beijing) Co., Ltd. (the “VIE”); Qin Qiong made representations in the agreement that, among other things, he shall not enter into any contracts with a value exceeding RMB100,000 without the prior written consent of the WFOE, except those entered into in the ordinary course of business.

(3) loan agreement entered into by Hangzhou Ali Venture Capital Co., Ltd. and the WFOE on April 21, 2016; the agreement became effective on April 21, 2016 and will terminate (i) 30 years from the effective date of the loan agreement, (ii) upon the expiry of the business term of the VIE, whichever is earlier; the aggregate principal amount under the loan agreement is RMB40 million, which shall only be used as investment by Hangzhou Ali Venture Capital Co., Ltd. in the VIE; Hangzhou Ali Venture Capital Co., Ltd. made representations in the agreement that, among other things, it shall not cause the VIE to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;

5. loan agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”) and Zhejiang Tmall Technology Co., Ltd. (the “WFOE”) on January 10, 2018; the agreement will expire upon (i) 20 years from the effective date of the loan agreement, (ii) upon the expiry of the business term of the WFOE, or (iii) upon the expiry of the business term of Zhejiang Tmall Network Co., Ltd. (the “VIE”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB10 million, which shall only be used for operation activities approved by the WFOE; the VIE Shareholder made representations in the agreement that, among other things, it shall not cause the VIE to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;
  6. (1) loan agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement will expire (i) 20 years from the execution date of the loan agreement, (ii) upon the expiry of the business term of the Taobao (China) Software Co., Ltd., or (iii) upon the expiry of the business term of Hangzhou Zhenxiang Investment Management Partnership (Limited Partnership) (the “LLP”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB3 million, which shall only be used for investment in the LLP; the Limited Partners made representations in the agreement that, among other things, they shall not cause the LLP to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;
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(2) loan agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement will expire (i) 20 years from the execution date of the loan agreement, (ii) upon the expiry of the business term of the Taobao (China) Software Co., Ltd., or (iii) upon the expiry of the business term of Hangzhou Zhensheng Investment Management Partnership (Limited Partnership) (the “LLP”), whichever is earlier; the aggregate principal amount under the loan agreement is RMB3 million, which shall only be used for investment in the LLP; the Limited Partners made representations in the agreement that, among other things, they shall not cause the LLP to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business;

(3) loan agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “GP Shareholders”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement will expire (i) 20 years from the execution date of the loan agreement, (ii) upon the expiry of the business term of the Taobao (China) Software Co., Ltd., or (iii) upon the expiry of the business term of Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”); the aggregate principal amount under the loan agreement is RMB250,000, which shall only be used for investment in the GP; the GP Shareholders made representations in the agreement that, among other things, they shall not cause the LLP to borrow from a third party or assume any debt, except for indebtedness of no more than RMB100,000, individually or in aggregate in six consecutive months, arising in the ordinary course of business.

## **II. Exclusive Call Option Agreement Schedule**

The material differences in the exclusive call option agreements by and among the VIE Shareholders, the VIEs and the WFOEs in connection with our material contractual arrangements for the material variable interest entities and their respective equity holders are set forth below.

1. exclusive call option agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”), Taobao (China) Software Co., Ltd. (the “WFOE”) and Zhejiang Taobao Network Co., Ltd. (the “VIE”) on January 4, 2019; the agreement is effective from January 4, 2019 and becomes null and void when all of equity interests and assets of the VIE have been transferred to the WFOE and/or its designated entity(ies) or individual(s);
  2. exclusive call option agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”), Alibaba (China) Technology Co., Ltd. (the “WFOE”) and Hangzhou Alibaba Advertising Co., Ltd. (the “VIE”) on December 27, 2018; the agreement is effective from December 27, 2018 and becomes null and void when all of equity interests and assets of the VIE have been transferred to the WFOE and/or its designated entity(ies) or individual(s);
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3. exclusive call option agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”), Zhejiang Alibaba Cloud Computing Ltd. (the “WFOE”) and Alibaba Cloud Computing Ltd. (the “VIE”) on July 19, 2018; the agreement is effective from July 16, 2018 and becomes null and void when all of the equity interests and assets of the VIE have been transferred to the WFOE and/or its designated entity(ies) or individual(s);
  4. exclusive call option agreement entered into by Liu Dele, Qin Qiong, Hangzhou Ali Venture Capital Co., Ltd. (together with Liu Dele and Qin Qiong, the “VIE Shareholders”), 1Verge Internet Technology (Beijing) Co., Ltd. (the “WFOE”), and 1Verge Information Technology (Beijing) Co., Ltd. (the “VIE”) on April 21, 2016; the agreement is effective upon signing and becomes null and void when all of equity interests and assets of the VIE have been transferred to the WFOE and/or its designated entity(ies) or individual(s);
  5. exclusive call option agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder”), Zhejiang Tmall Technology Co., Ltd. (the “WFOE”) and Zhejiang Tmall Network Co., Ltd. (the “VIE”) on January 10, 2018; the agreement is effective upon signing and becomes null and void when all of the equity interests and assets of the VIE have been transferred to the WFOE and/or its designated entity(ies) or individual(s);
  6. (1) exclusive call option agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenqiang Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018; the agreement is effective from September 4, 2017 and becomes null and void until all of equity interests and assets of the LLP have been transferred to Taobao (China) Software Co., Ltd. and/or its designated entity(ies) or individual(s);  
  
(2) exclusive call option agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhensheng Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018; the agreement is effective from October 27, 2017 and becomes null and void until all of equity interests and assets of the LLP have been transferred to Taobao (China) Software Co., Ltd. and/or its designated entity(ies) or individual(s);  
  
(3) exclusive call option agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “GP Shareholders”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”) on January 31, 2018; the agreement is effective from August 11, 2017 and becomes null and void until all of equity interests and assets of the GP have been transferred to Taobao (China) Software Co., Ltd. and/or its designated entity(ies) or individual(s).
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### III. Proxy Agreement Schedule

The material differences in the proxy agreements by and among the VIE Shareholders, the VIEs and the WFOEs in connection with our material contractual arrangements for the material variable interest entities and their respective equity holders are set forth below.

1. proxy agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd., Taobao (China) Software Co., Ltd. and Zhejiang Taobao Network Co., Ltd. on January 4, 2019; the agreement became effective on January 4, 2019 and has a term of 20 years, subject to automatic renewal;
  2. proxy agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd., Alibaba (China) Technology Co., Ltd. and Hangzhou Alibaba Advertising Co., Ltd. on December 27, 2018; the agreement became effective on December 27, 2018 and has a term of 20 years, subject to automatic renewal;
  3. proxy agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd., Zhejiang Alibaba Cloud Computing Ltd. and Alibaba Cloud Computing Ltd. on July 19, 2018; the agreement became effective on July 16, 2018 and has a term of 20 years, subject to automatic renewal;
  4. proxy agreement entered into by Liu Dele, Qin Qiong, Hangzhou Ali Venture Capital Co., Ltd., 1Verge Internet Technology (Beijing) Co., Ltd. (the “WFOE”), and 1Verge Information Technology (Beijing) Co., Ltd. (the “VIE”) on April 21, 2016; the agreement has a term of 30 year, subject to automatic renewal;
  5. proxy agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd., Zhejiang Tmall Technology Co., Ltd. and Zhejiang Tmall Network Co., Ltd. on January 10, 2018; the agreement has a term of 20 years, subject to automatic renewal;
  6. (1) proxy agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenqiang Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018; the agreement has a term of 20 years from September 4, 2017, subject to automatic renewal;
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(2) proxy agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhensheng Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018; the agreement has a term of 20 years from October 27, 2017, subject to automatic renewal;

(3) proxy agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “GP Shareholders”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”) on January 31, 2018; the agreement has a term of 20 years from August 11, 2017, subject to automatic renewal.

#### **IV. Equity Pledge Agreement Schedule**

The material differences in the equity pledge agreements entered into by and among the VIE Shareholders, the VIEs and the WFOEs in connection with our material contractual arrangements for the material variable interest entities and their respective equity holders are set forth below.

1. equity pledge agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder” and the “pledgor”), Taobao (China) Software Co., Ltd. (the “WFOE” and the “pledgee”) and Zhejiang Taobao Network Co., Ltd. (the “VIE”) on January 4, 2019, which secures the performance of the obligations of the VIE Shareholder under the contractual arrangements;
  2. equity pledge agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder” and the “pledgor”), Alibaba (China) Technology Co., Ltd. (the “WFOE” and the “pledgee”) and Hangzhou Alibaba Advertising Co., Ltd. (the “VIE”) on December 27, 2018, which secures the performance of the obligations of the VIE Shareholder under the contractual arrangements;
  3. equity pledge agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder” and the “pledgor”), Zhejiang Alibaba Cloud Computing Ltd. (the “WFOE” and the “pledgee”) and Alibaba Cloud Computing Ltd. (the “VIE”) on July 19, 2018, which secures the performance of the obligations of the VIE Shareholder under the contractual arrangements.
  4. equity pledge agreement entered into by Liu Dele, Qin Qiong, Hangzhou Ali Venture Capital Co., Ltd. (together with Liu Dele and Qin Qiong, the “VIE Shareholders” and the “pledgors”), Youku Internet Technology (Beijing) Co., Ltd. (the “WFOE” and the “pledgee”), and Youku Information Technology (Beijing) Co., Ltd. on April 21, 2016, which secure the performance of the obligations of the VIE Shareholders under the contractual arrangements;
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5. equity pledge agreement entered into by Hangzhou Zhenxi Investment Management Co., Ltd. (the “VIE Shareholder” and the “pledgor”), Zhejiang Tmall Technology Co., Ltd. (the “WFOE” and the “pledgee”) and Zhejiang Tmall Network Co., Ltd. (the “VIE”) on January 10, 2018, which secures the performance of the obligations of the VIE Shareholder under the contractual arrangements;
6. (1) equity pledge agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenqiang Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018, which secures the performance of the obligations of the Partners under the contractual arrangements;  
  
(2) equity pledge agreement entered into by Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “Limited Partners”), Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”, together with the “Limited Partners”, the “Partners”), Taobao (China) Software Co., Ltd. and Hangzhou Zhensheng Investment Management Partnership (Limited Partnership) (the “LLP”) on January 31, 2018, which secures the performance of the obligations of the Partners under the contractual arrangements;  
  
(3) equity pledge agreements entered into by each of Daniel Zhang, Jessie Zheng, Shao Xiaofeng, Judy Tong, and Angel Zhao (together with Daniel Zhang, Jessie Zheng, Shao Xiaofeng and Judy Tong, the “GP Shareholders”), Taobao (China) Software Co., Ltd. and Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”) on January 31, 2018, which secure the obligations of the GP Shareholders under the contractual arrangements.

#### **V. Exclusive Technical Service Agreement or Exclusive Service Agreement Schedule**

The material differences in the exclusive technical service agreements by and among the VIEs and the WFOEs in connection with our material contractual arrangements for the material variable interest entities and their respective equity holders are set forth below.

1. exclusive service agreement entered into by Taobao (China) Software Co., Ltd. (the “WFOE”) and Zhejiang Taobao Network Co., Ltd. (the “VIE”) on January 4, 2019; the agreement became effective on January 4, 2019 subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the WFOE and the VIE based on suggestions made by the WFOE, which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;
  2. exclusive service agreement entered into by Alibaba (China) Technology Co., Ltd. (the “WFOE”) and Hangzhou Alibaba Advertising Co., Ltd. (the “VIE”) on December 27, 2018; the agreement became effective on December 27, 2018 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the WFOE and the VIE based on suggestions made by the WFOE, which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;
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3. exclusive service agreement entered into by Zhejiang Alibaba Cloud Computing Ltd. (the “WFOE”) and Alibaba Cloud Computing Ltd. (the “VIE”) on July 19, 2018; the agreement became effective on July 16, 2018 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the WFOE and the VIE based on suggestions made by the WFOE, which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;
  4. exclusive technical and consulting services agreement entered into by 1Verge Internet Technology (Beijing) Co., Ltd. (the “WFOE”) and 1Verge Information Technology (Beijing) Co., Ltd. (the “VIE”) on November 21, 2012; the agreement became effective upon signing and has a term of 10 year subject to automatic renewal for another 10 years; the VIE shall pay services fees for services rendered by the WFOE which shall be subject to WFOE’s right to adjust at its sole discretion without the consent of the VIE;
  5. exclusive service agreement entered into by Zhejiang Tmall Technology Co., Ltd. (the “WFOE”) and Zhejiang Tmall Network Co., Ltd. (the “VIE”) on January 10, 2018; the agreement became effective on January 10, 2018 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the WFOE and the VIE based on suggestions made by the WFOE, which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;
  6. (1) exclusive service agreement entered into by Hangzhou Zhenqiang Investment Management Partnership (Limited Partnership) (the “LLP”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement became effective on September 4, 2017 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the LLP and Taobao (China) Software Co., Ltd. based on suggestions made by Taobao (China) Software Co., Ltd., which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;  
  
(2) exclusive service agreement entered into by Hangzhou Zhensheng Investment Management Partnership (Limited Partnership) (the “LLP”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement became effective on October 27, 2017 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the LLP and Taobao (China) Software Co., Ltd. based on suggestions made by Taobao (China) Software Co., Ltd., which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle;
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(3) exclusive service agreement entered into by Hangzhou Zhenyue Enterprise Management Co., Ltd. (the “GP”) and Taobao (China) Software Co., Ltd. on January 31, 2018; the agreement became effective on August 11, 2017 and has a term of 20 years subject to automatic renewal; subject to compliance with mandatory provisions of laws and regulations, the scope of services and the amount of service fees may be determined and adjusted by the GP and Taobao (China) Software Co., Ltd. based on suggestions made by Taobao (China) Software Co., Ltd., which shall not be refused by the VIE without reasonable grounds, from time to time; the service fees are payable on an annual basis in principle.

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29 May 2019

**ALIBABA GROUP HOLDING LIMITED**  
as the *Company*

**CITICORP INTERNATIONAL LIMITED**  
as *Agent*

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**AMENDMENT AND RESTATEMENT  
AGREEMENT**  
in respect of a  
**US\$4,000,000,000 Facility Agreement**  
dated 9 March 2016 as amended by a Syndication and  
Amendment Agreement dated 3 May 2016

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 **Freshfields Bruckhaus Deringer**

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THIS AMENDMENT AND RESTATEMENT AGREEMENT (this *Agreement* ) is dated 29 May 2019 and made between:

- (1) ALIBABA GROUP HOLDING LIMITED (the *Company* ); and
- (2) CITICORP INTERNATIONAL LIMITED as facility agent of the Finance Parties (other than itself) (the *Agent* ).

**WHEREAS:**

- (A) This Agreement is supplemental to and amends the facility agreement (the *Original Facility Agreement* ) dated 9 March 2016 between, among others, the Company and the Agent, as amended by a syndication and amendment agreement dated 3 May 2016 between, among others, the Company and the Agent.
- (B) The Agent is authorised and has been instructed to execute this Agreement on behalf of the Finance Parties pursuant to Clause 32 ( *Amendments and waivers* ) of the Original Facility Agreement.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement:

*Amended and Restated Facility Agreement* means the Original Facility Agreement, as amended and restated by this Agreement.

*Consent Request* means the consent request dated 29 March 2019 delivered by the Company to the Agent in connection with the amendments, consent and waivers set out in this Agreement.

*Effective Date* means the later of (i) 31 May 2019 or such later date that is the last date of an Interest Period in respect of the Loan as may be agreed by the Company and the Agent and (ii) the date on which the Agent confirms it has received all of the documents and other evidence listed in Schedule 1 ( *Conditions Precedent* ); and

*Party* means a party to this Agreement.

1.2 Save as defined in this Agreement, words and expressions defined in the Original Facility Agreement shall have the same meanings in this Agreement.

1.3 Paragraphs (a)(i)-(iv), (a)(vi)-(xiii) and (b) of clause 1.2 ( *Construction* ) and clauses 1.3 ( *Third Party rights* ), 28 ( *Notices* ), 30 ( *Partial invalidity* ) and 31 ( *Remedies and waivers* ) of the Original Facility Agreement shall be deemed to be incorporated into this Agreement save that references in the Original Facility Agreement to “this Agreement” shall be construed as references to this Agreement, references in the Original Facility Agreement to “Parties” shall be construed as references to the Parties and cross references to specified clauses thereof are references to the equivalent clauses set out or incorporated herein.

1.4 This Agreement constitutes a Finance Document for the purposes of the Original Facility Agreement and the Amended and Restated Facility Agreement.

Project Espresso — Amendment and Restatement Agreement

## 2. AMENDMENT

With effect from the date of this Agreement, the Original Facility Agreement shall be amended by inserting the following at the end of paragraph (a) of clause 32.7 ( *Replacement of Lender* ) of the Original Facility Agreement:

“On or after the delivery of the notice under this paragraph (a), the Company shall deliver a Transfer Certificate complying with Clause 21.5 ( *Procedure for transfers* ) and executed by the relevant Replacement Lender and any other related documentation to effect the transfer, which Transfer Certificate and any other related documentation to effect the transfer (if attached) shall be promptly (and by no later than the later of (i) 15 (fifteen) Business Days after delivery by the Company of such notice and (ii) 3 (three) Business Days after delivery by the Company of such Transfer Certificate and all other related documentation) executed by the relevant Lender subject to the replacement (the “ **Replaced Lender** ”) and returned to the Company and the Agent. Notwithstanding the requirements of Clause 21 ( *Changes to the Lenders* ) or any other provisions of the Finance Documents (save only for the conditions set out in paragraph (b) below, which continue to apply), if a Replaced Lender does not execute and return (as applicable) a Transfer Certificate and all other related documentation to effect the transfer as required by this paragraph (a) on or before the later of (i) 15 (fifteen) Business Days after delivery by the Company of such notice and (ii) 3 (three) Business Days after delivery by the Company of such Transfer Certificate and all other related documentation and none of the conditions set out in paragraph (b) below remain to be satisfied in respect of that transfer, (i) the relevant Replaced Lender shall be a Defaulting Lender for all purposes under the Finance Documents, (ii) the relevant transfer or transfers shall automatically and immediately be effected for all purposes under the Finance Documents on payment of the applicable replacement amount to the Agent (for the account of the relevant Replaced Lender) (notwithstanding the failure to execute and return such documentation by the relevant Replaced Lender (a “ **Failure** ”)), (iii) the Agent may (and is authorised and required by each Finance Party to) execute, without requiring any further consent or action from any other party, a Transfer Certificate and any other related documentation to effect the transfer on behalf of the relevant Replaced Lender which is required to transfer its rights and obligations under this Agreement pursuant to this paragraph (a) which shall be effective for the purposes of Clause 21.5 ( *Procedure for transfers* ) and (iv) to the extent that any transfer purported to be automatically effected by this Clause is not effective, the relevant Replaced Lender shall indemnify and hold the Agent and each applicable Replacement Lender harmless against any loss or liability incurred by such person as result of the Failure and account to each applicable Replacement Lender for all applicable principal and accrued amounts of interest unless and until such transfer is effected. The Agent shall not be liable in any way for any action taken by it pursuant to this paragraph (a) and, for the avoidance of doubt, the provisions of Clause 24.9 ( *Exclusion of liability* ) shall apply in relation thereto.”

## 3. RESTATEMENT

3.1 With effect from the Effective Date, the Original Facility Agreement shall be amended and restated such that it shall be read and construed for all purposes as set out in Schedule 2 ( *Amended and Restated Facility Agreement* ) and all references therein to “this Agreement” shall be to the Original Facility Agreement as amended and restated by this Agreement.

3.2 The Company makes each of the representations and warranties set out in clause 17 ( *Representations* ) of the form of Amended and Restated Facility Agreement on the Effective Date by reference to the facts and circumstances then existing.

#### 4. CONSENTS AND WAIVERS

The Agent hereby agrees on behalf of each Finance Party that:

- (a) the reference in paragraph (b)(iii) of clause 32.7 ( *Replacement of Lender* ) of the Original Facility Agreement to “in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 30 Business Days after the date on which that Lender is deemed a Non-Consenting Lender” shall be replaced with the reference to “in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than the last day of the first Interest Period ending on or after the date which is 30 Business Days after the date on which that Lender is deemed to be a Non-Consenting Lender”; and
- (b) the reference in paragraph (d)(iii) of clause 32.7 ( *Replacement of Lender* ) of the Original Facility Agreement that “Lenders whose Commitments aggregate more than eighty per cent. (80%) of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than eighty per cent. (80%) of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment” shall be replaced with the reference to “the Majority Lenders (or Lenders whose Commitment aggregate more than any higher percentage of the Total Commitments as the Company may notify the Agent in writing) have consented or agreed to such waiver or amendment”;

in each case in respect of the amendments set out in or contemplated by this Agreement which require the approval of all the Lenders. For the avoidance of doubt, nothing in this Clause 4 shall apply in case of any other waiver or amendment that the Company may request in connection with the Finance Documents.

#### 5. INTEREST PERIOD

The Company hereby agrees to ensure that 31 May 2019 is the last day of an Interest Period for the Loan.

#### 6. FEES AND EXPENSES

- 6.1 The Company shall pay an amount equal to the aggregate Consent Fees (as defined in the Consent Request) payable in accordance with the Consent Request to the Agent for the account of each applicable Lender within one Business Day of the Effective Date.
- 6.2 The Company shall reimburse the Agent for (or pay on its behalf) its reasonable costs and expenses (including legal fees) incurred in connection with the Consent Request and the amendments contemplated by this Agreement within five Business Days of demand.

#### 7. MISCELLANEOUS

- 7.1 This Agreement is a Finance Document.
- 7.2 This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.
- 7.3 The provisions of the Original Facility Agreement and the other Finance Documents shall, save as amended by this Agreement, continue in full force and effect.

**8. GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

**9. ENFORCEMENT**

9.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including any dispute to any non-contractual obligations arising from or in connection with this Agreement and any dispute relating to the existence, validity or termination of this Agreement) (a *Dispute* ).

9.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

9.3 This Clause 9 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

**SCHEDULE 1**  
**CONDITIONS PRECEDENT**

1. Company

- (a) A copy of the constitutional documents of the Company (comprising, its currently effective memorandum and articles of association, certificate of incorporation (and certificate(s) of incorporation on change of name, if any), register of directors and register of mortgages and charges).
- (b) A copy of a resolution of the board of directors of the Company:
  - (i) approving the terms of, and the transactions contemplated by, this Agreement and resolving that it execute this Agreement;
  - (ii) authorising a specified person or persons to execute this Agreement on its behalf;
  - (iii) if applicable, authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with this Agreement.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A certificate from the Company (signed by a director) confirming that borrowing the Total Commitments would not cause any borrowing or similar limit binding on it to be exceeded.
- (e) A certificate of an authorised signatory of the Company certifying that each copy document specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.
- (f) A copy of a certificate of good standing of the Company.
- (g) A copy of a certificate of incumbency (or registered officer provider's certificate) from the registered officer provider of the Company.

2. Finance Document

A copy of this Agreement (duly executed and delivered by all parties thereto).

3. Legal opinions

- (a) A legal opinion as to English law from Freshfields Bruckhaus Deringer in relation to this Agreement, addressed to the Agent and the Lenders in form and substance satisfactory to the Agent and the Lenders (acting reasonably).
- (b) A legal opinion as to Cayman Islands law from Maples and Calder, addressed to the Agent and the Lenders and in form and substance satisfactory to the Agent and the Lenders (acting reasonably).

4. Other documents and evidence

- (a) Evidence that the process agent referred to in Clause 35.2 ( *Service of Process* ) of the Original Facility Agreement has accepted its appointment in respect of the full term of the Facility under the Amended and Restated Facility Agreement.
- (b) A copy of the Group Structure Chart.
- (c) Evidence that any fees, costs and expenses then due from the Company pursuant to Clause 6 ( *Fees and Expenses* ) have been paid or will be paid by the Effective Date.
- (d) Evidence that all the Lenders have consented or agreed to the amendments and waivers set out in or contemplated by this Agreement which require the approval of all the Lenders.

**SCHEDULE 2**

**AMENDED AND RESTATED FACILITY AGREEMENT**

9 March 2016  
(as amended by a syndication and amendment agreement dated 3 May 2016 and as  
further amended and restated by an amendment and restatement agreement dated  
29 May 2019)

**ALIBABA GROUP HOLDING LIMITED**

arranged by  
**THE FINANCIAL INSTITUTIONS NAMED HEREIN**  
as Restatement Effective Date Mandated Lead Arrangers & Bookrunners

**THE FINANCIAL INSTITUTIONS NAMED HEREIN**  
as Restatement Effective Date Mandated Lead Arrangers

**THE FINANCIAL INSTITUTIONS NAMED HEREIN**  
as Restatement Effective Date Lead Arrangers

**THE FINANCIAL INSTITUTIONS NAMED HEREIN**  
as Restatement Effective Date Lenders

with

**CITICORP INTERNATIONAL LIMITED**  
acting as Agent

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**US\$4,000,000,000**  
**FACILITY AGREEMENT**  
for  
**ALIBABA GROUP HOLDING LIMITED**

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**THIS AGREEMENT** is dated 9 March 2016, as amended by a syndication and amendment agreement dated 3 May 2016 and as further amended and restated by an amendment and restatement agreement dated 29 May 2019 and made between:

- (1) **ALIBABA GROUP HOLDING LIMITED** (the “**Company**”);
- (2) **AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED; BANK OF CHINA (HONG KONG) LIMITED; BANK OF CHINA LIMITED MACAU BRANCH; BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH; BANK OF COMMUNICATIONS CO., LTD. OFFSHORE BANKING UNIT; BANK OF COMMUNICATIONS CO., LTD. MACAU BRANCH; CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED; CHINA MERCHANTS BANK CO., LTD., HONG KONG BRANCH; CHINA MERCHANTS CO., LTD., OFFSHORE BANKING CENTER; CITIGROUP GLOBAL MARKETS ASIA LIMITED; CREDIT SUISSE AG, SINGAPORE BRANCH; DBS BANK LTD., HONG KONG BRANCH; GOLDMAN SACHS BANK USA; INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED; JPMORGAN CHASE BANK, N.A., HONG KONG BRANCH; MIZUHO BANK, LTD.; MORGAN STANLEY ASIA LIMITED NANYANG COMMERCIAL BANK, LIMITED; STANDARD CHARTERED BANK (HONG KONG) LIMITED; THE BANK OF EAST ASIA, LIMITED and THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED** (whether acting individually or together, the “**Restatement Effective Date Mandated Lead Arrangers & Bookrunners**”);
- (3) **HANG SENG BANK LIMITED** and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (whether acting individually or together, the “**Restatement Effective Date Mandated Lead Arrangers**”);
- (4) **THE NORINCHUKIN BANK, SINGAPORE BRANCH; CATHAY UNITED BANK; TAISHIN INTERNATIONAL BANK; KGI BANK; THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.; AGRICULTURAL BANK OF CHINA LTD., NEW YORK BRANCH; E. SUN COMMERCIAL BANK, LTD., HONG KONG BRANCH; SHINKIN CENTRAL BANK; WING LUNG BANK, LIMITED; OVERSEA-CHINESE BANKING CORPORATION, LIMITED** and **SUMITOMO MITSUI BANKING CORPORATION** (whether acting individually or together, the “**Restatement Effective Date Lead Arrangers**” and, together with the Restatement Effective Date Mandated Lead Arrangers & Bookrunners and the Restatement Effective Date Mandated Lead Arrangers, the “**Restatement Effective Date Arrangers**”);
- (5) **THE FINANCIAL INSTITUTIONS** listed in Part B ( *The Restatement Effective Date Lenders* ) of Schedule 1 ( *The Lenders* ) as lenders (the “**Restatement Effective Date Lenders**”); and
- (6) **CITICORP INTERNATIONAL LIMITED** as agent of the Finance Parties (other than itself) (the “**Agent**”).

**IT IS AGREED** as follows:

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Agreement:

“ **Acceptable Bank** ” means:

- (a) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of BBB- or higher by Standard & Poor’s Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody’s Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (b) any other bank or financial institution approved by the Agent (acting on the instructions of the Majority Lenders).

“ **Accordion Lender** ” has the meaning given to that term in Clause 2.3 ( *Additional Commitments* ).

“ **Accounting Principles** ” means, in relation to the Company, US GAAP or IFRS.

“ **Additional Commitment** ” means:

- (a) in relation to an entity identified as a Lender in an Additional Commitment Notice, the amount set opposite its name under the heading “Additional Commitment” in such Additional Commitment Notice and the amount of any other Additional Commitment transferred to it under this Agreement; or
- (b) in relation to any other Lender, the amount of any Additional Commitment transferred to it under this Agreement to the extent not cancelled, reduced or transferred by it under this Agreement.

“ **Additional Commitment Fee Letter** ” means each fee letter entered into between the Company and, if applicable, the Lenders or other banks which commit Additional Commitments.

“ **Additional Commitment Notice** ” means a notice substantially in the form set out in Schedule 9 ( *Additional Commitment Notice* ) delivered by the Company to the Agent in accordance with Clause 2.3 ( *Additional Commitments* ).

“ **Administrative Party** ” means each of the Agent and the Arrangers.

“ **Affiliate** ” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“ **APLMA** ” means the Asia Pacific Loan Market Association Limited.

“ **Arranger** ” means:

- (a) prior to the Restatement Effective Date, any Original Mandated Lead Arranger; and
- (b) on or after the Restatement Effective Date, any Restatement Effective Date Arranger.

“ **Article 55 BRRD** ” means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“ **Authorisation** ” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“ **Availability Period** ” means:

- (a) in respect of the Original Commitments, the period from and including the date of this Agreement to and including the date falling three (3) months after the date of this Agreement; and
- (b) in respect of the Increased Commitments, the period from and including the Upsize Effective Date to and including the date falling three (3) months after the Upsize Effective Date.

“ **Available Commitment** ” means a Lender’s Commitment minus:

- (a) the aggregate amount of its participation in any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the aggregate amount of its participation in any Loans that are due to be made on or before the proposed Utilisation Date.

“ **Available Facility** ” means the aggregate for the time being of each Lender’s Available Commitment.

“ **Bail-In Action** ” means the exercise of any Write-down and Conversion Powers.

“ **Bail-In Legislation** ” means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 BRRD, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any state other than such an EEA Member Country or (to the extent that the United Kingdom is not such an EEA Member Country) the United Kingdom, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“ **Break Costs** ” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received pursuant to the terms of this Agreement for the period from the date of receipt of all or any part of the principal amount of a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount of interest which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“ **Business Day** ” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, Singapore and New York.

“ **Capital Stock** ” of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person, including any Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

“ **Commitment** ” means:

- (a) in relation to an Original Lender, (i) the amount set opposite its name under the heading Commitment in (at any time prior to occurrence of the Upsize Effective Date) Part A ( *The Original Lenders* ) of Schedule 1 ( *The Lenders* ) or (with effect from the occurrence of the Upsize Effective Date but prior to occurrence of the Restatement Effective Date) Schedule 2 ( *The Lenders* ) to the Syndication and Amendment Agreement and (ii) the amount of any other Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 ( *Increase* ) or Clause 2.3 ( *Additional Commitments* );
- (b) in relation to a Restatement Effective Date Lender, (i) the amount set opposite its name under the heading Commitment in Part B ( *The Restatement Effective Date Lenders* ) of Schedule 1 ( *The Lenders* ) and (ii) the amount of any other Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 ( *Increase* ) or Clause 2.3 ( *Additional Commitments* ); and
- (c) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 ( *Increase* ) or Clause 2.3 ( *Additional Commitments* ) or the Syndication and Amendment Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“ **Competitors** ” means Amazon (including Joyo.com), Baidu, eBay (including PayPal), Facebook, Google, Yahoo!, Microsoft, Tencent (including Tenpay), JD.com (formerly, 360Buy), Wal-Mart Stores, Inc., Yihaodian, Xiaomi, 58.com, Yahoo! JAPAN (including SoftBank Group), Qihoo 360, Vipshop, Rakuten, Ping An (including Lufax but excluding Ping An Bank), UnionPay and each of their controlled Affiliates.

“ **Confidentiality Undertaking** ” means a confidentiality undertaking substantially in a recommended form of the APLMA as set out in Schedule 7 ( *Form of Confidentiality Undertaking* ) or in any other form agreed between the Company and the Agent and in any event the benefit of which accrues to the Company as a third party beneficiary.

“ **Consolidated Affiliated Entity** ” of any person means any corporation, association or other entity which is or is required to be consolidated with such person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or

supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than U.S. GAAP, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

“ **Controlled Entity** ” of any person means a Subsidiary or a Consolidated Affiliated Entity of such person.

“ **Default** ” means an Event of Default or any event or circumstance specified in Clause 20 ( *Events of Default* ) which would (with the expiry of a grace period, the giving of notice or the making of any determination (other than as to materiality) referred to in Clause 20 ( *Events of Default* )) be an Event of Default.

“ **Defaulting Lender** ” means any Lender:

- (a) which has failed to make its participation in a Loan available or has notified the Agent or the Company (which has notified the Agent) that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 5.4 ( *Lenders' participation* );
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event; and,payment is made within two Business Days of its due date; or
- (ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

“ **Disruption Event** ” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; and
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“ **Distributable Reserves** ” means, in relation to an Onshore Group Member which is a WFOE, the retained earnings of such WFOE that may in accordance with any applicable PRC law and regulation and PRC GAAP be distributed to its shareholders outside of the PRC after taking into account all Taxes payable under PRC law and all statutory reserve requirements in the PRC.

“ **Dormant Subsidiary** ” means a Group Member which does not trade (for itself or as agent for any person) and does not own, legally or beneficially, any material assets (including, without limitation, indebtedness owed to it).

“ **EEA Member Country** ” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“ **EBITDA** ” means the consolidated income before income tax and share of net losses or gains of equity investees of the Group before taxation (including the results from any discontinued operations):

- (a) **before deducting** any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any Group Member (calculated on a consolidated basis);
- (b) **not including** any accrued interest owing to any Group Member;
- (c) **before taking into account** any Exceptional Items;
- (d) **before taking into account** any unrealised gains or losses on any derivative instrument or similar financial instrument (but excluding any derivative instrument which is accounted for on a hedge accounting basis);
- (e) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset at any time after the date to which the Original Financial Statements were made up;
- (f) **before taking into account** the charge to profit represented by expensing of stock based compensation;
- (g) **after adding back** any amount attributable to the amortisation, depreciation or impairment of assets of the Group Members; and
- (h) **after excluding** any Excluded Earnings,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining income before income tax and share of net losses or gains of equity investees of the Group before taxation.

“ **EU Bail-In Legislation Schedule** ” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“ **Event of Default** ” means any event or circumstance specified as such in Clause 20 ( *Events of Default* ).

“ **Exceptional Items** ” means any exceptional, one off, non-recurring or extraordinary items including those arising on:

- (a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets; and
- (c) disposals of assets associated with discontinued operations.

“ **Exchange Act** ” means the U.S. Securities Exchange Act of 1934, as amended.

“ **Excluded Earnings** ” means any earnings (whether positive or negative) of the Finance Companies and the Project Companies.

“ **Extended Loan** ” means a Loan or part of a Loan in respect of which the Company and the relevant Lender(s) have agreed to amend certain terms pursuant to an Extension Agreement.

“ **Extension Agreement** ” has the meaning given to that term in Clause 32.3 ( *Extension of Commitments* ).

“ **Facility** ” means the term loan facility made available under this Agreement as described in Clause 2.1 ( *The Facility* ) as such facility may be increased pursuant to Clause 2.3 ( *Additional Commitments* ).

“ **Facility Office** ” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“ **Fee Letter** ” means any letter or letters referring to this Agreement or the Facility between one or more Administrative Parties and the Company setting out any of the fees referred to in Clause 11 ( *Fees* ), and any Additional Commitment Fee Letter.

“ **Final Repayment Date** ” means the date falling sixty (60) months after the Restatement Effective Date.

“ **Finance Company** ” means:

- (a) Alibaba Financial Holding Limited [F03] and its Subsidiaries (which include, as at the date of this Agreement, Alibaba Financial Investment Holding Limited [F04], Alibaba Financial China Holding Limited [F05] and 浙江阿里巴巴融信网络技术有限公司 (Zhejiang Alibaba Finance Credit Network Technology Co., Ltd.) [F80] );
- (b) 浙江阿里巴巴小额贷款股份有限公司 (Zhejiang Alibaba Small Loan Co., Ltd.) [F50] ;
- (c) 深圳市一达通企业服务有限公司 (Shen Zhen One Touch Business Service Ltd.) [B69] ;
- (d) 阿里巴巴(杭州)文化创意有限公司 (Alibaba (Hangzhou) Central Innovation Co., Ltd.) [T68] ; and

(e) any other Group Member whose primary function is the provision of merchant, consumer or other credit finance and/or related credit services (including provision of guarantees), which has obtained a small loans lending or other lending, credit, guarantee or comparable licence from the relevant regulator.

“ **Finance Document** ” means this Agreement, any Fee Letter, the Syndication Letter, any Utilisation Request, any Additional Commitment Notice and any other document designated as such by the Company and the Agent (or by the Company and the Lenders, provided that the Agent receives notification of such designation).

“ **Finance Party** ” means the Agent, an Arranger or a Lender.

“ **Governmental Agency** ” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

“ **Group** ” means the Company and its Subsidiaries from time to time.

“ **Group Member** ” means a member of the Group.

“ **Group Structure Chart** ” means the summary group structure chart in the agreed form.

“ **Holding Company** ” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“ **Hong Kong** ” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“ **IFRS** ” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“ **Impaired Agent** ” means the Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of “ **Defaulting Lender** ”; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Agent;

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event; and
- (ii) payment is made within two Business Days of its due date; or

- (iii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

“ **Increase Confirmation** ” means a confirmation substantially in the form set out in Schedule 6 ( *Form of Increase Confirmation* ).

“ **Increase Lender** ” has the meaning given to that term in Clause 2.2 ( *Increase* ).

“ **Increased Commitments** ” means the difference between the Total Commitments as of the Upsize Effective Date and the Original Commitments.

“ **Indebtedness** ” means any and all obligations of a person for money borrowed which, in accordance with US GAAP, would be reflected on the balance sheet of such person as a liability on the date as of which Indebtedness is to be determined.

“ **Indenture** ” means the indenture dated as of 28 November 2014 in connection with the US\$8,000,000,000 notes issued by the Company.

“ **Indirect Tax** ” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“ **Industrial Competitor** ” means any person which is, or is an Affiliate of, a Competitor, or any person that is acting on behalf of or fronting for any such person, provided that a person will not be considered to be “fronting for” or “acting on behalf of” any such person if such person has confirmed in writing to the relevant Finance Party with a copy to the Company that it is not fronting for or acting on behalf of a Competitor or an Affiliate of a Competitor.

“ **Insolvency Event** ” in relation to a Finance Party means that the Finance Party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
  - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

- (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“ **Intellectual Property** ” means:

- (a) any patents, trade marks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered; and
- (b) the benefit of all applications and rights to use such assets of each Group Member (which may now or in the future subsist).

“ **Interest Period** ” means, in relation to a Loan, the period determined in accordance with Clause 9 ( *Interest Periods* ) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 ( *Default interest* ).

“ **Interpolated Screen Rate** ” means, in relation to LIBOR for any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of 11.00 a.m. (London time) on the Quotation Day for the currency of that Loan.

“ **Lender** ” means:

- (a) any Original Lender;
- (b) any Restatement Effective Date Lender; and

- (c) any bank or financial institution (or, with the prior written consent of the Company, other person) which has become a Party in accordance with Clause 2.2 ( *Increase* ), Clause 2.3 ( *Additional Commitments* ) or Clause 21 ( *Changes to the Lenders* ),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“ **LIBOR** ” means, in relation to any Loan:

- (a) the applicable Screen Rate;
- (b) (if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan; or
- (c) if:
- (i) no Screen Rate is available for US Dollars; or
  - (ii) no Screen Rate is available for the Interest Period of that Loan and it is not possible to calculate an Interpolated Screen Rate for that Loan,
- the Reference Bank Rate,

as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. (London time) on the Quotation Day for US Dollars and for a period comparable to the Interest Period of that Loan and, in the case of paragraphs (a) to (c) above, if any such rate is below zero, LIBOR will be deemed to be zero.

“ **Loan** ” means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

“ **London Business Day** ” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business including dealings in interbank deposits in London.

“ **Majority Lenders** ” means a Lender or Lenders whose Commitments aggregate more than 50% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 50% of the Total Commitments immediately prior to the reduction).

“ **Major Material Subsidiary** ” has the meaning given to such term in the definition of Material Subsidiary.

“ **Management** ” means the chief executive officer, the chief financial officer and the group general counsel of the Company.

“ **Margin** ” means:

- (a) at all times prior to the Restatement Effective Date, 1.1 per cent. per annum; and
- (b) on and from the Restatement Effective Date, 0.85 per cent. per annum.

“ **Material Adverse Effect** ” means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or results of operations of the Group taken as a whole;
- (b) the ability of the Company to perform its payment obligations under the Finance Documents taking into account any support that it may reasonably expect from any other Group Member; or
- (c) the validity or enforceability of, or the rights or remedies of any Finance Party under, any of the Finance Documents other than to the extent not materially adverse to the interests of the Finance Parties under the Finance Documents.

“ **Material Subsidiary** ” means, at any time:

- (a) a Group Member which:
  - (i) is listed in Schedule 5 ( *Material Subsidiaries* ); or
  - (ii) has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing five per cent. (5%) or more of EBITDA, calculated on a consolidated basis (such Group Member, a “ **Major Material Subsidiary** ”); or
- (b) each direct or indirect Holding Company (other than the Company) of the persons referred to in paragraph (a) above,

but excluding in each case any Project Company, any Finance Company (and any Holding Company thereof which would not qualify as a Major Material Subsidiary under paragraph (a)(ii) above but for the earnings it receives from any Project Company or Finance Company (as the case may be) in respect of which it is a Holding Company) and any Dormant Subsidiary.

“ **Money Laundering** ” means:

- (a) the conversion or transfer of property, knowing it is derived from a criminal offence, for the purpose of concealing or disguising its illegal origin or of assisting any Person who is involved in the commission of the crime to evade the legal consequences of its actions;
- (b) the concealment or disguise of the true nature, source, location, disposition, movement, right with respect to, or ownership of, property knowing that it is derived from a criminal offence; or
- (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.

“ **Month** ” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

“ **New Lender** ” has the meaning given to that term in Clause 21 ( *Changes to the Lenders* ).

“ **Non-recourse Obligation** ” means Indebtedness or other obligations substantially related to:

- (a) the acquisition of assets not previously owned by the Company or any of its Controlled Entities; or
- (b) the financing of a project involving the purchase, development, improvement or expansion of properties of the Company or any of its Controlled Entities,

as to which the obligee with respect to such Indebtedness or obligation has no recourse to the Company or any Controlled Entities of the Company or to the Company’s or any such Controlled Entities’ assets other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

“ **OFAC** ” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“ **Officer** ” means the Executive Chairman of the Board, the Executive Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary of the Company or, in the event that the Company is a partnership or a limited liability company that has no such officers, a person duly authorised under applicable law by the general partner, managers, members or a similar body to act on behalf of the Company.

“ **Officer’s Certificate** ” means a certificate signed by an Officer of the Company.

“ **Onshore Group Member** ” means a Group Member incorporated in the PRC.

“ **Onshore Material Subsidiary** ” means an Onshore Group Member which is a Material Subsidiary.

“ **Original Commitments** ” means the Total Commitments as of the date of this Agreement, being US\$3,000,000,000.

“ **Original Financial Statements** ” means the audited consolidated financial statements of the Group for the financial year ended 31 March 2015.

“ **Original Lenders** ” means the financial institutions listed in Part A ( *The Original Lenders* ) of Schedule 1 ( *The Lenders* ).

“ **Original Mandated Lead Arrangers** ” means AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED; CITIGROUP GLOBAL MARKETS ASIA LIMITED; CREDIT SUISSE AG, SINGAPORE BRANCH; DEUTSCHE BANK AG, SINGAPORE BRANCH, GOLDMAN SACHS BANK USA; JPMORGAN CHASE BANK, N.A., HONG KONG BRANCH; MIZUHO BANK, LTD. and MORGAN STANLEY ASIA LIMITED.

“ **Participant** ” means each person to whom a Lender has transferred all or any of its obligations, economic interest or other interest under the Finance Documents by way of a Participation Agreement.

“ **Participation Agreement** ” means each agreement or letter (including, without limitation, a fee letter) between a Lender and a Participant under which the Lender has transferred all or any of its obligations, economic interest or other interest under the Finance Documents, directly or indirectly, whether by sub-participation, credit derivative (including a credit default swap or credit linked note), total return swap or in any other way but excluding any transfer or novation of any of a Lender’s Commitments and/or rights and/or obligations in accordance with Clause 21.1 ( *Transfers by the Lenders* ).

“ **Party** ” means a party to this Agreement.

“ **PRC** ” means the People’s Republic of China, excluding for these purposes Hong Kong, the Macau Special Administrative Region and Taiwan.

“ **PRC GAAP** ” means generally accepted accounting principles of the PRC.

“ **Preferred Shares** ” applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up.

“ **Principal Controlled Entities** ” means one of the Company’s Controlled Entities:

(a) as to which one or more of the following conditions is/are satisfied:

- (i) its total revenue or (in the case of one of the Company’s Controlled Entities which has one or more Controlled Entities) consolidated total revenue attributable to the Group is at least 5% of the consolidated total revenue of the Group;
- (ii) its net profit or (in the case of one of the Company’s Controlled Entities which has one or more Controlled Entities) consolidated net profit attributable to the Group (in each case before taxation and exceptional items) is at least 5% of the consolidated net profit (before taxation and exceptional items) of the Group; or

- (iii) its net assets or (in the case of one of the Company's Controlled Entities which has one or more Controlled Entities) consolidated net assets attributable to the Group (in each case after deducting minority interests in Subsidiaries) are at least 10% of its consolidated net assets of the Group (after deducting minority interests in Subsidiaries of the Company);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Controlled Entity of the Company and the then latest audited consolidated financial statements of the Company;

provided that, in relation to paragraphs (i), (ii) and (iii) above:

- (A) for the purpose of this definition only, “ **Group** ” means the Company and its Controlled Entities; and
- (B)
  - (1) in the case of a corporation or other business entity becoming a Controlled Entity after the end of the financial period to which the Company's latest consolidated audited accounts relate, the reference to the then latest consolidated audited accounts of the Company and the Controlled Entities for the purposes of the calculation above shall, until the Company consolidated audited accounts for the financial period in which the relevant corporation or other business entity becomes a Controlled Entity are issued, be deemed to be a reference to the then latest consolidated audited accounts of the Company and the Controlled Entities adjusted to consolidate the latest audited accounts (consolidated in the case of a Controlled Entity which itself has Controlled Entities) of such Controlled Entity in such accounts;
  - (2) if at any relevant time in relation to the Company or any Controlled Entity which itself has Controlled Entities, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of the Company and/or any such Controlled Entity shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Company;
  - (3) if at any relevant time in relation to any Controlled Entity, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Controlled Entity prepared for this purpose by or on behalf of the Company; and
  - (4) if the accounts of any Controlled Entity (not being a Controlled Entity referred to in proviso (1) above) are not consolidated with the Company's accounts, then the determination of whether or not such Controlled Entity is a Principal Controlled Entity shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the Company's consolidated accounts (determined on the basis of the foregoing); or

- (b) that Principal Controlled Entity merges with or into, or to which is transferred all or substantially all of the assets of a Controlled Entity which immediately prior to the transfer was a Principal Controlled Entity; provided that, with effect from such

transfer, the Controlled Entity which so transfers its assets and undertakings shall cease to be a Principal Controlled Entity (but without prejudice to paragraph (a) above) and the Controlled Entity to which the assets are so transferred shall become a Principal Controlled Entity.

“ **Prohibited Transferee** ” means, in respect of any transfer or sub-participation:

- (a) an Industrial Competitor; or
- (b) any person which is not a bank or financial institution and which has not been specifically approved in writing by the Company.

“ **Project Company** ” means:

- (a) Alibaba Group Properties Limited [A08] and each of its Subsidiaries as at the date of this Agreement; and
- (b) any other Group Member which is (i) established or acquired after the date of this Agreement; (ii) capitalised with equity funded by equity or shareholder loans from, or on behalf of, the Company or one of its Subsidiaries; and (iii) established or acquired to develop a specific asset or project.

“ **Quotation Day** ” means:

- (a) in relation to any period for which an interest rate is to be determined two London Business Days before the first day of that period, unless market practice differs in the Relevant Interbank Market in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days); and
- (b) in relation to any Interest Period the duration of which is selected by the Agent pursuant to Clause 8.3 ( *Default interest* ), such date as may be determined by the Agent (acting reasonably).

“ **Reference Bank Rate** ” means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks as the rate at which the relevant Reference Bank could borrow funds in the Relevant Interbank Market, in US Dollars and for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in US Dollars and for that period.

“ **Reference Banks** ” means, subject to Clause 24.18 ( *Reference Banks* ), the principal London offices of any banks as may be appointed by the Agent with the consent of the Company (such consent not to be unreasonably withheld).

“ **Relevant Indebtedness** ” means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, but shall exclude any bank debt, bank loans or securitisations.

“ **Relevant Interbank Market** ” means the London interbank market.

“ **Relevant Jurisdiction** ” means, in relation to the Company:

- (a) its jurisdiction of incorporation; and
- (b) any jurisdiction where it conducts a material part of its business.

“ **Repeating Representations** ” means each of the representations set out in Clauses 17.1 ( *Status* ) to 17.6 ( *Governing law and enforcement* ), Clause 17.9 ( *No default* ), Clause 17.10 ( *No misleading information* ), paragraphs (a) and (b) of Clause 17.11 ( *Financial statements* ), Clause 17.19 ( *Good title to assets* ), paragraph (b) of Clause 17.20 ( *Bribery, Anti-corruption* ) and paragraph (b) of Clause 17.22 ( *Money Laundering* ).

“ **Representative** ” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“ **Resolution Authority** ” means any body which has authority to exercise any Write-down and Conversion Powers.

“ **Restatement Effective Date** ” has the meaning given to the term “Effective Date” in the Second Amendment and Restatement Agreement.

“ **Sanctions** ” means any sanctions, restrictions or embargoes imposed or enforced by the United Nations, the European Union, the State Secretariat for Economic Affairs of Switzerland, OFAC, the State Department of the United States, HM Treasury of the United Kingdom, the Hong Kong Monetary Authority, the Monetary Authority of Singapore and the Department of Foreign Affairs and Trade of Australia and any other sanctions administered by any governmental entity which is notified to a Group Member by the Agent in accordance with Clause 19.4 ( *Sanctions* ).

“ **Screen Rate** ” means the London interbank offered rate administered by the ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for US Dollars and the relevant period, displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Company.

“ **SEC** ” means the United States Securities and Exchange Commission, as constituted from time to time.

“ **Second Amendment and Restatement Agreement** ” means the amendment and restatement agreement dated 29 May 2019 between the Company and the Agent.

“ **Security** ” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person.

“ **Securities Act** ” means the Securities Act of 1933, as amended.

“ **Selection Notice** ” means a notice substantially in the form set out in Part B of Schedule 3 ( *Requests* ) given in accordance with Clause 9 ( *Interest Periods* ).

“ **Separate Loans** ” has the meaning given to such term in Clause 6.2 ( *Repayment* ).

“ **Subsidiary** ” of any person means:

- (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions); or
- (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable,

is, in the case of (a) and (b), voting at the time owned or controlled, directly or indirectly, by (1) such person; (2) such person and one or more Subsidiaries of such Person; or (3) one or more Subsidiaries of such person. For the avoidance of doubt, references to a Subsidiary or Subsidiaries exclude any Finance Company or Project Company whose financial results are not consolidated with those of the Company in accordance with the Accounting Principles.

“**Syndication and Amendment Agreement**” means the syndication and amendment agreement between (among others) the Company, the Original Lenders and the Agent.

“**Syndication Letter**” means the syndication letter dated the date of this Agreement between the Agent, the Original Mandated Lead Arrangers and the Company.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure by the Company to pay or any delay by the Company in paying any of the same).

“**Tax Deduction**” has the meaning given to such term in Clause 12.1 ( *Tax definitions* ).

“**Total Commitments**” means the aggregate of the Commitments (being US\$3,000,000,000 at the date of this Agreement and US\$4,000,000,000 at the Upsize Effective Date).

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 4 ( *Form of Transfer Certificate* ) or any other form agreed between the Agent and the Company.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Transfer Certificate; and
- (b) the date on which the Agent executes the relevant Transfer Certificate.

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 of the United States, as amended.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Company under the Finance Documents.

“**Upsize Effective Date**” means 5 May 2016.

“**UK Bail-In Legislation**” means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part I of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings).

“**US Dollar**” or “**US\$**” denote the lawful currency of the United States of America.

“**US GAAP**” means generally accepted accounting principles in the United States of America.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Part A of Schedule 3 ( *Requests* ).

“**WFOE**” means a wholly foreign owned enterprise incorporated in the PRC.

“**Write-down and Conversion Powers**” means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule;
- (b) in relation to any other applicable Bail-In Legislation:
  - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

- (ii) any similar or analogous powers under that Bail-In Legislation; and
- (c) in relation to any UK Bail-In Legislation:
  - (i) any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers; and
  - (ii) any similar or analogous powers under that UK Bail-In Legislation.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) any “ **Administrative Party** ”, the “ **Agent** ”, any “ **Arranger** ”, any “ **Finance Party** ”, any “ **Lender** ” or any “ **Party** ” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
  - (ii) a document in “ **agreed form** ” is a document which is in the form previously agreed in writing by or on behalf of the Company and the Original Mandated Lead Arrangers prior to the date hereof or, on behalf of the Company and the Agent (acting on the instructions of the Majority Lenders);
  - (iii) “ **assets** ” includes present and future properties, revenues and rights of every description;
  - (iv) a “ **Finance Document** ” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
  - (v) “ **the date of this Agreement** ” is a reference to 9 March 2016;
  - (vi) “ **including** ” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
  - (vii) “ **indebtedness** ” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
  - (viii) a Lender’s “ **participation** ” in a Loan or Unpaid Sum includes an amount representing the fraction or portion (attributable to such Lender by virtue of the provisions of this Agreement) of the total amount of such Loan or Unpaid Sum and the Lender’s rights under this Agreement in respect thereof;
  - (ix) a “ **person** ” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
  - (x) a “ **regulation** ” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law, which is generally complied with by those to whom it is addressed) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
  - (xi) any notation after the name of a Group Member refers to the number for that Group Member as specified in the Group Structure Chart;
  - (xii) a provision of law is a reference to that provision as amended or re-enacted; and
  - (xiii) a time of day is a reference to Hong Kong time.
- (b) Section, Clause and Schedule headings are for ease of reference only.

- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default or an Event of Default is “ **continuing** ” if it has not been remedied or waived.
- (e) No person shall incur any personal liability whatsoever in connection with the issuance of a certificate, on behalf of the Company, pursuant to the terms of a Finance Document.

### 1.3 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the “ **Third Parties Act** ”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any third person who is not a Party is not required to rescind or vary this Agreement at any time.

## 2. THE FACILITY

### 2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Company a US Dollar term loan facility in an aggregate amount equal to the Total Commitments.

### 2.2 Increase

- (a) The Company may by giving prior notice to the Agent after the effective date of a cancellation of:
  - (i) the Available Commitments of a Defaulting Lender in accordance with paragraph (g) of Clause 7.4 ( *Right of prepayment and cancellation in relation to a single Lender* ); or
  - (ii) the Commitments of a Defaulting Lender in accordance with paragraph (h) of Clause 7.4 ( *Right of prepayment and cancellation in relation to a single Lender* ); or
  - (iii) the Commitments of a Lender in accordance with:
    - (A) Clause 7.1 ( *Illegality* ); or
    - (B) paragraph (a) of Clause 7.4 ( *Right of prepayment and cancellation in relation to a single Lender* ),

request that the Commitments be increased (and the Commitments shall be so increased) in an aggregate amount of up to the amount of the Available Commitments or Commitments so cancelled as follows:

- (iv) the increased Commitments will be assumed by one or more Lenders or other banks or financial institutions (or any other person approved in writing by the

Company) (each an “**Increase Lender**”) selected by the Company and each of which confirms in writing whether in the relevant Increase Confirmation or otherwise its willingness to assume and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender;

- (v) the Company and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Company and the Increase Lender would have assumed and/or acquired had the Increase Lender been an Original Lender;
  - (vi) each Increase Lender shall become a Party as a “**Lender**” and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an Original Lender;
  - (vii) the Commitments of the other Lenders shall continue in full force and effect; and
  - (viii) any increase in the Commitments shall take effect on the date specified by the Company in the notice referred to above or any later date on which the conditions set out in paragraph (b) below are satisfied.
- (b) An increase in the Commitments will only be effective on:
- (i) the execution by the Agent of an Increase Confirmation from the relevant Increase Lender; and
  - (ii) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase, the Agent being satisfied that it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender. The Agent shall promptly notify the Company and the Increase Lender upon being so satisfied.
- (c) Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.
- (d) Clause 21.4 ( *Limitation of responsibility of Existing Lenders* ) shall apply *mutatis mutandis* in this Clause 2.2 in relation to an Increase Lender as if references in that Clause to:
- (i) an “**Existing Lender**” were references to all the Lenders immediately prior to the relevant increase;
  - (ii) the “**New Lender**” were references to that “**Increase Lender**”; and
  - (iii) a “**re-transfer**” were references to respectively a “**transfer**”.

### 2.3 Additional Commitments

- (a) The Company may at any time confirm that one or more Lenders or any other bank(s) (each an “**Accordion Lender**”) has agreed to commit Additional Commitments by delivering an Additional Commitment Notice to the Agent.
  - (b) Each Additional Commitment Notice is irrevocable and will not be regarded as having been duly completed unless it has been countersigned by each Accordion Lender named therein and it specifies:
    - (i) the date on which the Additional Commitments are confirmed;
    - (ii) the amount of the Additional Commitments; and
    - (iii) the amount of the Additional Commitments allocated to each Accordion Lender named in the Additional Commitment Notice.
  - (c) By countersigning the Additional Commitment Notice:
    - (i) each Accordion Lender agrees to commit the Additional Commitments set out against its name; and
    - (ii) each Accordion Lender which is not already a Lender, agrees to become a party to this Agreement as a Lender.
  - (d) An increase in the Commitments under this Clause 2.3 shall take effect on the date specified in the Additional Commitment Notice as the date on which the Additional Commitments are confirmed or any later date on which the conditions set out in paragraph (e) below are satisfied.
  - (e) An increase in the Commitments under this Clause 2.3 will only be effective on:
    - (i) the execution by the Agent of the Additional Commitment Notice; and
    - (ii) in relation to an Accordion Lender which is not a Lender immediately prior to the relevant increase, the Agent being satisfied that it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the assumption of the Additional Commitments by that Accordion Lender. The Agent shall promptly execute the Additional Commitment Notice and notify the Company and the Accordion Lender upon being so satisfied.
  - (f) No Additional Commitment Notice shall become effective at a time when a Utilisation Request has been delivered and the proposed Utilisation Date under that Utilisation Request has not yet occurred.
  - (g) Upon receipt of a duly completed Additional Commitment Notice, the Agent shall inform the Lenders of such receipt.
  - (h) The Agent shall notify the Company and the Lenders of the increased amounts of the Commitments under the Facility promptly after an Additional Commitment Notice takes effect in accordance with this Clause 2.3.
  - (i) For the avoidance of doubt: (i) the Additional Commitments shall have the same terms (other than as to upfront arrangement and underwriting fees and conditions precedent) as the Facility; and (ii) the upfront arrangement and underwriting fees in
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respect of the Additional Commitments shall be set out in a separate Additional Commitment Fee Letter entered into by the Company and the relevant Accordion Lender(s), provided that no Accordion Lender shall be offered or paid any fees on better terms than those which have been offered to the Original Mandated Lead Arrangers.

#### 2.4 Readjustment of participations in outstanding Loans

- (a) If any Loan is outstanding on the date of accession of any Accordion Lender and the establishment of any Additional Commitment in accordance with Clause 2.3 (*Additional Commitments*), the amount of each Lender's (including the acceding Accordion Lender's) participation in each such outstanding Loan shall be calculated by the Agent so that the amount of each Lender's participation in each Loan will be equal to the proportion borne by its Commitment to the Total Commitments as at such date. For the avoidance of doubt, in making such calculation the Agent shall take into account the Additional Commitments.
- (b) The Agent will notify in writing each Lender and the Company of the recalculated amount of each Lender's participation in each outstanding Loan.
- (c) Following receipt of such notice, the Accordion Lender(s) will make such balancing payments to the Agent (for the account of each other Lender) as may be required so as to ensure that each Lender's participation in outstanding Loans is as calculated by the Agent in accordance with paragraph (a) above. Such payment in respect of each outstanding Loan shall be made to the Agent on the last day of the Interest Period for that Loan occurring after the date of such notice or, if earlier, the first Utilisation Date to occur after the date of such notice.
- (d) For the avoidance of doubt, no Break Costs will be payable as a result of the readjustment of participations in outstanding Loans pursuant to this Clause 2.4.

#### 2.5 Finance Parties' rights and obligations

- (a) The obligations of the Finance Parties under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of the Finance Parties under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Company is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by the Company which relates to a Finance Party's participation in the Facility or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by the Company.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

**3. PURPOSE**

3.1 Purpose

The Company shall apply all amounts borrowed by it under the Facility towards general corporate and working capital purposes of the Group (including acquisitions).

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

**4. CONDITIONS OF UTILISATION**

4.1 Initial conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to any Utilisation if on or before the date of the initial Utilisation Request the Agent has received all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent (acting reasonably), and the Agent shall notify the Company and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by the Company are true in all material respects.

4.3 Maximum number of Loans

- (a) The Company may not deliver a Utilisation Request if as a result of the proposed Utilisation more than 12 Loans would be outstanding (or such greater number of Loans as may be agreed by the Agent in its sole discretion).
- (b) The Company may not request that a Loan be divided.
- (c) No Extended Loan shall be taken into account in this Clause 4.3.

**5. UTILISATION**

5.1 Delivery of a Utilisation Request

The Company may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than 11.00 a.m. three (3) Business Days prior to the proposed Utilisation Date or by such date as the Agent (acting on the instructions of all the Lenders) may agree with the Company.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
  - (i) the proposed Utilisation Date is a Business Day within the Availability Period; and
  - (ii) the proposed Interest Period complies with Clause 9 ( *Interest Periods* ).
- (b) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be US Dollars.
- (b) The amount of the proposed Loan must be a minimum of US\$100,000,000, or, if less, the Available Facility.

5.4 Lenders' participation

- (a) If the conditions set out in Clause 4 ( *Conditions of Utilisation* ) and Clauses 5.1 ( *Delivery of a Utilisation Request* ) to 5.3 ( *Currency and amount* ) above have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan and if different, the amount of that participation to be made available in accordance with Clause 26.1 ( *Payments to the Agent* ), in each case by no later than 11.00 a.m. two (2) Business Days prior to the proposed Utilisation Date.

5.5 Cancellation of Available Facility

The Available Commitments which, at that time, are unutilised shall be immediately cancelled at 5.00 p.m. on the last day of the Availability Period.

**6. REPAYMENT**

- 6.1 Subject to Clause 32.3 ( *Extension of Commitments* ), the Company shall repay each Loan on the Final Repayment Date.

6.2 At any time when a Lender becomes a Defaulting Lender, the participations of that Defaulting Lender in the Loans then outstanding will be treated as separate Loans (the “ **Separate Loans** ”).

6.3 The Company may prepay a Separate Loan by giving two Business Days’ prior notice to the Agent. The Agent will forward a copy of a prepayment notice received in accordance with this Clause 6.3 to the Defaulting Lender concerned as soon as practicable on receipt.

6.4 Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Company by the time and date specified by the Agent (acting reasonably) and will be payable by the Company to the Agent (for the account of that Defaulting Lender) on the last day of each Interest Period of that Loan.

6.5 The terms of this Agreement relating to Loans generally shall continue to apply to Separate Loans other than to the extent inconsistent with Clauses 6.2 to 6.4 above, in which case those paragraphs shall prevail in respect of any Separate Loan.

## 7. **PREPAYMENT AND CANCELLATION**

### 7.1 Illegality

If, at any time, it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Company, the Commitment of that Lender will be immediately cancelled; and
- (c) the Company shall repay that Lender’s participation in the Loans made to the Company on the last day of the Interest Period for each Loan occurring after the Agent has notified the Company or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

### 7.2 Voluntary cancellation

The Company may, if it gives the Agent not less than five (5) Business Days’ (or such shorter period as the Majority Lenders may agree) prior notice, reduce the Available Facility to zero or by such amount (being a minimum amount of US\$5,000,000) as the Company may specify in such notice. Any such reduction under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

### 7.3 Voluntary Prepayment

The Company may, if it gives the Agent not less than five (5) Business Days’ (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of a Loan (but if in part, being an amount that reduces the Loan by a minimum amount of US\$5,000,000) together with any applicable Break Costs.

### 7.4 Right of prepayment and cancellation in relation to a single Lender

- (a) If:

- (i) any sum payable to any Lender by the Company is required to be increased under paragraph (a) of Clause 12.2 ( *Tax gross-up* ); or
- (ii) any Lender claims indemnification from the Company under Clause 12.3 ( *Tax indemnity* ) or Clause 13.1 ( *Increased costs* ); or
- (iii) the rate notified by a Lender in relation to a particular Interest Period under sub-paragraph (a)(ii) of Clause 10.2 ( *Market disruption* ) is higher than the lowest rate notified by a Lender under that sub-paragraph,

the Company may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment of that Lender and/or its intention to procure the prepayment of that Lender's participation in the Loans or give the Agent notice of its intention to replace that Lender in accordance with paragraph (d) below.

- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Company has given notice of cancellation under paragraph (a) above (or, if earlier, the date specified by the Company in that notice), the Company shall prepay that Lender's participation in the relevant Loan.
- (d) The Company may, in the circumstances set out in paragraph (a) above, on five Business Days' prior notice to the Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) transfer pursuant to Clause 21 ( *Changes to the Lenders* ) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Company which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 21 ( *Changes to the Lenders* ) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest (to the extent that the Agent has not given a notification under Clause 21.10 ( *Pro-rata interest settlement* )), Break Costs and other amounts payable in relation thereto under the Finance Documents.
- (e) The replacement of a Lender pursuant to paragraph (d) above shall be subject to the following conditions:
  - (i) the Company shall have no right to replace the Agent;
  - (ii) neither the Agent nor any Lender shall have any obligation to find a replacement Lender;
  - (iii) in no event shall the Lender replaced under paragraph (d) above be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents; and
  - (iv) no Lender shall be obliged to execute a Transfer Certificate unless it is satisfied that it has completed all "know your customer" and other similar procedures that it is required (or deems desirable) to conduct in relation to the transfer to such replacement Lender.

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- (f) A Lender shall perform the procedures described in paragraph (e)(iv) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (d) above and shall notify the Agent and the Company when it is satisfied that it has completed those checks.
  - (g)
    - (i) If any Lender becomes a Defaulting Lender, the Company may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent two Business Days' notice of cancellation of each Available Commitment of that Lender.
    - (ii) On the notice referred to in paragraph (i) above becoming effective, each Available Commitment of the Defaulting Lender shall immediately be reduced to zero.
    - (iii) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (i) above, notify all the Lenders.
  - (h)
    - (i) The Company may, at any time, give the Agent two Business Days' notice of prepayment of any Separate Loan and cancellation of the Commitment of a Defaulting Lender in respect of that Separate Loan.
    - (ii) On the notice referred to in paragraph (i) above becoming effective, the Commitment of the Defaulting Lender in respect of that Separate Loan shall immediately be reduced to zero and the Company shall prepay that Defaulting Lender's participation in such Separate Loan (together with any applicable Break Costs).
    - (iii) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (i) above, notify all the Lenders.

#### 7.5 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is repaid or prepaid may not be reborrowed.
- (d) The Company shall not repay or prepay all or any part of the Loans or reduce all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

- (e) Subject to Clause 2.2 ( *Increase* ), no amount of any Commitment that is reduced in accordance with this Agreement may be subsequently reinstated.
- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Company or the affected Lender, as appropriate.

- (g) If all or part of a Loan is repaid or prepaid and is not available for redrawing, an amount of the Commitments (equal to the amount of the Loan which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment. Any cancellation under this paragraph (g) (save in connection with any repayment or, as the case may be, prepayment under paragraph (c) of Clause 7.1 (*Illegality*) or paragraph (c), (g) or (h) of Clause 7.4 (*Right of prepayment and cancellation in relation to a single Lender*)) shall reduce the Commitments of the Lenders rateably.

## 8. INTEREST

### 8.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the:

- (a) Margin; and
- (b) applicable LIBOR.

### 8.2 Payment of interest

The Company shall pay accrued interest on each Loan on the last day of each Interest Period relating to that Loan (and, if the Interest Period is longer than six Months, on the dates falling at six monthly intervals after the first day of the Interest Period).

### 8.3 Default interest

- (a) If the Company fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which is, subject to paragraph (b) below, two per cent. (2%) higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted a Loan in the currency of the Unpaid Sum for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Company on demand by the Agent.
- (b) If any Unpaid Sum consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
  - (i) the first Interest Period for that Unpaid Sum shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
  - (ii) the rate of interest applying to the Unpaid Sum during that first Interest Period shall be two per cent. (2%) higher than the rate which would have applied if the Unpaid Sum had not become due.
- (c) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each Interest Period applicable to that Unpaid Sum but will remain immediately due and payable.

### 8.4 Notification of rates of interest

The Agent shall promptly notify the relevant Lenders and the Company of the determination of a rate of interest under this Agreement.

## 9. INTEREST PERIODS

### 9.1 Selection of Interest Periods

- (a) The Company shall select the Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.
- (b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Company not later than 11.00 a.m. three (3) Business Days prior to the first day of the relevant Interest Period.
- (c) If the Company fails to deliver a Selection Notice to the Agent in accordance with paragraph (b) above, the relevant Interest Period will be one Month.
- (d) Subject to this Clause 9, the Company may select the Interest Period for a Loan of 1, 2, 3 or 6 Months or any other period agreed between the Company and the Agent (acting on the instructions of all the Lenders in relation to the relevant Loan).
- (e) An Interest Period for a Loan shall not, subject to Clause 32.3 ( *Extension of Commitments* ), extend beyond the Final Repayment Date.
- (f) The Interest Period of a Loan shall start on the Utilisation Date of that Loan or (if already made) on the last day of its preceding Interest Period.

### 9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## 10. CHANGES TO THE CALCULATION OF INTEREST

### 10.1 Absence of quotations

Subject to Clause 10.2 ( *Market disruption* ), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by noon (local time) on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

### 10.2 Market disruption

- (a) Subject to any alternative basis agreed and consented to as contemplated by paragraphs (a) and (b) of Clause 10.3 ( *Alternative basis of interest or funding* ), if a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's participation in that Loan for that Interest Period shall be the percentage rate per annum which is the sum of:
  - (i) the Margin; and
  - (ii) the percentage rate per annum notified to the Agent by that Lender, as soon as practicable and in any event not later than five Business Days before interest is due to be paid in respect of that Interest Period, as the cost to that Lender of funding its participation in that Loan from whatever source(s) it may reasonably select.

- (b) In relation to a Market Disruption Event under paragraph (c)(ii) below, if the percentage rate per annum notified by a Lender pursuant to paragraph (a) (ii) above shall be less than LIBOR or if a Lender shall fail to notify the Agent of any such percentage rate per annum, the cost to that Lender of funding its participation in the relevant Loan for the relevant Interest Period shall be deemed, for the purposes of paragraph (a) above, to be LIBOR.
- (c) In this Agreement “ **Market Disruption Event** ” means:
  - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for US Dollars and Interest Period; or
  - (ii) at 5.00 p.m. on the Business Day immediately following the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in the relevant Loan exceed 50 per cent. of that Loan) that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.
- (d) If a Market Disruption Event shall occur, the Agent shall promptly notify the Lenders and the Company thereof.

#### 10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Company so requires, the Agent and the Company shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Company, be binding on all Parties.
- (c) For the avoidance of doubt, in the event that no substitute basis is agreed at the end of the thirty day period, the rate of interest shall continue to be determined in accordance with the terms of this Agreement.

#### 10.4 Break Costs

- (a) The Company shall, within five (5) Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Company on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, together with its demand, provide a certificate confirming the amount and the basis of calculation of its Break Costs for any Interest Period in which they accrue.

### 11. FEES

#### 11.1 Commitment fee

- (a) The Company shall pay to the Agent (for the account of each Lender) a fee in US Dollars computed and accruing on a daily basis with effect from (but excluding) the

date falling 45 days after the Upsize Effective Date (the “**Commitment Fee Commencement Date**”) at 0.25 per cent. per annum on that Lender’s Available Commitment for the Availability Period of the Increased Commitments at close of business (in New York) on each day of such Availability Period falling after the Commitment Fee Commencement Date (or, if any such day shall not be a Business Day, at such close of business on the immediately preceding Business Day).

- (b) The accrued commitment fee is payable (but without double counting):
  - (i) on the last day of each successive period of three Months which ends during the Availability Period commencing with the period of three Months starting on the Commitment Fee Commencement Date;
  - (ii) on the last day of the Availability Period; and
  - (iii) if a Lender’s Commitment is reduced to zero before the last day of the Availability Period, on the day on which such reduction to zero becomes effective.
- (c) No commitment fee is payable to the Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

#### 11.2 Upfront fee

- (a) The Company shall pay to each Original Mandated Lead Arranger an upfront fee in the amount and at the times agreed in a Fee Letter.
- (b) The Company shall pay to each Accordion Lender an upfront fee in the amount and at the times agreed in a Fee Letter.

#### 11.3 Agency fee

The Company shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

### 12. TAX GROSS UP AND INDEMNITIES

#### 12.1 Tax definitions

- (a) In this Clause 12:

“**FATCA**” means:

- (i) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;
- (ii) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i) above; or
- (iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the US Internal Revenue

Service, the US government or any governmental or taxation authority in any other jurisdiction.

“ **FATCA Deduction** ” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“ **Tax Credit** ” means a credit against, relief or remission for, or repayment of any Tax.

“ **Tax Deduction** ” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“ **Tax Payment** ” means an increased payment made by the Company to a Finance Party under Clause 12.2 ( *Tax gross-up* ) or a payment under Clause 12.3 ( *Tax indemnity* ).

(b) Unless a contrary indication appears, in this Clause 12 a reference to “ **determines** ” or “ **determined** ” means a determination made in the absolute discretion of the person making the determination acting in good faith.

#### 12.2 Tax gross-up

(a) All payments to be made by the Company to any Finance Party under the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Company is required to make a Tax Deduction, in which case the sum payable by the Company (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.

(b) The Company shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Company.

(c) If the Company is required to make a Tax Deduction, the Company shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(d) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Company shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

#### 12.3 Tax indemnity

(a) Without prejudice to Clause 12.2 ( *Tax gross-up* ), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by such Finance Party whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Company shall, within five

(5) Business Days of demand of the Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, **provided that** this Clause 12.3 shall not apply:

- (i) to the extent a loss, liability or cost relates to a FATCA Deduction required to be made by a Party;
  - (ii) to any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which such Finance Party is incorporated; or
  - (iii) to any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which its Facility Office is located.
- (b) A Finance Party intending to make a claim under paragraph (a) shall notify the Agent of the event giving rise to the claim, whereupon the Agent shall notify the Company thereof.
- (c) A Finance Party shall, on receiving a payment from the Company under this Clause 12.3, notify the Agent.
- (d) Paragraph (a) shall not apply to the extent any Tax is not notified to the Agent by the relevant Finance Party within three (3) Months of the relevant Finance Party becoming aware of the relevant Tax.

#### 12.4 Tax credit

If the Company makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Finance Party has obtained and utilised that Tax Credit,

the Finance Party shall pay an amount to the Company which that Finance Party determines will leave it (after that payment) in no better and no worse position in respect of its worldwide tax liabilities than it would have been in had the Company not been required to make the Tax Payment.

#### 12.5 Stamp taxes

The Company shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and

- (b) within five (5) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to any stamp duty, registration or other similar Tax paid or payable in respect of any Finance Document.

#### 12.6 Indirect tax

- (a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all Indirect Tax incurred by that Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

#### 12.7 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Company, the Agent and the other Finance Parties.

### 13. INCREASED COSTS

#### 13.1 Increased costs

- (a) Subject to Clause 13.3 ( *Exceptions* ) the Company shall, within five (5) Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation by any governmental or regulatory authority or (ii) compliance with any law or regulation made after the date of this Agreement. The terms “law” and “regulation” in this paragraph (a) shall include any law or regulation concerning capital adequacy, prudential limits, liquidity, reserve assets or Tax.
- (b) In this Agreement:
  - (i) “ **Basel III** ” means:
    - (A) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring”

and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended supplemented or restated; and

(B) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”; and

(ii) “ **Increased Costs** ” means:

(A) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital (including as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by such Finance Party);

(B) an additional or increased cost; or

(C) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to the undertaking, funding or performance by such Finance Party of any of its obligations under any Finance Document or any participation of such Finance Party in any Loan or Unpaid Sum.

### 13.2 Increased cost claims

(a) A Finance Party intending to make a claim pursuant to Clause 13.1 ( *Increased costs* ) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Company.

(b) Each Finance Party shall together with its demand provide a certificate confirming the amount and basis of calculation of its Increased Costs.

### 13.3 Exceptions

(a) Clause 13.1 ( *Increased costs* ) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by the Company;

(ii) compensated for by Clause 12.3 ( *Tax indemnity* ) (or would have been compensated for under Clause 12.3 ( *Tax indemnity* ) but was not so compensated solely because the exclusion in paragraph (a) of Clause 12.3 ( *Tax indemnity* ) applied);

(iii) attributable to the breach by the relevant Finance Party or its Affiliates of any law or regulation or the negligence of any of them;

(iv) attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out of Basel III unless published prior to the date of this Agreement) (“ **Basel II** ”) or any other law or regulation which

implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates);

- (v) attributable to a FATCA Deduction required to be made by a Party; or
- (vi) not notified to the Agent by the relevant Finance Party within three (3) Months of such Finance Party becoming aware of the Increased Cost in accordance with Clause 13.2(a) (*Increased cost claims*).

(b) In this Clause 13.3 references to a “ **FATCA Deduction** ” or a “ **Tax Deduction** ” have the same meaning given to such terms in Clause 12.1 (*Tax definitions*).

#### 14. MITIGATION BY THE LENDERS

##### 14.1 Mitigation

(a) Each Finance Party shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13.1 (*Increased costs*), including (but not limited to):

- (i) providing such information as the Company may reasonably request in order to permit the Company to determine its entitlement to claim any exemption or other relief (whether pursuant to a double taxation treaty or otherwise) from any obligation to make a Tax Deduction; and
- (ii) in relation to any circumstances which arise following the date of this Agreement, transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of the Company under the Finance Documents.

##### 14.2 Limitation of liability

(a) The Company shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 14.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might reasonably be expected to be prejudicial to it.

##### 14.3 Conduct of business by the Finance Parties

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim;

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(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax; or

(d) oblige any Finance Party to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any applicable anti-money laundering, counter-terrorism financing, economic or trade Sanctions law or regulation.

#### 15. OTHER INDEMNITIES

##### 15.1 Currency indemnity

(a) If any sum due from the Company under the Finance Documents (a “ **Sum** ”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “ **First Currency** ”) in which that Sum is payable into another currency (the “ **Second Currency** ”) for the purpose of:

- (i) making or filing a claim or proof against the Company; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Company shall as an independent obligation, within five (5) Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Company waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

##### 15.2 Other indemnities

The Company shall, within five (5) Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result

of:

- (a) the occurrence of any Event of Default;
- (b) any written information produced or approved by the Company in connection with the Finance Documents being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to the Company or with respect to the transactions contemplated or financed under this Agreement;
- (d) a failure by the Company to pay any amount due under a Finance Document on its due date or in the relevant currency, including without limitation, any cost, loss or liability arising as a result of Clause 25 ( *Sharing among the Finance Parties* );
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Company in a Utilisation Request but not made by reason of the operation of any one

or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Company.

#### 15.3 Indemnity to the Agent

- (a) The Company shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:
  - (i) investigating any event which it reasonably believes is a Default; or
  - (ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.
- (b) The indemnity to the Agent shall survive the termination or expiry of this Agreement and the resignation or replacement of the Agent.

### 16. COSTS AND EXPENSES

#### 16.1 Transaction expenses

The Company shall, within five Business Days of demand, pay the Administrative Parties the amount of all reasonable costs and expenses (including legal fees of law firms approved by the Company and subject to any agreed caps) reasonably incurred by any of them in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other Finance Documents referred to in it; and
- (b) any other Finance Documents executed after the date of this Agreement.

#### 16.2 Amendment costs

If (a) the Company requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 26.10 ( *Change of currency* ), the Company shall, within five Business Days of demand, reimburse the Agent for the amount of all reasonable costs and expenses (including legal fees of law firms approved by the Company and subject to any agreed caps) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

#### 16.3 Enforcement costs

The Company shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

### 17. REPRESENTATIONS

The Company makes the representations and warranties set out in this Clause 17 to each Finance Party.

17.1 Status

- (a) It is a corporation, duly incorporated, validly existing and, where applicable, in good standing under the laws of the Cayman Islands.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business in all material respects as it is being conducted.
- (c) It is acting as principal for its own account and not as agent or trustee in any capacity on behalf of any person in relation to the Finance Documents.

17.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are, subject to any general principles of law limiting its obligations which are generally applicable, legal, valid, binding and enforceable obligations.

17.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any material law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets in a manner that might reasonably be expected to give rise to a Material Adverse Effect.

17.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

17.5 Validity and admissibility in evidence

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and
- (c) for it to carry on its business, and which are material,

have been obtained or effected and are in full force and effect (or, in each case, will be when required).

17.6 Governing law and enforcement

- (a) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its Relevant Jurisdiction.

(b) Any judgment obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation.

17.7 Deduction of Tax

It is not required under the law applicable where it is incorporated or resident or at the address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

17.8 No filing or stamp taxes

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents.

17.9 No default

(a) No Event of Default is continuing or could reasonably be expected to result from the making of any Utilisation.

(b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or could reasonably be expected to have a Material Adverse Effect.

17.10 No misleading information

Save as disclosed in writing to the Agent on or prior to the date on which such information is provided, all written information provided by any Group Member to the Agent after the date of this Agreement was true and accurate in all material respects as at the date it was provided and was not misleading in any material respect as at such date.

17.11 Financial statements

(a) Its financial statements most recently supplied to the Agent or otherwise made available to the public (which, at the date of this Agreement, are the Original Financial Statements) were prepared in accordance with the Accounting Principles consistently applied save to the extent expressly disclosed in such financial statements.

(b) Its financial statements most recently supplied to the Agent or otherwise made available to the public (which, at the date of this Agreement, are the Original Financial Statements) give a true and fair view of (if audited) or fairly represent (if unaudited) its consolidated financial condition and operations as at the end of and for the relevant financial year save to the extent expressly disclosed in such financial statements.

(c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since 31 March 2018.

17.12 Pari passu ranking

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.13 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which might reasonably be expected to be adversely determined and, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

17.14 Taxation

- (a) It is not (and none of its Subsidiaries is) overdue (taking into account any extension or grace period) in the payment of any material amount in respect of Tax, in each case save to the extent that (i) such payment is being contested in good faith; and (ii) it has maintained adequate reserves for those Taxes.
- (b) No claim or investigations are being, or to the actual knowledge of the Company, are reasonably likely to be, made or conducted against it (or any of its Subsidiaries) with respect to Taxes which would have or are reasonably likely to have a Material Adverse Effect.
- (c) It is resident for tax purposes only in the jurisdiction of its incorporation.

17.15 No insolvency

No event as described in Clause 20.5 (*Involuntary proceedings*) or Clause 20.6 (*Voluntary proceedings*) is continuing in relation to it or any Major Material Subsidiary.

17.16 Intellectual Property

- (a) It, or another Group Member, is the legal and beneficial owner of or has licensed to it all the material Intellectual Property which is required in order to carry on the business of the Group as it is currently being conducted.
- (b) It does not (nor does any of its Subsidiaries), in carrying on its businesses, infringe any Intellectual Property of any third party in any respect which has or is reasonably likely to have a Material Adverse Effect.
- (c) All formal or procedural actions (including payment of fees) required to maintain any Intellectual Property owned by it or any of its Subsidiaries have been taken, except to the extent failure to take such actions does not or is not reasonably likely to have a Material Adverse Effect.

17.17 Immunity

- (a) The entry into by it of each Finance Document constitutes, and the exercise by it of its rights and performance of its obligations under each Finance Document will constitute, private and commercial acts performed for private and commercial purposes.

- (b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in its Relevant Jurisdiction in relation to any Finance Documents.

#### 17.18 Authorised Signatures

Any person specified as its authorised signatory under Schedule 2 ( *Conditions precedent* ) is authorised to sign Utilisation Requests, Selection Notices and other notices on its behalf.

#### 17.19 Good title to assets

It and each of its Subsidiaries has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as from time to time conducted the absence of which would have a Material Adverse Effect.

#### 17.20 Bribery, Anti-corruption

- (a) To the actual knowledge of Management, the business of the Group is carried on in all material respects in compliance with all, and no Group Member or any of their directors, officers, agents (solely in their capacity as agents under, and in compliance with, a written contract with that Group Member), affiliates or employees acts in breach of any, applicable laws relating to bribery and anti-corruption, including without limitation the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977 or any similar laws, rules or regulations issued, administered or enforced by any government or governmental authority having jurisdiction over it.
- (b) There are in place appropriate policies and procedures designed to promote and achieve compliance with all such applicable laws by each Group Member and by its directors, officers and employees.

#### 17.21 Sanctions

- (a) To the actual knowledge of Management, after due and reasonable enquiry, the business of the Group is as at the date of this Agreement carried on in compliance with all applicable Sanctions.
- (b) None of the Company, any Group Member or any of its or their directors, officers, agents (solely in their capacity as agents under, and in compliance with, a written contract with that Group Member), affiliates or employees is a person currently the subject of any Sanctions, and neither the Company nor any Group Member is located, organised or resident in a country or territory that is the subject of any Sanctions.

#### 17.22 Money Laundering

- (a) To the actual knowledge of Management, after due and reasonable enquiry, no Group Member engages in Money Laundering or acts in breach of any applicable laws or regulations relating to Money Laundering issued, administered or enforced by any governmental agency having jurisdiction over it.
- (b) There are in place appropriate policies and procedures designed to promote and achieve compliance by each member of the Group with all applicable laws or regulations relating to Money Laundering.

#### 17.23 Dividends Repatriation

There is no legal or administrative hurdle (other than ordinary administrative procedures generally applicable) or contractual restriction for any WFOE which is an Onshore Material Subsidiary to pay dividends out of its Distributable Reserves, or (subject to administrative and legal restrictions generally applicable) to make any distribution to any of its shareholders or holders of any equity interest in it.

#### 17.24 Times when representations made

- (a) All the representations and warranties in this Clause 17 are made by the Company on the date of this Agreement and the Restatement Effective Date.
- (b) The Repeating Representations are deemed to be made by the Company on the date of each Utilisation Request and the first day of each Interest Period.
- (c) Each representation or warranty deemed to be made after the date of this Agreement shall, except where the contrary is indicated, be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

### 18. INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

#### 18.1 Financial statements

In the event that the Company's financial statements cease to be publicly available, the Company shall supply to the Agent:

- (a) as soon as they become available but in any event within 120 days after the end of each of its financial years, its audited consolidated financial statements for that financial year; and
- (b) as soon as they become available but in any event within 60 days after the end of the first half of each of its financial years, its unaudited consolidated financial statements for that financial half year.

#### 18.2 Compliance Certificate

The Company shall supply to the Agent:

- (a) annually, within 120 days after the end of each fiscal year of the Company; and
- (b) upon written request by the Agent, within 14 days of such request,

a brief certificate from the principal execution officer, principal financial officer, principal account officer or treasurer as to his or her knowledge of the Company's compliance with all conditions and covenants under the Finance Documents (which compliance shall be determined without regarding to any period of grace or requirement of notice provided under the Finance Documents), specifying if any Default has occurred and, in the event that any Default has occurred, specifying each

such Default and the nature and status thereof of which such person may have knowledge.

#### 18.3 SEC filings

The Company shall supply to the Agent (in sufficient copies for all the Finance Parties, if the Agent so requests) such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act, provided that, any such information, documents or reports required to be filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act shall be supplied to the Agent within 30 calendar days after the same is filed with the SEC, provided further that the filing of the reports specified in Section 13 or 15(d) of the Exchange Act by an entity that is the direct or indirect parent of the Company shall satisfy the requirements of this Clause 18.3 so long as such entity is an obligor or guarantor of the obligations under the Finance Documents, provided further that the reports of such entity shall not be required to include condensed consolidating financial information for the Company in a footnote to the financial statements of such entity. Delivery of such reports, information and documents to the Agent is for information purpose only and the Agent's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants under the Finance Documents (as to which the Agent is entitled to rely exclusively on Officer's Certificates). It is expressly understood that materials transmitted electronically by the Company to the Agent or filed pursuant to the SEC's EDGAR system (or any successor electronic filing system) shall be deemed supplied to the Agent for purposes of this Clause 18.3.

#### 18.4 Notification of default

The Company shall deliver to the Agent promptly and in any event within 30 calendar days after the Company becomes aware of the occurrence of any Event of Default or any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default, an Officer's Certificate setting out the details of such Event of Default or Default and the action which the Company proposes to take with respect thereto.

#### 18.5 Rule 144A information

At any time when the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall furnish to the Lenders and to prospective lenders, upon the requests of such Lender (through the Agent), any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as any Securities (as defined in the Indenture) are not freely transferable under the Securities Act. The Company also shall comply with the other provisions of Section 314(a) of the Trust Indenture Act as if expressly set out herein ( *mutatis mutandis* ) with references to the "indenture trustee" being deemed as references to the Agent; references to the "indenture securities" being deemed as references to the Facility; and references to the "indenture" being deemed as references to the Finance Documents.

#### 18.6 "Know your customer" checks

- (a) The Company shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender (including for any Lender on behalf of any prospective new Lender)) in order for the Agent, such Lender or any prospective

new Lender to conduct any “know your customer” or other similar procedures under applicable laws and regulations.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to conduct any “know your customer” or other similar procedures under applicable laws and regulations.

## 19. GENERAL UNDERTAKINGS

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 19.1 Pari passu ranking

The Company shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

### 19.2 Negative pledge

- (a) The Company shall not create or have outstanding, and shall ensure that none of the Principal Controlled Entities will create or have outstanding, any Security upon the whole or any part of their respective present or future assets securing any Relevant Indebtedness, or create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness either of the Company or of any of the Company’s Principal Controlled Entities, without:
  - (i) at the same time or prior thereto securing or guarantee of the liabilities of the Company under the Finance Documents equally and ratably therewith; or
  - (ii) providing such other Security or guarantee for the Facility as shall be approved by the Majority Lenders.

(b) Paragraph (a) above does not apply to:

- (i) any Security arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;
- (ii) any Security in respect of the obligations of any person which becomes a Principal Controlled Entity or which merges with or into the Company or a Principal Controlled Entity after the date of the Indenture which is in existence at the date on which it becomes a Principal Controlled Entity or merges with or into the Company or a Principal Controlled Entity;
- (iii) any Security created or outstanding in favour of the Company or any Security created by any of the Controlled Entities of the Company in favour of any of the Company’s other Controlled Entities;
- (iv) any Security in respect of Relevant Indebtedness of the Company or any Principal Controlled Entity with respect to which the Company or such Principal Controlled Entity has paid money or deposited money or securities

with a paying agent, trustee or depository to pay or discharge in full the obligations of the Company or such Principal Controlled Entity in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full);

- (v) any Security created in connection with a project financed with, or created to secure, Non-recourse Obligations; or
- (vi) any Security arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security permitted by paragraphs (ii), (v) or this paragraph (vi); provided that such Relevant Indebtedness is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding, including any accrued interest and prepayment premiums or consent fees) and is not secured by any additional property or assets.

### 19.3 Merger, consolidation and sale of assets

The Company shall not consolidate with or merge into any other person in a transaction in which the Company is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any person unless:

- (a) any person formed by such consolidation or into or with which the Company is merged or to whom the Company has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the British Virgin Islands, the Cayman Islands, the PRC or Hong Kong and such person expressly assumes, by an accession deed in form and substance reasonably satisfactory to the Lenders, all of the Company's obligations under the Finance Documents, including the obligations under Clause 12 ( *Tax Gross Up and Indemnities* );
- (b) immediately after given effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Company shall have delivered to the Agent an Officer's Certificate and an opinion of independent legal firm of internationally recognised standing that is reasonably acceptable to the Agent, each stating that such consolidation, merger, conveyance, transfer or lease and the accession deed referred in paragraph (a) above comply with the Finance Documents and that all conditions precedent therein provided for relating to such transaction have been complied with.

### 19.4 Sanctions

- (a) No Group Member shall use any of the funds advanced under this Agreement directly or indirectly for the purpose of, or with the effect of, funding or facilitating any activities or business activities in, with or relating to (a) Crimea, Cuba, Sudan, Iran, Myanmar (Burma), Syria or North Korea, unless such countries are no longer the subject of Sanctions; and (b) any other countries that are, or become, the subject of Sanctions (as notified in writing by the Agent (acting on behalf of any Lenders) to such Group Member from time to time) where such utilisation would be prohibited under Sanctions.

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- (b) No Group Member shall use any of the funds advanced under this Agreement directly or indirectly for the purpose of, or with the effect of, funding or facilitating, any activities or business activities or dealings of or with any person that is/are the subject of Sanctions and/or subject to economic or trade sanctions, restrictions or embargoes by any other governmental or supranational body notified in writing by the Agent (acting on behalf of any Lenders) to such Group Member from time to time. This includes in particular (but without limitation) business activities involving persons named on any sanctions lists issued by any of the aforementioned bodies.

### 19.5 Anti-corruption

No Group Member will directly or indirectly use the proceeds of the Facility in a manner, or lend, contribute or otherwise make available such proceeds to any subsidiary, affiliate, joint venture partner or other person or entity for the purpose of financing or facilitating any activity, that would violate applicable anti-corruption laws and regulations including without limitation to the extent applicable the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977.

### 19.6 Anti-money laundering

The Company will procure that the Group will at all times have in place appropriate procedures and policies designed to promote and achieve compliance by Group Members with all applicable laws and regulations relating to Money Laundering.

## 20. EVENTS OF DEFAULT

Each of the events or circumstances set out in the following sub-clauses of this Clause 20 (other than Clause 20.8 ( *Acceleration* )) is an Event of Default.

### 20.1 Non-payment of Principal Amount

The Company fails to pay the principal amount in respect of the Facility when due and payable (whether at the Final Repayment Date or upon acceleration or otherwise).

### 20.2 Non-payment of Interest

The Company fails to pay interest in respect of any Loan within 30 days after such interest becomes due and payable.

### 20.3 Default under Clause 19.3 ( *Merger, consolidation and sale of assets* )

The Company defaults in the performance of or breaches its obligations under Clause 19.3 ( *Merger, consolidation and sale of assets* ).

20.4 Other obligations

The Company defaults in the performance of or breaches any provision of the Finance Documents (other than a default specified in Clauses 20.1, 20.2 or 20.3 above) and such default or breach continues for a period of 30 consecutive days after written notice by the Agent.

20.5 Involuntary proceedings

A court having jurisdiction enters in the premises of:

- (a) a decree or order for relief in respect of the Company or any of its Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law; or
- (b) a decree or order adjudging the Company or any of its Principal Controlled Entities bankrupt or insolvent, or approving as final and nonappealable a petition seeking reorganisation, arrangement, adjustment, or composition of or in respect of the Company or any of its Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Company or any of its Principal Controlled Entities or of any substantial part of its or their respective property, or ordering the winding up or liquidation of their respective affairs (or any similar relief granted under any foreign laws),

and in any such case the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive calendar days.

20.6 Voluntary proceedings

The Company or any of its Principal Controlled Entities:

- (a) commence a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent; or
- (b) consent to the entry of a decree or order for relief in respect of the Company or any of its Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or the commencement of any bankruptcy or insolvency case or proceeding against the Company or any Principal Controlled Entity; or
- (c) file a petition or answer or consent seeking reorganisation or relief with respect to the Company or any of its Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Company or any of its Principal Controlled Entities or of any substantial part of its or their respective property pursuant to any such law; or

make a general assignment for the benefit of creditors in respect of any indebtedness as a result of an inability to pay such indebtedness as it becomes due, or admit in writing of its inability to pay debts generally as they become due, or take corporate action that resolves to commence any such action.

20.7 Illegality

Any obligation of the Company under the Finance Documents or any Finance Document is or becomes or is claimed by the Company to be unenforceable, invalid or ceases to be in full force and effect otherwise than is permitted by the terms of this Agreement.

20.8 Acceleration

At any time while an Event of Default is continuing the Agent may, and shall if so directed by a Lender or Lenders whose Commitments aggregate more than 66 <sup>2</sup>/<sub>3</sub> % of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 <sup>2</sup>/<sub>3</sub> % of the Total Commitments immediately prior to the reduction), by notice to the Company:

- (a) without prejudice to the participations of any Lenders in any Loans then outstanding:
  - (i) cancel the Commitments (and reduce them to zero), whereupon they shall immediately be cancelled (and reduced to zero); or
  - (ii) cancel any part of any Commitment (and reduce such Commitment accordingly), whereupon the relevant part shall immediately be cancelled (and the relevant Commitment shall be immediately reduced accordingly); and/or
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**21. CHANGES TO THE LENDERS**

21.1 Transfers by the Lenders

- (a) Subject to this Clause 21, a Lender (the “ **Existing Lender** ”) may:
  - (i) transfer by novation any of its rights and obligations, under the Finance Documents to another bank or financial institution (the “ **New Lender** ”); and
  - (ii) sub-participate any of its rights and/or obligations under this Agreement.
- (b) Subject to Clause 21.9 ( *Security over Lender's rights* ), an Existing Lender shall not be permitted to assign any of its rights under the Finance Documents.

21.2 Conditions of transfer or sub-participation

- (a) Subject to paragraph (b) below, the prior written consent of the Company is required for any transfer or sub-participation by an Existing Lender.
- (b) The prior written consent of the Company is not required for a transfer by an Existing Lender if the relevant transfer is:
  - (i) to another Lender or an Affiliate of a Lender; or

(ii) made at a time when an Event of Default is continuing,

unless such transfer is to a Prohibited Transferee, in which case consent of the Company will be required in accordance with paragraph (a) above.

(c) Any transfer of a Lender's rights or obligations under the Finance Documents must be in a minimum amount of US\$25,000,000 (and following any such transfer by a Lender, unless that Lender has transferred all of its rights and obligations under the Finance Documents, that Lender must retain rights and obligations in a minimum amount of US\$25,000,000 or, in each case, such lower amount with the consent of the Company).

(d) A transfer will be effective only if the procedure set out in Clause 21.5 (*Procedure for transfer*) is complied with.

(e) If:

(i) a Lender transfers any of its rights and obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date the transfer occurs, the Company would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax Gross Up and Indemnities*) or Clause 13 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the transfer had not occurred.

(f) Each New Lender, by executing the relevant Transfer Certificate, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

(g) The right of any Lender to make transfers and enter into sub-participations as provided by this Clause 21 is in any event subject to that Lender procuring that Confidentiality Undertakings are entered into and delivered to the Company as provided by Clause 23 (*Disclosure of Information*).

#### 21.3 Transfer fee

Unless the Agent otherwise agrees and excluding any transfer to an Affiliate of a Lender, the New Lender shall, on the date upon which a transfer takes effect, pay to the Agent (for its own account) a fee of US\$2,500.

#### 21.4 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
  - (ii) the financial condition of the Company;
  - (iii) the performance and observance by the Company of its obligations under the Finance Documents or any other documents; or
  - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of the Company and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
- (ii) will continue to make its own independent appraisal of the creditworthiness of the Company and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

- (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 21; or
- (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by the Company of its obligations under the Finance Documents or otherwise.

#### 21.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 21.2 ( *Conditions of transfer or sub-participation* ) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Agent shall not be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender unless it is satisfied that it has completed all “know your customer” and other similar procedures that it is required (or deems desirable) to conduct in relation to the transfer to such New Lender.
- (c) Subject to Clause 21.10 ( *Pro-rata interest settlement* ), on the Transfer Date:

- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, the Company and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “ **Discharged Rights and Obligations** ”);
  - (ii) the Company and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Company and the New Lender have assumed and/or acquired the same in place of the Company and the Existing Lender;
  - (iii) the Agent, the Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arrangers and the Existing Lender shall each be released from further obligations to each other under this Agreement; and
  - (iv) the New Lender shall become a Party as a “Lender”.
- (d) The procedure set out in this Clause 21.5 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of transfer of such right or obligation or prohibit or restrict any transfer of such right or obligation, unless such prohibition or restriction shall not be applicable to the relevant transfer or each condition of any applicable restriction shall have been satisfied.

#### 21.6 Copy of Transfer Certificate or Increase Confirmation to Company

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Increase Confirmation, send to the Company a copy of that Transfer Certificate or Increase Confirmation.

#### 21.7 Existing consents and waivers

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant transfer to such New Lender.

#### 21.8 Exclusion of Agent’s liability

In relation to any transfer pursuant to this Clause 21, each Party acknowledges and agrees that the Agent shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

#### 21.9 Security over Lenders’ rights

In addition to the other rights provided to Lenders under this Clause 21, each Lender may without consulting with or obtaining consent from the Company at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without

limitation, any charge, assignment or other Security to secure obligations to a federal reserve or central bank, except that no such charge, assignment or Security shall:

- (a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or
- (b) require any payments to be made by the Company other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

21.10 Pro-rata interest settlement

If the Agent has notified the Lenders and the Company (which it shall be under no obligation to do) that it is able to distribute interest payments on a “pro rata basis” to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 21.5 ( *Procedure for transfer* ) the Transfer Date of which is after the date of such notification and is not on the last day of an Interest Period):

- (a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date (“ **Accrued Amounts** ”) and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six Months, on the next of the dates which falls at six Monthly intervals after the first day of that Interest Period); and
- (b) the rights transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
  - (i) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and
  - (ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 21.10, have been payable to it on that date, but after deduction of the Accrued Amounts.

**22. ASSIGNMENT OR TRANSFER BY THE COMPANY**

The Company may not assign or transfer any of its rights or obligations under any Finance Document, except with the prior written consent of all the Lenders.

**23. DISCLOSURE OF INFORMATION**

23.1 Obligation to keep information confidential

- (a) Each Finance Party must keep confidential all information relating to the Company, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either (i) any Group Member or any of its advisers; or (ii) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Group Member or any of its advisers (regardless of the form such information takes, and including

information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information) and shall not use any such information except in connection with the Finance Documents and the Facility.

- (b) However, a Finance Party is entitled to disclose information referred to in paragraph (a) above:
- (i) if such information is publicly available, other than as a direct or indirect result of a breach by that Finance Party of, or action by its Affiliates that is contrary to the provisions of, this Clause;
  - (ii) if required to do so in connection with any legal, arbitration or regulatory proceedings or procedure;
  - (iii) if required to do so under any applicable law or regulation;
  - (iv) if required or requested to do so by any governmental, banking, taxation or other regulatory authority;
  - (v) to its professional advisers and any other person providing services to it (including, without limitation, any provider of administrative or settlement services and external auditors) provided that such person is under a duty of confidentiality, contractual or otherwise, to that Finance Party;
  - (vi) to the head office, branches, representative offices, Subsidiaries, related corporations or Affiliate of any Finance Party (each a “ **Finance Party Related Party** ”) and each Finance Related Party shall be permitted to disclose information as if it were a Finance Party;
  - (vii) to any other Finance Party;
  - (viii) to any person permitted in writing by the Company;
  - (ix) to the Company; or
  - (x) to the International Swaps and Derivatives Association, Inc. (“ **ISDA** ”) or any Credit Derivatives Determination Committee or sub-committee of ISDA where such disclosure is required by them in order to determine whether the obligations under the Finance Documents will be, or in order for the obligations under the Finance Documents to become, deliverable under a credit derivative transaction or other credit linked transaction which incorporates the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement or other provisions substantially equivalent thereto.
- (c) A Finance Party may disclose to an Affiliate or any potential transferee or Participant to which a transfer or sub-participation is not expressly prohibited under Clause 21 ( *Changes to the Lenders* ) but for the avoidance of doubt not to an Industrial Competitor:
- (i) a copy of any Finance Document; and
  - (ii) any information which that Finance Party has acquired under or in connection with any Finance Document.

However, before a potential transferee or Participant may receive any confidential information, it must execute in favour of the relevant Finance Party a Confidentiality Undertaking and deliver a copy of the same to the Company. A Participant may itself disclose the documents and information referred to in sub-paragraphs (i) and (ii) to an Affiliate or any person with whom it may enter, or has entered into, any kind of transfer of an economic or other interest in, or related to, this Agreement so long as the relevant Affiliate or transferee executes in favour of the relevant potential transferee or Participant a Confidentiality Undertaking and delivers a copy of the same to the Company.

This Clause supersedes any previous agreement relating to the confidentiality of such information.

#### 23.2 Relevant information

Without affecting the responsibility of the Company for information supplied by it or on its behalf in connection with any Finance Document, each of the Lenders accepts and acknowledges that:

- (a) some or all of the information (including, without limitations, financial projections and/or other financial data) that has or may be provided to the Lenders (through the Agent or otherwise) is or may constitute relevant information in relation to the Company (the “**Price Sensitive Information**”) and that the use of such information may be regulated or prohibited by applicable laws and regulations relating to, among other things, insider dealing and/or market abuse;
- (b) upon possession of the Price Sensitive Information, a Lender may be prohibited or restricted under the applicable laws and regulations from, among other things, dealing in or counselling or procuring another person to deal in the listed securities of the Company or its derivatives, or the listed securities of a related corporation of the Company or its derivatives, or otherwise from using or disclosing the Price Sensitive Information;
- (c) none of the Agent nor the Arrangers will be liable for any action taken by it under or in connection with distributing the information provided that where it is required to act on the instructions of any Lender or Lenders, the Agent may ask for a confirmation or certificate (in form and substance satisfactory to the Agent) confirming that the instructing Lender or Lenders is or are not in possession of any Price Sensitive Information and that it is or they are not instructing the Agent, to act as a consequence of being in possession of any Price Sensitive Information; and
- (d) any information received under or in connection with the Finance Documents shall not be used for any unlawful purpose, and each Lender shall make an independent evaluation of, and ensure its compliance with, any legal and regulatory restrictions on the use and/or disclosure of such information.

### 24. **ROLE OF THE ADMINISTRATIVE PARTIES**

#### 24.1 Appointment of the Agent

- (a) Each of the other Finance Parties appoints the Agent to act as its agent under and in connection with the Finance Documents.

- (b) Each of the other Finance Parties authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

#### 24.2 Duties of the Agent

- (a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Without prejudice to Clause 21.6 ( *Copy of Transfer Certificate or Increase Confirmation to Company* ), paragraph (a) above shall not apply to any Transfer Certificate or any Increase Confirmation.
- (c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to any Administrative Party) under this Agreement it shall promptly notify the other Finance Parties.
- (f) The Agent shall provide to the Company within ten (10) Business Days of the last Business Day of each calendar month, a list (which may be in electronic form) setting out the names of the Lenders as at that Business Day, their respective Commitments, the address and fax number (and the department or office, if any, for whose attention any communication is to be marked) of each Lender for any communications to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.
- (g) The Agent shall not be liable to account for interest on money paid to it by or recovered from the Company. Monies held by the Agent need not be segregated except as required by law.
- (h) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

#### 24.3 Role of the Arrangers

Except as specifically provided in the Finance Documents, the Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

#### 24.4 No fiduciary duties

- (a) The Administrative Parties shall not otherwise have, nor be deemed to have, assumed any obligations to, or trust or fiduciary relationship with, any other party to this Agreement.
- (b) None of the Agent or the Arrangers shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

#### 24.5 Business with the Group

- (a) Any Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Group Member.
- (b) Each of the Lenders hereby irrevocably waives, in favour of the Agent, any conflict of interest which may arise by virtue of the Agent acting in various capacities under the Finance Documents or for other customers of the Agent. Each of the Lenders acknowledges that the Agent and its affiliates (together, the “**Agent Parties**”) may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which a Lender may regard as conflicting with its interests and may possess information (whether or not material to the Lenders) other than as a result of the Agent acting as Agent under the Finance Documents, that the Agent may not be entitled to share with any Lender.
- (c) Consistent with its long-standing policy to hold in confidence the affairs of its customers, the Agent will not disclose confidential information obtained from any Lender (without its consent) to any of the Agent's other customers nor will it use on the Lender's behalf any confidential information obtained from any other customer. Without prejudice to the foregoing, each of the Lenders agrees that each of the Agent Parties may deal (whether for its own or its customers' account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of the Finance Documents.

#### 24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:
  - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
  - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

- (b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 20.1 ( *Non-payment* ));
  - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and

(iii) any notice or request made by the Company (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of the Company.

(c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(d) The Agent may act in relation to the Finance Documents through its personnel and agents.

(e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f) Without prejudice to the generality of paragraph (e) above, the Agent may disclose the identity of a Defaulting Lender to the other Finance Parties and the Company and shall disclose the same upon the written request of the Company or the Majority Lenders.

(g) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor any Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

#### 24.7 Majority Lenders' instructions

(a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.

(b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.

(c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) or under paragraph (d) below until it has received such security as it may require for any cost, loss or liability (together with any associated Indirect Tax) which it may incur in complying with the instructions.

(d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

#### 24.8 Responsibility for documentation

No Administrative Party:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by any Administrative Party, the Company or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document;
- (c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below, the Agent shall not be liable for any cost, loss or liability incurred by any Party as a consequence of:
  - (i) the Agent having taken or having omitted to take any action under or in connection with any Finance Document, unless directly caused by the Agent's gross negligence or wilful misconduct; or
  - (ii) any delay in the crediting to any account of an amount required under the Finance Documents to be paid by the Agent if the Agent shall have taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for the purpose of such payment.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause subject to Clause 1.3 ( *Third party rights* ) and the provisions of the Third Parties Act.
- (c) Nothing in this Agreement shall oblige any Administrative Party to conduct any "know your customer" or other procedures in relation to any person on behalf of any Lender and each Lender confirms to each Administrative Party that it is solely responsible for any such procedures it is required to conduct and that it shall not rely on any statement in relation to such procedures made by any Administrative Party.
- (d) Notwithstanding anything to the contrary in this Agreement or in any other Finance Document, the Agent shall not in any event be liable for any loss or damage, or any failure or delay in the performance of its obligations hereunder if it is prevented from so performing its obligations by any reason which is beyond the control of the Agent, including, but not limited to, any existing or future law or regulation, any existing or future act of governmental authority, Act of God, flood, war whether declared or undeclared, terrorism, riot, rebellion, civil commotion, strike, lockout, other industrial action, general failure of electricity or other supply, aircraft collision, technical failure, accidental or mechanical or electrical breakdown, computer failure or failure of any money transmission system or any event where, in the reasonable opinion of the Agent, performance of any duty or obligation under or pursuant to this Agreement would or may be illegal or would result in the Agent being in breach of any law, rule,

regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organisation to which the Agent is subject.

- (e) Notwithstanding any other term or provision of this Agreement to the contrary, the Agent shall not be liable under any circumstances for special, punitive, indirect or consequential loss or damage of any kind whatsoever, whether or not foreseeable, or for any loss of business, goodwill, opportunity or profit, whether arising directly or indirectly and whether or not foreseeable, even if the Agent is actually aware of or has been advised of the likelihood of such loss or damage and regardless of whether the claim for such loss or damage is made in negligence, for breach of contract, breach of trust, breach of fiduciary obligation or otherwise. The provisions of this Clause shall survive the termination or expiry of this Agreement or the resignation or removal of the Agent.

#### 24.10 Refrain from Illegality

The Agent may refrain from doing anything which in its opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person.

#### 24.11 Lenders' indemnity to the Agent

- (a) Each Lender shall, in accordance with paragraph (b) below, indemnify the Agent within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Agent's gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by the Company pursuant to a Finance Document).
- (b) The proportion of such cost, loss or liability to be borne by each Lender shall be in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero.
- (c) The Lenders' indemnity to the Agent shall survive the termination or expiry of this Agreement and the resignation or replacement of the Agent.

#### 24.12 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Company.
- (b) Alternatively the Agent may resign by giving thirty (30) days' notice to the other Finance Parties and the Company, in which case the Majority Lenders (with the consent of the Company, such consent not to be unreasonably withheld) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within thirty (30) days after notice of resignation was given, the retiring Agent (with the consent of the Company, such consent not to be unreasonably withheld) may appoint a successor Agent.

- (d) The retiring Agent shall make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent's resignation notice shall take effect only upon the appointment of a successor, provided that notwithstanding any of the foregoing, the resignation of the Agent otherwise in accordance with the provisions of this Clause 24 shall be effective immediately in the event that the Agent's continuing appointment would conflict with (and such resignation would be required by) applicable law or the Agent's internal policies (including without limitation with respect to "know-your-client" and/or any conflict of interest) that in each case, cannot be resolved to the reasonable satisfaction of the Agent.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24.12. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Company, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.
- (h) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:
  - (i) the Agent fails to respond to a request under Clause 24.14 ( *FATCA information* ) and the Company or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
  - (ii) any information supplied by the Agent pursuant to Clause 24.14 ( *FATCA information* ) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
  - (iii) the Agent notifies the Company and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date,

and (in each case) the Company or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and the Company or that Lender, by notice to the Agent, requires it to resign.

For the purposes of this paragraph (h):

“ **Code** ” means the US Internal Revenue Code of 1986.

“ **FATCA** ” has the meaning given to that term in Clause 12.1 ( *Tax definitions* ).

“ **FATCA Application Date** ” means:

- (A) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the U.S.), 1 July 2014; or
- (B) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (A) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA.

“ **FATCA Deduction** ” has the meaning given to that term in Clause 12.1 ( *Tax definitions* ).

“ **FATCA Exempt Party** ” means a Party that is entitled to receive payments free from any FATCA Deduction.

#### 24.13 Replacement of the Agent

- (a) After consultation with the Company, the Majority Lenders may, by giving thirty (30) days’ notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Agent or by appointing a successor Agent (acting through an office in Hong Kong).
- (b) The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (c) The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24.13 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).
- (d) Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

#### 24.14 FATCA Information

- (a) Subject to paragraph (c) below, the Agent shall, within ten Business Days of a reasonable request by the Company or a Lender:
  - (i) confirm to that other Party whether it is:
    - (A) a FATCA Exempt Party; or
    - (B) not a FATCA Exempt Party; and
  - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable “passthru payment percentage” or other information required under the US Treasury Regulations or other official guidance including intergovernmental agreements) as that other

Party reasonably requests for the purposes of that other Party's compliance with FATCA.

- (b) If the Agent confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, the Agent shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige the Agent to do anything which would or might in its reasonable opinion constitute a breach of:
  - (i) any law or regulation;
  - (ii) any fiduciary duty; or
  - (iii) any duty of confidentiality.
- (d) If the Agent fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then:
  - (i) if the Agent failed to confirm whether it is (and/or remains) a FATCA Exempt Party then the Agent shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and
  - (ii) if the Agent failed to confirm its applicable "passthru payment percentage" then the Agent shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable "passthru payment percentage" is 100%,

until (in each case) such time as the Agent provides the requested confirmation, forms, documentation or other information.

#### 24.15 Confidentiality

- (a) In acting as agent for the Finance Parties, each of the Agent shall be regarded as acting through its agency or, as the case may be, trustee division which shall be treated as a separate legal person from any other of its branches, divisions or departments.
- (b) If information is received by another branch, division or department of the legal person which is the Agent, it may be treated as confidential to that branch, division or department and the Agent shall not be deemed to have notice of it.
- (c) Notwithstanding any other provision of any Finance Document to the contrary, the Agent shall not be obliged to disclose to any Finance Party any information supplied to it by the Company or any Affiliates of the Company on a confidential basis and for the purpose of evaluating whether any waiver or amendment is or may be required or desirable in relation to any Finance Document.

#### 24.16 Relationship with the Lenders

- (a) Subject to Clause 26.2 ( *Distributions by the Agent* ), the Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility

Office unless it has received not less than five (5) Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

- (b) Each Lender shall supply the Agent with any information that the Agent may reasonably specify as being necessary or desirable to enable the Agent to perform its functions as Agent.
- (c) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 28.5 ( *Electronic communication* )) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 28.2 ( *Addresses* ) and paragraph (a) of Clause 28.5 ( *Electronic communication* ) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

#### 24.17 Credit appraisal by the Lenders

Without affecting the responsibility of the Company for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each Administrative Party that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each Group Member;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

#### 24.18 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (with the consent of the Company, such consent not to be unreasonably withheld) appoint another Lender or an Affiliate of a Lender or any bank approved by the Majority Lenders to replace that Reference Bank.

#### 24.19 Agent's management time

Any amount payable to the Agent under Clause 15.3 ( *Indemnity to the Agent* ), Clause 16 ( *Costs and Expenses* ) and Clause 24.11 ( *Lenders' indemnity to the Agent* ) shall include the reasonable cost of utilising the Agent's management time or other resources in respect of any duties which are outside the scope of the normal duties of the Agent under the Finance Documents and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify to the Parent and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 11 ( *Fees* ). For the avoidance of doubt, any action required to be undertaken by the Agent in respect of or in relation to any Default, change in structure of the Facility, including acts contemplated in Clauses 16.2 ( *Amendment costs* ) and 16.3 ( *Enforcement costs* ) shall not be regarded as tasks falling within the scope of the normal duties of the Agent under the Finance Documents. In the event of any dispute in respect of such cost of utilising the Agent's management time or other resources, the costs to be paid shall be as reasonably determined by the Agent.

#### 24.20 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

### 25. SHARING AMONG THE FINANCE PARTIES

#### 25.1 Payments to Finance Parties

If a Finance Party (a “ **Recovering Finance Party** ”) receives or recovers (whether by set off or otherwise) any amount from the Company other than in accordance with Clause 26 ( *Payment Mechanics* ) (a “ **Recovered Amount** ”) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 26 ( *Payment mechanics* ), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “ **Sharing Payment** ”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 26.6 ( *Partial payments* ).

#### 25.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the Company and distribute it between the Finance Parties (other than the Recovering Finance Party) (the

“ **Sharing Finance Parties** ”) in accordance with Clause 26.6 ( *Partial payments* ) towards the obligations of the Company to the Sharing Finance Parties.

25.3 Recovering Finance Party’s rights

- (a) On a distribution by the Agent under Clause 25.2 ( *Redistribution of payments* ) of a payment received by a Recovering Finance Party from the Company, as between the Company and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Company.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Company shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

25.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the “ **Redistributed Amount** ”); and
- (b) as between the Company and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by the Company.

25.5 Exceptions

- (a) This Clause 25 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Company.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
  - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
  - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**26. PAYMENT MECHANICS**

26.1 Payments to the Agent

- (a) On each date on which the Company or a Lender is required to make a payment under a Finance Document, the Company or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on

the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

- (b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

26.2 Distributions by the Agent

- (a) Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 26.3 ( *Distributions to the Company* ), Clause 26.4 ( *Clawback* ), Clause 26.6 ( *Partial payments* ) and Clause 24.20 ( *Deduction from amounts payable by the Agent* ) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office):
  - (i) with respect to the Company and the Original Lenders, to such account as specified in Schedule 8 ( *Account details* ) (or such other account as that Party may notify to the Agent by not less than five Business Days’ notice with a bank in the principal financial centre of the country of that currency); or
  - (ii) with respect to any other Party, to such account as that Party may notify to the Agent by not less than five Business Days’ notice with a bank in the principal financial centre of the country of that currency.
- (b) The Agent shall distribute payments received by it in relation to all or any part of a Loan to the Lender indicated in the records of the Agent as being so entitled on that date **PROVIDED THAT** the Agent is authorised to distribute payments to be made on the date on which any transfer becomes effective pursuant to Clause 21 ( *Changes to the Lenders* ) to the Lender so entitled immediately before such transfer took place regardless of the period to which such sums relate.

26.3 Distributions to the Company

The Agent may (with the consent of the Company or in accordance with Clause 27 (*Set-Off*)) apply any amount received by it for the Company in or towards payment (in the currency and funds of receipt) of any amount due from the Company under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

26.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

26.5 Impaired Agent

- (a) If, at any time, the Agent becomes an Impaired Agent, the Company or a Lender which is required to make a payment under the Finance Documents to the Agent in accordance with Clause 26.1 (*Payments to the Agent*) may instead either:
- (i) pay that amount direct to the required recipient(s); or
  - (ii) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to the required recipient(s), pay that amount or the relevant part of that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Company or the Lender making the payment (the “**Paying Party**”) and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the “**Recipient Party**” or “**Recipient Parties**”).

In each case such payments must be made on the due date for payment under the Finance Documents.

- (b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Party or the Recipient Parties *pro rata* to their respective entitlements.
- (c) A Party which has made a payment in accordance with this Clause 26.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.
- (d) Promptly upon the appointment of a successor Agent in accordance with Clause 24.13 (*Replacement of the Agent*), each Paying Party shall (other than to the extent that that Party has given an instruction pursuant to paragraph (e) below) give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the relevant Recipient Party or Recipient Parties in accordance with Clause 26.2 (*Distributions by the Agent*).
- (e) A Paying Party shall, promptly upon request by a Recipient Party and to the extent:
  - (i) that it has not given an instruction pursuant to paragraph (d) above; and
  - (ii) that it has been provided with the necessary information by that Recipient Party,

give all requisite instructions to the bank with whom the trust account is held to transfer the relevant amount (together with any accrued interest) to that Recipient Party.

26.6 Partial payments

- (a) If any Finance Party receives or recovers an amount from or in respect of the Company under or in connection with any Finance Document which amount is insufficient to, or is not applied to, discharge all the amounts then due and payable by the Company under the Finance Documents, then the Agent shall apply that payment

towards the obligations of the Company under the Finance Documents in the following order:

- (i) **first** , in or towards payment *pro rata* of any unpaid fees, costs and expenses of the Agent under the Finance Documents;
  - (ii) **secondly** , in or towards payment *pro rata* of any accrued interest, fee (other than as provided in (i) above) or commission due but unpaid under the Finance Documents;
  - (iii) **thirdly** , in or towards payment *pro rata* of any principal due but unpaid under this Agreement; and
  - (iv) **fourthly** , in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Company.

26.7 No set-off by the Company

All payments to be made by the Company under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

26.8 Business Days

- (a) Any payment which is due to be made on a day (other than a Final Repayment Date) that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not). If a Final Repayment Date is not a Business Day, any payment which is due to be made on that Final Repayment Date shall be made on the preceding Business Day.
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under paragraph (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

26.9 Currency of account

- (a) Subject to paragraphs (b) to (e) below, US Dollar is the currency of account and payment for any sum due from the Company under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(e) Any amount expressed to be payable in a currency other than US Dollar shall be paid in that other currency.

26.10 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (acting reasonably and after consultation with the Company); and
  - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably and after consultation with the Company).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Company) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

**27. SET-OFF**

While an Event of Default is continuing, a Finance Party may set off any matured obligation due from the Company under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Company, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. That Finance Party shall promptly notify the Company of any such set-off or conversion.

**28. NOTICES**

28.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

28.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Company that identified with its name below;
- (b) in the case of each Lender that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Agent that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

### 28.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

- (i) if by way of fax, only when received in legible form; or
- (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 28.2 ( *Addresses* ), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the Agent shall specify for this purpose).

(c) All notices from or to the Company shall be sent through the Agent.

(d) Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

### 28.4 Communication when Agent is Impaired Agent

If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

### 28.5 Electronic communication

(a) Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication and if those two Parties:

- (i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (ii) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.

- (b) Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.
- (c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

#### 28.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
  - (i) in English; or
  - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

### 29. CALCULATIONS AND CERTIFICATES

#### 29.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

#### 29.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document shall set out the basis of calculation in reasonable detail and is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

#### 29.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

### 30. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

### 31. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

### 32. AMENDMENTS AND WAIVERS

#### 32.1 Required consents

- (a) Subject to Clause 2.3 ( *Additional Commitments* ), Clause 32.2 ( *Exceptions* ) and Clause 32.3 ( *Extension of Commitments* ), any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Company and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 32.

#### 32.2 Exceptions

- (a) Subject to Clause 32.3 ( *Extension of Commitments* ) and Clause 32.8 ( *Replacement of Screen Rate* ), an amendment or waiver that has the effect of changing or which relates to:
  - (i) the definition of “ **Majority Lenders** ” in Clause 1.1 ( *Definitions* );
  - (ii) an extension to the date of payment of any amount under the Finance Documents;
  - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
  - (iv) an increase in the amount of any Commitment or an extension of the period of availability for utilisation of any Commitment or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably;
  - (v) any provision which expressly requires the consent of all the Lenders;
  - (vi) Clause 2.3 ( *Additional Commitments* );
  - (vii) Clause 2.5 ( *Finance Parties’ rights and obligations* ); or
  - (viii) Clause 21 ( *Changes to the Lenders* ) or this Clause 32.2,shall not be made without the prior consent of all the Lenders.
- (b) An amendment or waiver which relates to the rights or obligations of any Administrative Party may not be effected without the consent of such Administrative Party.

32.3 Extension of Commitments

- (a) Subject to Clause 32.4 ( *Requirement to offer extension of Commitments to all Lenders* ), the Company and any Lender may agree that:
- (i) the Availability Period and Final Repayment Date applicable to such participation be extended; and
  - (ii) if any extension as referred to in paragraph (a) applies, the Margin applicable to the relevant participation should be adjusted.
- (b) Following any agreement as referred to in paragraph (a) above, the Company and the relevant Lender(s) may notify the Agent, giving details of the applicable agreement (the “ **Extension Agreement** ”).
- (c) Promptly following notification in accordance with paragraph (b) above, the Agent shall, at the cost of the Company, agree with the Company on behalf of the Finance Parties such amendments to the Finance Documents as may be necessary or appropriate to give effect to the Extension Agreement (which may for the avoidance of doubt include designating the affected participations as loans under a new facility).
- (d) The Agent shall promptly provide to each of the Finance Parties copies of any amendment agreement entered into pursuant to paragraph (c) above.

32.4 Requirement to offer extension of Commitments to all Lenders

- (a) The Agent will only be authorised to enter into an amendment agreement under paragraph (c) of Clause 32.3 ( *Extension of Commitments* ) if prior to entering into such amendment agreement it is satisfied (acting reasonably) that:
- (i) each Lender shall have been offered the opportunity to participate in such extension in an amount up to that Lender’s Pro Rata Share; and
  - (ii) each Lender shall have been given a period of at least 10 Business Days following receipt of the proposed terms of the extension referred to in paragraph (a) of Clause 32.3 ( *Extension of Commitments* ), to determine (A) whether or not to participate; and (B) if it wishes to participate, the amount of its Commitment (up to its Pro Rata Share) that it is willing to extend on the proposed terms.
- (b) For the purposes of paragraph (a) above, “ **Pro Rata Share** ” means in relation to a Lender whose Commitments are being extended, the percentage of the aggregate amount of the relevant Extended Loans that that Lender’s Commitment bears to the Total Commitments.
- (c) For the avoidance of doubt, prior to the date on which the Company and the relevant Lender(s) execute an Extension Agreement, the Company shall have no obligation to proceed with any proposed extension.

32.5 Disenfranchisement of Defaulting Lenders

- (a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining:
- (i) the Majority Lenders; or

(ii) whether:

(A) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments; or

(B) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents,

that Defaulting Lender's Commitments will be reduced by the amount of its Available Commitments and, to the extent that that reduction results in that Defaulting Lender's Total Commitments being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (i) and (ii) above.

(b) For the purposes of this Clause 32.5, the Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Agent that it has become a Defaulting Lender;

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "**Defaulting Lender**" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

### 32.6 Excluded Commitments

If:

(a) any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within fifteen Business Days of that request being notified to the Lenders (or, if later, within 15 Business Days of the date on which the Lenders have received such information as the Agent determines is reasonably required to allow the Lenders to respond to the relevant request in an informed manner); or

(b) any Lender which is not a Defaulting Lender fails to respond to such a request for such a vote within fifteen Business Days of that request being made,

(unless, in either case, the Company and the Agent agree to a longer time period in relation to any request):

(i) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and

- (ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

### 32.7 Replacement of Lender

- (a) If:
  - (i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (d) below); or
  - (ii) the Company becomes obliged to repay any amount in accordance with Clause 7.1 (*Illegality*) or to pay additional amounts pursuant to Clause 13 (*Increased Costs*), Clause 12.2 (*Tax gross-up*) or Clause 12.3 (*Tax indemnity*) to any Lender; or
  - (iii) any Lender becomes a Defaulting Lender,

then the Company may, on fifteen (15) Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 21 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution or other entity (a "**Replacement Lender**") selected by the Company, which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 21 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest (to the extent that the Agent has not given a notification under Clause 21.10 (*Pro-rata interest settlement*)), Break Costs and other amounts payable in relation thereto under the Finance Documents.

On or after the delivery of the notice under this paragraph (a), the Company shall deliver a Transfer Certificate complying with Clause 21.5 (*Procedure for transfers*) and executed by the relevant Replacement Lender and any other related documentation to effect the transfer, which Transfer Certificate and any other related documentation to effect the transfer (if attached) shall be promptly (and by no later than the later of (i) 15 (fifteen) Business Days after delivery by the Company of such notice and (ii) 3 (three) Business Days after delivery by the Company of such Transfer Certificate and all other related documentation) executed by the relevant Lender subject to the replacement (the "**Replaced Lender**") and returned to the Company and the Agent. Notwithstanding the requirements of Clause 21 (*Changes to the Lenders*) or any other provisions of the Finance Documents (save only for the conditions set out in paragraph (b) below, which continue to apply), if a Replaced Lender does not execute and return (as applicable) a Transfer Certificate and all other related documentation to effect the transfer as required by this paragraph (a) on or before the later of (i) 15 (fifteen) Business Days after delivery by the Company of such notice and (ii) 3 (three) Business Days after delivery by the Company of such Transfer Certificate and all other related documentation and none of the conditions set out in paragraph (b) below remain to be satisfied in respect of that transfer, (i) the relevant Replaced Lender shall be a Defaulting Lender for all purposes under the Finance Documents, (ii) the relevant transfer or transfers shall automatically and immediately be effected for all purposes under the Finance Documents on payment of the applicable replacement amount to the Agent (for the account of the relevant

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Replaced Lender) (notwithstanding the failure to execute and return such documentation by the relevant Replaced Lender (a **Failure**)), (iii) the Agent may (and is authorised and required by each Finance Party to) execute, without requiring any further consent or action from any other party, a Transfer Certificate and any other related documentation to effect the transfer on behalf of the relevant Replaced Lender which is required to transfer its rights and obligations under this Agreement pursuant to this paragraph (a) which shall be effective for the purposes of Clause 21.5 (*Procedure for transfers*) and (iv) to the extent that any transfer purported to be automatically effected by this Clause is not effective, the relevant Replaced Lender shall indemnify and hold the Agent and each applicable Replacement Lender harmless against any loss or liability incurred by such person as result of the Failure and account to each applicable Replacement Lender for all applicable principal and accrued amounts of interest unless and until such transfer is effected. The Agent shall not be liable in any way for any action taken by it pursuant to this paragraph (a) and, for the avoidance of doubt, the provisions of Clause 24.9 (*Exclusion of liability*) shall apply in relation thereto.

- (b) The replacement of a Lender pursuant to this Clause 32.7 shall be subject to the following conditions:
  - (i) the Company shall have no right to replace the Agent;
  - (ii) neither the Agent nor the Lender shall have any obligation to the Company to find a Replacement Lender;
  - (iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 30 Business Days after the date on which that Lender is deemed a Non-Consenting Lender;
  - (iv) in no event shall the Lender replaced under Clause 32.4 (*Requirement to offer extension of Commitments to all Lenders*) be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and
  - (v) the Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.
- (c) A Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Agent and the Company when it is satisfied that it has complied with those checks.
- (d) In the event that:
  - (i) the Company or the Agent (at the request of the Company) has requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;

(ii) the consent, waiver or amendment in question requires the approval of all the Lenders; and

- (iii) Lenders whose Commitments aggregate more than eighty per cent. (80%) of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than eighty per cent. (80%) of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a “ **Non-Consenting Lender** ”.

### 32.8 Replacement of Screen Rate

Subject to paragraph (b) of Clause 32.2 ( *Exceptions* ) if any Screen Rate is not available for a currency which can be selected for a Loan, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to that currency in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made with the consent of the Majority Lenders and the Company.

### 33. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

### 34. CONTRACTUAL RECOGNITION OF BAIL-IN

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
  - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
  - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
  - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

### 35. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

**36. ENFORCEMENT**

**36.1 Jurisdiction of English courts**

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including any dispute relating to any non-contractual obligation arising from or in connection with this Agreement and any dispute regarding the existence, validity or termination of this Agreement) (a “ **Dispute** ”).
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 36.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

**36.2 Service of process**

Without prejudice to any other mode of service allowed under any relevant law:

- (a) the Company irrevocably appoints Law Debenture Corporate Services Limited as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
- (b) agrees that failure by a process agent to notify the Company of the process will not invalidate the proceedings concerned.

The Company expressly agrees and consent to the provision of this Clause 36.2.

**36.3 Waiver of immunities**

The Company irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from:

- (a) suit;
- (b) jurisdiction of any court;
- (c) relief by way of injunction or order for specific performance or recovery of property;
- (d) attachment of its assets (whether before or after judgment); and
- (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction (and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any immunity in any such proceedings).

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

**SCHEDULE 1**  
**THE LENDERS**

**SCHEDULE 2**  
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**SCHEDULE 8**

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SCHEDULE 9

FORM OF ADDITIONAL COMMITMENT NOTICE

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**The Company**

**ALIBABA GROUP HOLDING LIMITED**

By: /s/ Timothy Alexander Steinert  
Name: Timothy Alexander Steinert  
Title: Authorized Signatory

*[Signature Page to the Amendment and Restatement Agreement]*

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**The Agent**

**CITICORP INTERNATIONAL LIMITED**

By: /s/ Katie Lacey  
Katie Lacey  
Vice President

*[Signature Page to the Amendment and Restatement Agreement]*

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**WHITE & CASE**

Dated 17 May 2019

**Facility Agreement**

relating to a HK\$7,653,750,000 term loan facility

between

**Hong Kong Cingleot Investment Management Limited**  
as Company

**Alibaba Group Holding Limited**  
as Guarantor

**Bank of China (Hong Kong) Limited**  
**Citigroup Global Markets Asia Limited**  
**DBS Bank Ltd.**

**The Hongkong and Shanghai Banking Corporation Limited**  
**Mizuho Bank, Ltd.**  
as Mandated Lead Arrangers

**The Financial Institutions Listed in Schedule 1**  
as Original Lenders

and

**Citicorp International Limited**  
as Agent

White & Case  
9th Floor Central Tower  
28 Queen's Road Central  
Hong Kong

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THIS AGREEMENT is dated 17 May 2019 and made between:

- (1) **HONG KONG CINGLEOT INVESTMENT MANAGEMENT LIMITED**, a limited liability company incorporated under the laws of Hong Kong with company registration number 2714411 ( the “ **Company** ”);
- (2) **ALIBABA GROUP HOLDING LIMITED**, a limited liability company incorporated under the laws of the Cayman Islands with company registration number 90722 (the “ **Guarantor** ”);
- (3) **BANK OF CHINA (HONG KONG) LIMITED ; CITIGROUP GLOBAL MARKETS ASIA LIMITED ; DBS BANK LTD. ; THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED** and **MIZUHO BANK, LTD.** (whether acting individually or together, the “ **Mandated Lead Arrangers** ”);
- (4) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 ( *The Original Lenders* ) as lenders (the “ **Original Lenders** ”); and
- (5) **CITICORP INTERNATIONAL LIMITED** as agent of the Finance Parties (other than itself) (the “ **Agent** ”).

IT IS AGREED as follows:

## 1. Definitions and Interpretation

### 1.1 Definitions

In this Agreement:

“ **Acceptable Bank** ” means:

- (a) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of BBB- or higher by Standard & Poor’s Rating Services or Fitch Ratings Ltd or Baa3 or higher by Moody’s Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (b) any other bank or financial institution approved by the Agent (acting on the instructions of the Majority Lenders).

“ **Accounting Principles** ” means:

- (a) in relation to the Company, the generally accepted accounting principles in Hong Kong; and
- (b) in relation to the Guarantor, US GAAP or IFRS.

“ **Administrative Party** ” means each of the Agent and the Mandated Lead Arrangers.

“ **Affiliate** ” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“ **Agreement for Sub-Lease** ” means the agreement for sub-lease dated 4 July 2018 between the Airport Authority as sub-lessor and the Company as tenant to design, finance, construct, manage and operate the Development and which sets out (among other things) the specifications and requirements of the Airport Authority regarding the Development. For the purpose of this Agreement, if the Sub-Lease is granted by

the Airport Authority to the Company as tenant, any reference to “Agreement for Sub-Lease” in this Agreement shall be deemed to be a reference to both the Agreement for Sub-Lease and the Sub-Lease.

“ **Airport Authority** ” means the Airport Authority of Hong Kong, a statutory body established and operating pursuant to the Airport Authority Ordinance (Cap. 483 of the laws of Hong Kong).

“ **APLMA** ” means the Asia Pacific Loan Market Association Limited.

“ **Authorisation** ” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“ **Availability Period** ” means the period from and including the date of this Agreement to and including the date falling 59 months after the date of this Agreement.

“ **Available Commitment** ” means a Lender’s Commitment minus:

- (a) the aggregate amount of its participation in any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the aggregate amount of its participation in any Loans that are due to be made on or before the proposed Utilisation Date.

“ **Available Facility** ” means the aggregate for the time being of each Lender’s Available Commitment.

“ **Bail-In Action** ” means the exercise of any Write-down and Conversion Powers.

“ **Bail-In Legislation** ” means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“ **Break Costs** ” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received pursuant to the terms of this Agreement for the period from the date of receipt of all or any part of the principal amount of a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount of interest which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“ **Budget** ” means, on any date, an itemised budget relating to the Project which sets out:

- (a) the costs and expenses incurred in connection with the Project for the three-month period ending on such date (with copies of all invoices, receipts, fee notes, debit notes or similar invoicing documents);
- (b) the source of funds for payment of the costs and expenses incurred in connection with the Project for the three-month period ending on such date (including reconciliation of those costs to previous iterations in the previous Budget); and
- (c) a forecast or estimate of costs and expenses to be incurred in connection with the Project for the six-month period commencing from that date,

including, in each case, amendments or supplements that are notified to the Agent in accordance with paragraph (d) of Clause 19.5 ( *Information on the Project* ).

“ **Buildings Ordinance** ” means the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong).

“ **Business Day** ” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong.

“ **Cainiao** ” means Cainiao Smart Logistics Network Limited, a company incorporated in the Cayman Islands with limited liability with company number 300080.

“ **Capital Stock** ” of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person, including any Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

“ **CNAC Facility** ” means the up to HK\$4,121,250,000 term loan facility made or to be made available under a facility agreement entered or to be entered into between the Company as borrower, China National Aviation Corporation (Group) Limited as guarantor and the financial institutions named therein in the agreed form, save for amendments or supplements that are made in accordance with the Intercreditor Agreement.

“ **Commitment** ” means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading Commitment in Schedule 1 ( *The Original Lenders* ) and the amount of any other Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“ **Competitors** ” means Amazon (including Joyo.com), Apple, Baidu, eBay (including PayPal), Facebook, Alphabet (including Google), Yahoo!, Microsoft, Tencent (including Tenpay), JD.com (formerly, 360Buy), Wal-Mart Stores, Inc., Yihaodian, Xiaomi, 58.com, Yahoo! JAPAN (including SoftBank Group and Softbank Vision Fund), Qihoo 360, Vipshop, Rakuten, Paypal, Ping An (including Lufax but excluding Ping An Bank), SEA Group, UnionPay, Uber, Go-Jek, NetEase and each of their controlled Affiliates.

“ **Confidentiality Undertaking** ” means a confidentiality undertaking substantially in a recommended form of the APLMA as set out in Schedule 5 ( *Form of Confidentiality Undertaking* ) or in any other form agreed between the Company and the Agent and in any event the benefit of which accrues to the Company as a third party beneficiary.

“ **Consolidated Affiliated Entity** ” of any person means any corporation, association or other entity which is or is required to be consolidated with such person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than U.S. GAAP, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

“ **Construction Contract** ” means the main contract(s) entered or to be entered into between the Company and a Construction Contractor providing for piling work, superstructure, substructure and civil engineering works connected with the Project, and for the construction of the Development (and where the context so admits, any substitute building contract or contracts entered into by the Company).

“ **Construction Contractor** ” means the main contractor(s) (who is independent from the Company, the Guarantor, China National Aviation Corporation (Group) Limited and Cainiao) appointed or to be appointed by the Company for the Project or any substitute main contractor (who is independent from the Company, the Guarantor, China National Aviation Corporation (Group) Limited and Cainiao) to be appointed by the Company for the Project.

“ **Controlled Entity** ” of any person means a Subsidiary or a Consolidated Affiliated Entity of such person.

“ **Default** ” means an Event of Default or any event or circumstance specified in Clause 21 ( *Events of Default* ) which would (with the expiry of a grace period, the giving of notice or the making of any determination (other than as to materiality) referred to in Clause 21 ( *Events of Default* )) be an Event of Default.

“ **Defaulting Lender** ” means any Lender:

- (a) which has failed to make its participation in a Loan available or has notified the Agent or the Company (which has notified the Agent) that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 5.4 ( *Lenders' participation* );
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and,

payment is made within two Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

“ **Design Consultant** ” means the design consultancy firm (which is an Authorised Person (as defined in the Buildings Ordinance) and is independent from the Company, the Guarantor, China National Aviation Corporation (Group) Limited and Cainiao) appointed or to be appointed by the Company for the Project or any substitute design consultancy firm (which has an Authorised Person (as defined in the Buildings Ordinance) and is independent from the Company, the Guarantor, China National Aviation Corporation (Group) Limited and Cainiao) to be appointed by the Company for the Project.

“ **Design Contract** ” means the design consultancy contract entered or to be entered into between the Company and the Design Consultant for the design of the Development arising out of or in connection with the Project.

“ **Development** ” means the buildings, erections and works which are to be designed, constructed and completed by the Company in, on, at or under the Property in accordance with the Agreement for Sub-Lease (including without limitation the foundations thereof and all fixtures, as may be extended, varied or modified from time to time).

“ **Development Consent** ” means any Authorisation required under any law or regulation in connection with the Project, including any rights granted or to be granted by the Airport Authority to the Company (or, if applicable, any Group Member or any Principal Controlled Entity) for the implementation of the Project.

“ **Development Right Document** ” means:

(a) the Agreement for Sub-Lease; or

(b) any Development Consent.

“ **Disruption Event** ” means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; and

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“ **Distributable Reserves** ” means, in relation to a Major Material Subsidiary incorporated in the PRC which is a WFOE, the retained earnings of such WFOE that may in accordance with any applicable PRC law and regulation and PRC GAAP be distributed to its shareholders outside of the PRC after taking into account all Taxes payable under PRC law and all statutory reserve requirements in the PRC.

“ **Dormant Subsidiary** ” means a Group Member which does not trade (for itself or as agent for any person) and does not own, legally or beneficially, any material assets (including, without limitation, indebtedness owed to it).

“ **EBITDA** ” means the consolidated income before income tax and share of net losses or gains of equity investees of the Group (including the results from any discontinued operations):

- (a) **before deducting** any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any Group Member (calculated on a consolidated basis);
- (b) **not including** any accrued interest owing to any Group Member;
- (c) before taking into account any Exceptional Items;
- (d) **before taking into account** any unrealised gains or losses on any derivative instrument or similar financial instrument (but excluding any derivative instrument which is accounted for on a hedge accounting basis);
- (e) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset at any time after the date to which the Original Financial Statements were made up;
- (f) **before taking into account** the charge to profit represented by expensing of stock based compensation;
- (g) **after adding back** any amount attributable to the amortisation, depreciation or impairment of assets of the Group Members; and
- (h) **after excluding** any Excluded Earnings,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining income before income tax and share of net losses or gains of equity investees of the Group.

“ **EEA Member Country** ” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“ **EU Bail-In Legislation Schedule** ” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“ **Event of Default** ” means any event or circumstance specified as such in Clause 21 ( *Events of Default* ).

“ **Exceptional Items** ” means any exceptional, one off, non-recurring or extraordinary items including those arising on:

- (a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets; and
- (c) disposals of assets associated with discontinued operations.

“ **Exchange Act** ” means the U.S. Securities Exchange Act of 1934, as amended.

“ **Excluded Earnings** ” means any earnings (whether positive or negative) of the Finance Companies and the Project Companies.

“ **Extended Loan** ” means a Loan or part of a Loan in respect of which the Company and the relevant Lender(s) have agreed to amend certain terms pursuant to an Extension Agreement.

“ **Extension Agreement** ” has the meaning given to that term in Clause 33.3 ( *Extension of Commitments* ).

“ **Extension Amendment Agreement** ” has the meaning given to that term in Clause 33.3 ( *Extension of Commitments* ).

“ **Facility** ” means the term loan facility made available under this Agreement as described in Clause 2.1 ( *The Facility* ).

“ **Facility Office** ” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“ **Fee Letter** ” means any letter or letters referring to this Agreement or the Facility between one or more Administrative Parties and the Company setting out any of the fees referred to in Clause 11 ( *Fees* ).

“ **Final Repayment Date** ” means the date falling sixty (60) months after the date of this Agreement.

“ **Finance Company** ” means:

- (a) 深圳市一达通企业服务有限公司 (Shen Zhen One Touch Business Service Ltd.) [B69] and each of its Subsidiaries as at the date of this Agreement; and
- (b) any other Group Member whose primary function is the provision of merchant, consumer or other credit finance and/or related credit services (including provision of guarantees), which has obtained a small loans lending or other lending, credit, guarantee or comparable licence from the relevant regulator.

“ **Finance Document** ” means this Agreement, any Fee Letter, the Intercreditor Agreement, any Utilisation Request, any Extension Amendment Agreement and any other document designated as such by the Company and the Agent (or by the Company and the Lenders, provided that the Agent receives notification of such designation).

“ **Finance Party** ” means the Agent, a Mandated Lead Arranger or a Lender.

“ **Governmental Agency** ” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

“ **Group** ” means the Guarantor and its Subsidiaries from time to time (and, for the avoidance of doubt, includes the Company).

“ **Group Member** ” means a member of the Group.

“ **Group Structure Chart** ” means the summary group structure chart in the agreed form.

“ **HIBOR** ” means, in relation to any Loan:

- (a) the applicable Screen Rate;
- (b) (if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan; or
- (c) if:
  - (i) no Screen Rate is available for HK Dollars; or
  - (ii) no Screen Rate is available for the Interest Period of that Loan and it is not possible to calculate an Interpolated Screen Rate for that Loan,the Reference Bank Rate,

as of, in the case of paragraphs (a) and (c) above, 11.00 a.m. on the Quotation Day for HK Dollars and for a period comparable to the Interest Period of that Loan and, in the case of paragraphs (a) to (c) above, if any such rate is below zero, HIBOR will be deemed to be zero.

“ **HK Dollar** ” or “ **HKS** ” denotes the lawful currency of Hong Kong.

“ **Holding Company** ” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“ **Hong Kong** ” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“ **IFRS** ” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“ **Impaired Agent** ” means the Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) the Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of “ **Defaulting Lender** ”; or
- (d) an Insolvency Event has occurred and is continuing with respect to the Agent;

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event; and

payment is made within two Business Days of its due date; or

- (ii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

“ **Indebtedness** ” means any and all obligations of a person for money borrowed which, in accordance with US GAAP, would be reflected on the balance sheet of such person as a liability on the date as of which Indebtedness is to be determined.

“ **Indenture** ” means the indenture dated as of 28 November 2014 in connection with the US\$8,000,000,000 notes issued by the Guarantor.

“ **Indirect Tax** ” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“ **Industrial Competitor** ” means any person which is, or is an Affiliate of, a Competitor, or any person that is acting on behalf of or fronting for any such person, provided that a person will not be considered to be “fronting for” or “acting on behalf of” any such person if such person has confirmed in writing to the relevant Finance Party with a copy to the Company that it is not fronting for or acting on behalf of a Competitor or an Affiliate of a Competitor.

“ **Insolvency Event** ” in relation to a Finance Party means that the Finance Party:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;
- (e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:
  - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

- (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;
- (f) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (h) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;
- (i) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (h) above; or
- (j) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“ **Intellectual Property** ” means:

- (a) any patents, trade marks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered; and
- (b) the benefit of all applications and rights to use such assets of each Group Member (which may now or in the future subsist).

“ **Intercreditor Agreement** ” means the intercreditor agreement to be entered into on or prior to the initial Utilisation Date between, among others, the Agent, the Lenders, the agent under the CNAC Facility and the lenders under the CNAC Facility in the agreed form.

“ **Interest Period** ” means, in relation to a Loan, the period determined in accordance with Clause 9 ( *Interest Periods* ) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 ( *Default interest* ).

“ **Interpolated Screen Rate** ” means, in relation to HIBOR for any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of 11.00 a.m. on the Quotation Day for the currency of that Loan.

“ **Lender** ” means:

- (a) any Original Lender; and

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- (b) any bank or financial institution (or, with the prior written consent of the Company, other person) which has become a Party in accordance with Clause 22 ( *Changes to the Lenders* ),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“ **Loan** ” means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

“ **Main Development Area** ” has the meaning ascribed to the term “Main Development Area” in the Agreement for Sub-Lease in the agreed form.

“ **Majority Lenders** ” means a Lender or Lenders whose Commitments aggregate more than 50% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 50% of the Total Commitments immediately prior to the reduction).

“ **Major Material Subsidiary** ” means, at any time, a Group Member which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing five per cent. (5%) or more of EBITDA, calculated on a consolidated basis, but excluding any Project Company, any Finance Company and any Dormant Subsidiary.

“ **Management** ” means the chief executive officer, the chief financial officer and the group general counsel of the Guarantor.

“ **Margin** ” means 0.92 per cent. per annum.

“ **Material Adverse Effect** ” means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or results of operations of the Group taken as a whole;
- (b) the ability of any of the Obligors to perform its payment obligations under the Finance Documents taking into account any support that it may reasonably

expect from any other Group Member; or

- (c) the validity or enforceability of, or the rights or remedies of any Finance Party under, any of the Finance Documents other than to the extent not materially adverse to the interests of the Finance Parties under the Finance Documents.

“ **Money Laundering** ” means:

- (a) the conversion or transfer of property, knowing it is derived from a criminal offence, for the purpose of concealing or disguising its illegal origin or of assisting any Person who is involved in the commission of the crime to evade the legal consequences of its actions;
- (b) the concealment or disguise of the true nature, source, location, disposition, movement, right with respect to, or ownership of, property knowing that it is derived from a criminal offence; or
- (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.

“ **Month** ” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

“ **New Lender** ” has the meaning given to that term in Clause 22 ( *Changes to the Lenders* ).

“ **Non-recourse Obligation** ” means Indebtedness or other obligations substantially related to:

- (a) the acquisition of assets not previously owned by an Obligor or any of its Controlled Entities; or
- (b) the financing of a project involving the purchase, development, improvement or expansion of properties of an Obligor or any of its Controlled Entities,

as to which the obligee with respect to such Indebtedness or obligation has no recourse to any Obligor or any of its Controlled Entities or to any Obligor’s or any such Obligor’s assets other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

“ **Obligors** ” means the Company and the Guarantor and “ **Obligor** ” means each one of them.

“ **OFAC** ” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“ **Officer** ” means:

- (a) in relation to the Company, any director of the Company; and
- (b) in relation to the Guarantor, the Executive Chairman of the Board, the Executive Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary of the Guarantor or, in the event that the Guarantor is a partnership or a limited liability company that has no such officers, a person duly authorised under applicable law by the general partner, managers, members or a similar body to act on behalf of the Guarantor.

“ **Officer’s Certificate** ” means a certificate signed by an Officer of the relevant Obligor.

“ **Original Financial Statements** ” means the audited consolidated financial statements of the Group for the financial year ended 31 March 2018.

“ **Participant** ” means each person to whom a Lender has transferred all or any of its obligations, economic interest or other interest under the Finance Documents by way of a Participation Agreement.

“ **Participation Agreement** ” means each agreement or letter (including, without limitation, a fee letter) between a Lender and a Participant under which the Lender has transferred all or any of its obligations, economic interest or other interest under the Finance Documents, directly or indirectly, whether by sub-participation, credit derivative (including a credit default swap or credit linked note), total return swap or in any other way but excluding any transfer or novation of any of a Lender’s Commitments and/or rights and/or obligations in accordance with Clause 22.1 ( *Transfers by the Lenders* ).

“ **Party** ” means a party to this Agreement.

“ **PRC** ” means the People’s Republic of China, excluding for these purposes Hong Kong, the Macau Special Administrative Region and Taiwan.

“ **PRC GAAP** ” means generally accepted accounting principles of the PRC.

“ **Practical Completion** ” means the state of completion of the Main Development Area of the Development in accordance with the specifications and requirements of the Agreement for Sub-Lease, as evidenced by the issue of an occupation permit by the Building Authority pursuant to the Buildings Ordinance and the issue of the certificate of completion by the Airport Authority in respect of the Main Development Area.

“ **Preferred Shares** ” applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up.

“ **Principal Controlled Entities** ” means:

- (a) Cainiao; and
- (b) any one of the Guarantor’s Controlled Entities:
  - (i) as to which one or more of the following conditions is/are satisfied:
    - (A) its total revenue or (in the case of one of the Guarantor’s Controlled Entities which has one or more Controlled Entities) consolidated total revenue attributable to the Group is at least 5% of the consolidated total revenue of the Group;
    - (B) its net profit or (in the case of one of the Guarantor’s Controlled Entities which has one or more Controlled Entities) consolidated net profit attributable to the Group (in each case before taxation and exceptional items) is at least 5% of the consolidated net profit (before taxation and exceptional items) of the Group; or
    - (C) its net assets or (in the case of one of the Guarantor’s Controlled Entities which has one or more Controlled Entities) consolidated net assets attributable to the Group (in each case after deducting minority interests in Subsidiaries) are at least 10% of its consolidated net assets of the Group

(after deducting minority interests in Subsidiaries of the Guarantor),

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Controlled Entity of the Guarantor and the then latest audited consolidated financial statements of the Guarantor;

provided that, in relation to paragraphs (A), (B) and (C) above:

- (1) for the purpose of this definition only, “**Group**” means the Guarantor and its Controlled Entities; and
- (2)
  - (I) in the case of a corporation or other business entity becoming a Controlled Entity after the end of the financial period to which the Guarantor’s latest consolidated audited accounts relate, the reference to the then latest consolidated audited accounts of the Guarantor and the Controlled Entities for the purposes of the calculation above shall, until the Guarantor consolidated audited accounts for the financial period in which the relevant corporation or other business entity becomes a Controlled Entity are issued, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and the Controlled Entities adjusted to consolidate the latest audited accounts (consolidated in the case of a Controlled Entity which itself has Controlled Entities) of such Controlled Entity in such accounts;
  - (II) if at any relevant time in relation to the Guarantor or any Controlled Entity which itself has Controlled Entities, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of the Guarantor and/or any such Controlled Entity shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
  - (III) if at any relevant time in relation to any Controlled Entity, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Controlled Entity prepared for this purpose by or on behalf of the Guarantor; and

(IV) if the accounts of any Controlled Entity (not being a Controlled Entity referred to in proviso (I) above) are not consolidated with the Guarantor's accounts, then the determination of whether or not such Controlled Entity is a Principal Controlled Entity shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the Guarantor's consolidated accounts (determined on the basis of the foregoing); or

(ii) that Principal Controlled Entity merges with or into, or to which is transferred all or substantially all of the assets of a Controlled Entity which immediately prior to the transfer was a Principal Controlled Entity; provided that, with effect from such transfer, the Controlled Entity which so transfers its assets and undertakings shall cease to be a Principal Controlled Entity (but without prejudice to paragraph (i) above) and the Controlled Entity to which the assets are so transferred shall become a Principal Controlled Entity.

“ **Prohibited Transferee** ” means, in respect of any transfer or sub-participation:

- (a) an Industrial Competitor; or
- (b) any person which is not a bank or financial institution and which has not been specifically approved in writing by the Company.

“ **Project** ” means the design, construction, management, operation and maintenance of the Development.

“ **Project Company** ” means:

- (a) Alibaba Group Properties Limited [A08] and each of its Subsidiaries as at the date of this Agreement; and
- (b) any other Group Member which is (i) established or acquired after the date of this Agreement; (ii) capitalised with equity funded by equity or shareholder loans from, or on behalf of, the Guarantor or one of its Subsidiaries; and (iii) established or acquired to develop a specific asset or project.

“ **Project Costs** ” means any cost or expenses in respect of the Project as specified in the Budget(s).

“ **Project Development Document** ” means any contract or agreement entered or to be entered into between the Company or a member of the Group and a Project Development Party in relation to the Project (including, for the avoidance of doubt, any Construction Contract and Design Contract).

“ **Project Development Party** ” means:

- (a) any Construction Contractor;
- (b) the Design Consultant;
- (c) any architect, engineer, surveyor or consultant appointed by the Company in respect of the Project if the fees payable under the relevant Project

Development Document is reasonably expected to exceed HK\$5,000,000 per year; or

- (d) any other person designated as such by the Agent and the Company.

“ **Project Development Plan** ” means the strategy, plan and blueprint for the Project including any key milestone dates under the Project Development Documents and the estimated date of Practical Completion.

“ **Property** ” means L933, Kwo Lo Wan in Chek Lap Kok Lot No.1 RP & Extension of the Hong Kong International Airport, as more particularly described in the definition of “Site” in the Agreement for Sub-Lease.

“ **Property Insurances** ” means any contract of insurance required under Clause 20.9 ( *Property Insurances* ).

“ **Quotation Day** ” means:

- (a) in relation to any period for which an interest rate is to be determined the first day of that period, unless market practice differs in the Relevant Interbank Market in which case the Quotation Day will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days); and

- (b) in relation to any Interest Period the duration of which is selected by the Agent pursuant to Clause 8.3 ( *Default interest* ), such date as may be determined by the Agent (acting reasonably).

“ **Reference Bank Rate** ” means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks as the rate at which the relevant Reference Bank could borrow funds in the Relevant Interbank Market, in HK Dollars and for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in HK Dollars and for that period.

“ **Reference Banks** ” means, subject to Clause 25.19 ( *Reference Banks* ), the principal Hong Kong offices of any banks as may be appointed by the Agent with the consent of the Company (such consent not to be unreasonably withheld).

“ **Relevant Indebtedness** ” means any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, but shall exclude any bank debt, bank loans or securitisations.

“ **Relevant Interbank Market** ” means the Hong Kong interbank market.

“ **Relevant Jurisdiction** ” means, in relation to an Obligor:

- (a) its jurisdiction of incorporation; and
- (b) any jurisdiction where it conducts a material part of its business.

“ **Resolution Authority** ” means any body which has authority to exercise any Write-down and Conversion Powers.

“ **Repeating Representations** ” means each of the representations set out in Clauses 18.1 ( *Status* ) to 18.6 ( *Governing law and enforcement* ), Clause 18.9 ( *No default* ), Clause 18.10 ( *No misleading information* ), paragraphs (a) and (b) of Clause 18.11 ( *Financial statements* ), Clause 18.19 ( *Good title to assets* ), paragraph (b) of Clause 18.20 ( *Bribery, Anti-corruption* ) and paragraph (b) of Clause 18.22 ( *Money Laundering* ).

“ **Representative** ” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“ **Sanctions** ” means any sanctions, restrictions or embargoes imposed or enforced by the United Nations, the European Union, the State Secretariat for Economic Affairs of Switzerland, OFAC, the State Department of the United States, HM Treasury of the United Kingdom, the Hong Kong Monetary Authority, the Monetary Authority of Singapore and the Department of Foreign Affairs and Trade of Australia and any other sanctions administered by any governmental entity which is notified to a Group Member by the Agent in accordance with Clause 20.4 ( *Sanctions* ).

“ **Screen Rate** ” means the Hong Kong interbank offered rate for HK Dollars for the relevant period displayed on page HKABHIBOR of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Company.

“ **SEC** ” means the United States Securities and Exchange Commission, as constituted from time to time.

“ **Security** ” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person.

“ **Securities Act** ” means the Securities Act of 1933, as amended.

“ **Selection Notice** ” means a notice substantially in the form set out in Part 2 of Schedule 3 ( *Requests* ) given in accordance with Clause 9 ( *Interest Periods* ).

“ **Separate Loans** ” has the meaning given to such term in Clause 6.2 ( *Repayment* ).

“ **Sub-Lease** ” means the sub-lease of the Property and the Development to be granted by the Airport Authority as sub-lessor to the Company as tenant under the terms of the Agreement for Sub-Lease.

“ **Subsidiary** ” of any person means:

- (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions); or
- (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable,

is, in the case of (a) and (b), voting at the time owned or controlled, directly or indirectly, by (1) such person; (2) such person and one or more Subsidiaries of such person; or (3) one or more Subsidiaries of such person. For the avoidance of doubt, references to a Subsidiary or Subsidiaries exclude any Finance Company or Project Company whose financial results are not consolidated with those of the Guarantor in accordance with the Accounting Principles.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure by an Obligor to pay or any delay by an Obligor in paying any of the same).

“**Tax Deduction**” has the meaning given to such term in Clause 12.1 (*Tax definitions*).

“**Total Commitments**” means the aggregate of the Commitments (being HK\$7,653,750,000 at the date of this Agreement).

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Company.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Transfer Certificate; and
- (b) the date on which the Agent executes the relevant Transfer Certificate.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor under the Finance Documents.

“**US Dollar**” or “**US\$**” denotes the lawful currency of the United States of America.

“**US GAAP**” means generally accepted accounting principles in the United States of America.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Part 1 of Schedule 3 (*Requests*).

“**WFOE**” means a wholly foreign owned enterprise incorporated in the PRC.

“**Write-down and Conversion Powers**” means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and
- (b) in relation to any other applicable Bail-In Legislation:
  - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which

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that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

- (ii) any similar or analogous powers under that Bail-In Legislation.

## 1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
  - (i) any “**Administrative Party**”, the “**Agent**”, any “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Lender**”, any “**Obligor**”, any “**Project Development Party**” or any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
  - (ii) a document in “**agreed form**” is a document which is in the form previously agreed in writing by or on behalf of the Company and the Mandated Lead Arrangers prior to the date hereof or, on behalf of the Company and the Agent (acting on the instructions of the Majority Lenders);
  - (iii) “**assets**” includes present and future properties, revenues and rights of every description;
  - (iv) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

- (v) “ **including** ” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
- (vi) “ **indebtedness** ” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (vii) a Lender’s “ **participation** ” in a Loan or Unpaid Sum includes an amount representing the fraction or portion (attributable to such Lender by virtue of the provisions of this Agreement) of the total amount of such Loan or Unpaid Sum and the Lender’s rights under this Agreement in respect thereof;
- (viii) a “ **person** ” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (ix) a “ **regulation** ” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law, which is generally complied with by those to whom it is addressed) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

- (x) any notation after the name of a Group Member refers to the number for that Group Member as specified in the Group Structure Chart;
  - (xi) a provision of law is a reference to that provision as amended or re-enacted;
  - (xii) a time of day is a reference to Hong Kong time; and
  - (xiii) “ **calculated on a consolidated basis** ” is a reference to any calculation or determination with reference to the then relevant latest consolidated financial statements of the Group.
- (b) Section, Clause and Schedule headings are for ease of reference only.
  - (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
  - (d) A Default or an Event of Default is “ **continuing** ” if it has not been remedied or waived.
  - (e) No person shall incur any personal liability whatsoever in connection with the issuance of a certificate, on behalf of an Obligor, pursuant to the terms of a Finance Document.

### 1.3 Third party rights

- (a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the laws of Hong Kong) (the “ **Third Parties Ordinance** ”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Finance Document, the consent of any third person who is not a Party is not required to rescind or vary this Agreement at any time.
- (c) Any person described in paragraph (b) of Clause 25.10 ( *Exclusion of liability* ) may, subject to this Clause 1.3 and the Third Parties Ordinance, rely on any Clause of this Agreement which expressly confers rights on it.

### 1.4 Intercreditor Agreement

This Agreement is subject to the terms of the Intercreditor Agreement.

## 2. The Facility

### 2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Company a HK Dollar term loan facility in an aggregate amount equal to the Total Commitments.

### 2.2 Finance Parties' rights and obligations

- (a) The obligations of the Finance Parties under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the

Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

- (b) The rights of the Finance Parties under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in the Facility or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by that Obligor.
- (c) A Finance Party may, except as specifically provided in the Finance Documents, separately enforce its rights under or in connection with the Finance Documents.

### **3. Purpose**

#### **3.1 Purpose**

The Company shall apply all amounts borrowed by it under the Facility towards:

- (a) financing the Project Costs in respect of the Project; and
- (b) payment of any fees, costs and expenses in connection with the Facility or the Finance Documents.

#### **3.2 Monitoring**

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

### **4. Conditions of Utilisation**

#### **4.1 Initial conditions precedent**

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to any Utilisation if on or before the date of the initial Utilisation Request the Agent has received all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent (acting reasonably), and the Agent shall notify the Company and the Lenders promptly upon being so satisfied.

#### **4.2 Further conditions precedent**

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan and none of the circumstances described in Clause 7.4 (*Mandatory Prepayment — Change*)

of Control ) and Clause 7.5 ( *Mandatory Prepayment — Development Right Early Termination Event* ) has occurred; and

- (b) the Repeating Representations to be made by each Obligor are true in all material respects.

#### **4.3 Maximum number of Loans**

- (a) The Company may not deliver a Utilisation Request if as a result of the proposed Utilisation more than 13 Loans would be outstanding (or such greater number of Loans as may be agreed by the Agent in its sole discretion).
- (b) The Company may not request that a Loan be divided.
- (c) No Separate Loan or Extended Loan shall be taken into account in this Clause 4.3.

### **5. Utilisation**

#### **5.1 Delivery of a Utilisation Request**

The Company may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than 11.00 a.m. three (3) Business Days prior to the proposed Utilisation Date or by such date as the Agent (acting on the instructions of all the Lenders) may agree with the Company.

#### **5.2 Completion of a Utilisation Request**

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
  - (i) the proposed Utilisation Date is a Business Day within the Availability Period;
  - (ii) the proposed Interest Period complies with Clause 9 ( *Interest Periods* ); and
  - (iii) it is accompanied by evidence of the purpose of the Loan.
- (b) In relation to each Utilisation Request, evidence of the purpose of the Loan will comprise:
  - (i) a copy of the then current Budget; and
  - (ii) an Officer's Certificate from the Company (in form and substance satisfactory to the Agent) confirming that:
    - (A) such Budget is correct, complete and in full force and effect as at the date of that Utilisation Request; and
    - (B) the cost or expenses to be financed or refinanced by the proposed Loan is included in that Budget and has not been funded through a prior Utilisation.
- (c) Only one Loan may be requested in each Utilisation Request.

**5.3 Currency and amount**

- (a) The currency specified in a Utilisation Request must be HK Dollars.
- (b) The amount of the proposed Loan must be a minimum of HK\$100,000,000, or, if less, the Available Facility.

**5.4 Lenders' participation**

- (a) If the conditions set out in Clause 4 ( *Conditions of Utilisation* ) and Clauses 5.1 ( *Delivery of a Utilisation Request* ) to 5.3 ( *Currency and amount* ) above have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan and if different, the amount of that participation to be made available in accordance with Clause 27.1 ( *Payments to the Agent* ), in each case by no later than 11.00 a.m. two (2) Business Days prior to the proposed Utilisation Date.

**5.5 Cancellation of Available Facility**

The Available Commitments which, at that time, are unutilised shall be immediately cancelled at 5.00 p.m. on the last day of the Availability Period.

## 6. Repayment

6.1 Subject to Clause 6.2 below, the Company shall repay each Loan on the Final Repayment Date.

6.2 At any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Defaulting Lender in the Loans then outstanding will be automatically extended to the Final Repayment Date and will be treated as separate Loans (the “**Separate Loans**”).

6.3 The Company may prepay a Separate Loan in accordance with paragraph (h) of Clause 7.7 (*Right of prepayment and cancellation in relation to a single Lender*). The Agent will forward a copy of a prepayment notice received in accordance with paragraph (h) of Clause 7.7 (*Right of prepayment and cancellation in relation to a single Lender*) to the Defaulting Lender concerned as soon as practicable on receipt.

6.4 Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Company by the time and date specified by the Agent (acting reasonably) and will be payable by the Company to the Agent (for the account of that Defaulting Lender) on the last day of each Interest Period of that Loan.

6.5 The terms of this Agreement relating to Loans generally shall continue to apply to Separate Loans other than to the extent inconsistent with Clauses 6.2 to 6.4 above, in which case those paragraphs shall prevail in respect of any Separate Loan.

## 7. Prepayment and Cancellation

### 7.1 Illegality

If, at any time, it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Company, the Commitment of that Lender will be immediately cancelled; and
- (c) the Company shall repay that Lender’s participation in the Loans made to the Company on the last day of the Interest Period for each Loan occurring after the Agent has notified the Company or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

### 7.2 Voluntary cancellation

The Company may, if it gives the Agent not less than five (5) Business Days’ (or such shorter period as the Majority Lenders may agree) prior notice, reduce the Available Facility to zero or by such amount (being a minimum amount of HK\$50,000,000) as the Company may specify in such notice. Any such reduction under this Clause 7.2 shall reduce the Commitments of the Lenders rateably.

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### 7.3 Voluntary Prepayment

The Company may, if it gives the Agent not less than five (5) Business Days’ (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of a Loan (but if in part, being an amount that reduces the Loan by a minimum amount of HK\$50,000,000) together with any applicable Break Costs.

### 7.4 Mandatory Prepayment — Change of Control

- (a) In this Clause 7.4, a “**Change of Control**” occurs if:
  - (i) Cainiao ceases to legally and beneficially own (directly or indirectly) at least 50.1 per cent. of the entire issued capital of the Company; or
  - (ii) Cainiao ceases to control (directly or indirectly) the Company; and

“**control**” an entity means the power to direct or cause the direction of the board of directors and policies of the Company, whether by contract or otherwise.
- (b) If a Change of Control occurs:
  - (i) the Company shall promptly notify the Agent upon becoming aware of that event;
  - (ii) a Lender shall not be obliged to fund a Utilisation; and
  - (iii) if a Lender so requires and notifies the Agent within 30 days’ notice to the Company, cancel the Commitment of that Lender and declare the participation of that Lender in all outstanding Loans, together with accrued interest, applicable Break Costs and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Commitment of that Lender will be cancelled and all such outstanding Loans and amounts will become immediately due and payable.

### 7.5 Mandatory Prepayment — Development Right Early Termination Event

(a) In this Clause 7.5, a “ **Development Right Early Termination Event** ” occurs if:

- (i) the Agreement for Sub-Lease is terminated or the obligations expressed to be assumed by any party to the Agreement for Sub-Lease are not or cease to be legal, valid, binding or enforceable;
- (ii) a Development Right Document (other than the Agreement for Sub-Lease) is terminated prior to its original scheduled termination date (howsoever described); or
- (iii) the obligations expressed to be assumed by any party to a Development Right Document (other than the Agreement for Sub-Lease) are not or cease to be legal, valid, binding or enforceable,

provided that in respect of paragraphs (a)(ii) or (a)(iii) above, a Development Right Early Termination Event occurs only if such termination or cessation has, or could reasonably be expected to have, a material and adverse effect on the ability of the Company to (1) carry out the Project in accordance with the

terms of the Agreement for Sub-Lease or (2) meet its obligations and liabilities under this Agreement.

- (b) If a Development Right Early Termination Event occurs:
  - (i) the Company shall promptly notify the Agent upon becoming aware of that event;
  - (ii) a Lender shall not be obliged to fund a Utilisation;
  - (iii) in respect of a Development Right Early Termination Event contemplated under paragraph (a)(i) above, if the Majority Lenders so require, the Agent may, by notice to the Company, cancel the Total Commitments, whereupon the Total Commitments will be immediately cancelled and the Company shall prepay all outstanding Loans, together with accrued interest, applicable Break Costs and all other amounts accrued under the Finance Documents within 60 days from the date of the Agent's notice; and
  - (iv) in respect of a Development Right Early Termination Event contemplated under paragraph (a)(ii) or (a)(iii) above, if in the opinion of the Lenders, such termination or cessation is either incapable of remedy or, if capable of remedy, is not remedied within 60 days of the date of termination or cessation (or such later date as the Agent (acting on the instructions of the Majority Lenders) may agree with the Company) then, if the Majority Lenders so require, the Agent may, by notice to the Company, cancel the Total Commitments, whereupon the Total Commitments will be immediately cancelled and the Company shall prepay all outstanding Loans, together with accrued interest, applicable Break Costs and all other amounts accrued under the Finance Documents within 60 days from the date of the Agent's notice.

#### 7.6 **Mandatory Prepayment — Insurance Prepayment Proceeds and Warranty Claim Proceeds**

- (a) In this Clause 7.6:
  - (i) “**Excluded Insurance Proceeds**” means any proceeds of Property Insurances received or recovered by or paid to the order of any Group Member and/or Principal Controlled Entity, to the extent that:
    - (A) such proceeds are applied or required under the Agreement for Sub-Lease or any Project Development Document to be applied towards:
      - (1) replacing, restoring or reinstating the Property; or
      - (2) satisfying liabilities of any Group Member or Principal Controlled Entity towards any third party (which is not an Obligor, a Group Member, a Principal Controlled Entity or any of its Affiliates) in respect of which such insurance claim was made (including liabilities under any public liability insurance);

and in each case are actually so applied as soon as practicable; or

(B) the amount of such proceeds, when aggregated with the aggregate amount of other proceeds of any and all Property Insurances (excluding any such proceeds falling within paragraph (A) above) does not exceed US\$1,000,000 (or its equivalent in another currency or currencies);

(ii) “ **Insurance Prepayment Proceeds** ” means the proceeds of any Property Insurances received or recovered by or paid to the order of any Group Member and/or Principal Controlled Entity except for Excluded Insurance Proceeds and after deducting any reasonable expenses in relation to that claim which are incurred by any Group Member or Principal Controlled Entity to persons who are not Group Members or Principal Controlled Entities; and

(iii) “ **Warranty Claim Proceeds** ” means the proceeds of any amount received or recovered by or paid to the order of any Group Member or Principal Controlled Entity from a Project Development Party in respect of a warranty or indemnity claim settled with that Project Development Party in accordance with the terms of the relevant Project Development Document(s) after deducting any reasonable expenses in relation to that claim which are incurred by any Group Member or Principal Controlled Entity to any third party (which is not an Obligor, a Group Member, a Principal Controlled Entity or any of its Affiliates), to the extent such proceeds are not applied or required under the Agreement for Sub-Lease or any Project Development Document to be applied towards replacing, restoring or reinstating the Property or re-investment into the Project within 60 days after the receipt or recovery of such proceeds by (or paid of such proceeds to the order of) the relevant Group Member or Principal Controlled Entity (as the case may be).

(b) The Company shall prepay the Loan in an amount equal to the Insurance Prepayment Proceeds or Warranty Claim Proceeds (as the case may be) promptly, and in any event within five (5) Business Days, upon receipt of such relevant proceeds by the relevant Group Member or Principal Controlled Entity (as the case may be).

#### 7.7 **Right of prepayment and cancellation in relation to a single Lender**

(a) If:

(i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (a) of Clause 12.2 ( *Tax gross-up* ); or

(ii) any Lender claims indemnification from the Company under Clause 12.3 ( *Tax indemnity* ) or Clause 13.1 ( *Increased costs* ); or

(iii) the rate notified by a Lender in relation to a particular Interest Period under sub-paragraph (a)(ii) of Clause 10.2 ( *Market disruption* ) is higher than the lowest rate notified by a Lender under that sub-paragraph,

the Company may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Agent notice of cancellation of the Commitment of that Lender and/or its intention to procure the prepayment of that Lender's participation in the Loans or give the Agent notice of its intention to replace that Lender in accordance with paragraph (d) below.

- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Company has given notice of cancellation under paragraph (a) above (or, if earlier, the date specified by the Company in that notice), the Company shall prepay that Lender's participation in the relevant Loan.
- (d) The Company may, in the circumstances set out in paragraph (a) above, on five Business Days' prior notice to the Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) transfer pursuant to Clause 22 ( *Changes to the Lenders* ) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity selected by the Company which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 22 ( *Changes to the Lenders* ) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loans and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.
- (e) The replacement of a Lender pursuant to paragraph (d) above shall be subject to the following conditions:
  - (i) the Company shall have no right to replace the Agent;
  - (ii) neither the Agent nor any Lender shall have any obligation to find a replacement Lender;
  - (iii) in no event shall the Lender replaced under paragraph (d) above be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents; and
  - (iv) no Lender shall be obliged to execute a Transfer Certificate unless it is satisfied that it has completed all "know your customer" and other similar procedures that it is required (or deems desirable) to conduct in relation to the transfer to such replacement Lender.
- (f) A Lender shall perform the procedures described in paragraph (e)(iv) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (d) above and shall notify the Agent and the Company when it is satisfied that it has completed those checks.
- (g) (i) If any Lender becomes a Defaulting Lender, the Company may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent two Business Days' notice of cancellation of each Available Commitment of that Lender.

- (ii) On the notice referred to in paragraph (g)(i) above becoming effective, each Available Commitment of the Defaulting Lender shall immediately be reduced to zero.
- (iii) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (g)(i) above, notify all the Lenders.
- (h) (i) The Company may, at any time, give the Agent two Business Days' notice of prepayment of any Separate Loan and cancellation of the Commitment of a Defaulting Lender in respect of that Separate Loan.
- (ii) On the notice referred to in paragraph (h)(i) above becoming effective, the Commitment of the Defaulting Lender in respect of that Separate Loan shall immediately be reduced to zero and the Company shall prepay that Defaulting Lender's participation in such Separate Loan (together with any applicable Break Costs).
- (iii) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (h)(i) above, notify all the Lenders.

## 7.8 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is repaid or prepaid may not be reborrowed.
- (d) The Company shall not repay or prepay all or any part of the Loans or reduce all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of any Commitment that is reduced in accordance with this Agreement may be subsequently reinstated.
- (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Company or the affected Lender, as appropriate.
- (g) If all or part of a Loan is repaid or prepaid and is not available for redrawing, an amount of the Commitments (equal to the amount of the Loan which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment. Any cancellation under this paragraph (g) (save in connection with any repayment or, as the case may be, prepayment under paragraph (c) of Clause 7.1 (*Illegality*) or paragraph (c), (g) or (h) of Clause 7.7 (*Right of prepayment and cancellation in relation to a single Lender*)) shall reduce the Commitments of the Lenders rateably.

## **8. Interest**

### **8.1 Calculation of interest**

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the:

- (a) Margin; and
- (b) applicable HIBOR.

### **8.2 Payment of interest**

The Company shall pay accrued interest on each Loan on the last day of each Interest Period relating to that Loan (and, if the Interest Period is longer than six Months, on the dates falling at six monthly intervals after the first day of the Interest Period).

### **8.3 Default interest**

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which is, subject to paragraph (b) below, two per cent. (2%) higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted a Loan in the currency of the Unpaid Sum for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Obligor on demand by the Agent.
- (b) If any Unpaid Sum consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
  - (i) the first Interest Period for that Unpaid Sum shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
  - (ii) the rate of interest applying to the Unpaid Sum during that first Interest Period shall be two per cent. (2%) higher than the rate which would have applied if the Unpaid Sum had not become due.
- (c) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each Interest Period applicable to that Unpaid Sum but will remain immediately due and payable.

### **8.4 Notification of rates of interest**

The Agent shall promptly notify the relevant Lenders and the Company of the determination of a rate of interest under this Agreement.

## **9. Interest Periods**

### **9.1 Selection of Interest Periods**

- (a) The Company shall select the Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.

- (b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Company no later than 11:00 a.m. three (3) Business Days prior to the first day of the relevant Interest Period.
- (c) If the Company fails to deliver a Selection Notice to the Agent in accordance with paragraph (b) above, the relevant Interest Period will be one Month.
- (d) Subject to this Clause 9, the Company may select the Interest Period for a Loan of 1, 2, 3 or 6 Months or any other period agreed between the Company and the Agent (acting on the instructions of all the Lenders in relation to the relevant Loan).
- (e) An Interest Period for a Loan shall not, subject to Clause 33.3 ( *Extension of Commitments* ), extend beyond the Final Repayment Date.
- (f) The Interest Period for a Loan shall start on the Utilisation Date of that Loan or (if already made) on the last day of its preceding Interest Period.

## **9.2 Non-Business Days**

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## **10. Changes to the Calculation of Interest**

### **10.1 Absence of quotations**

Subject to Clause 10.2 ( *Market disruption* ), if HIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by noon (local time) on the Quotation Day, the applicable HIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

### **10.2 Market disruption**

- (a) Subject to any alternative basis agreed and consented to as contemplated by paragraphs (a) and (b) of Clause 10.3 ( *Alternative basis of interest or funding* ), if a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's participation in that Loan for that Interest Period shall be the percentage rate per annum which is the sum of:
  - (i) the Margin; and
  - (ii) the percentage rate per annum notified to the Agent by that Lender, as soon as practicable and in any event not later than five Business Days before interest is due to be paid in respect of that Interest Period, as the cost to that Lender of funding its participation in that Loan from whatever source(s) it may reasonably select.
- (b) In relation to a Market Disruption Event under paragraph (c)(ii) below, if the percentage rate per annum notified by a Lender pursuant to paragraph (a)(ii) above shall be less than HIBOR or if a Lender shall fail to notify the Agent of any such percentage rate per annum, the cost to that Lender of funding its participation in the relevant Loan for the relevant Interest Period shall be deemed, for the purposes of paragraph (a) above, to be HIBOR.

- (c) In this Agreement “ **Market Disruption Event** ” means:
- (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available, it is not possible to calculate the Interpolated Screen Rate and none or only one of the Reference Banks supplies a rate to the Agent to determine HIBOR for HK Dollars for the relevant Interest Period; or
  - (ii) at 5.00 p.m. on the Business Day immediately following the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in the relevant Loan exceed 50 per cent. of that Loan) that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of HIBOR.
- (d) If a Market Disruption Event shall occur, the Agent shall promptly notify the Lenders and the Company thereof.

### 10.3 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Agent or the Company so requires, the Agent and the Company shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Company, be binding on all Parties.
- (c) For the avoidance of doubt, in the event that no substitute basis is agreed at the end of the thirty day period, the rate of interest shall continue to be determined in accordance with the terms of this Agreement.

### 10.4 Break Costs

- (a) The Company shall, within five (5) Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by an Obligor on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, together with its demand, provide a certificate confirming the amount and the basis of calculation of its Break Costs for any Interest Period in which they accrue.

## 11. Fees

### 11.1 Commitment fee

- (a) The Company shall pay to the Agent (for the account of each Lender) a fee in HK Dollars computed and accruing on a daily basis with effect from (but excluding) the date falling 45 days after the date of this Agreement (the “ **Commitment Fee Commencement Date** ”) at 0.20 per cent. per annum on that Lender’s Available Commitment for the Availability Period at close of business on each day of the Availability Period falling after the Commitment Fee Commencement Date (or, if any such day shall not be a Business Day, at such close of business on the immediately preceding Business Day).

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- (b) The accrued commitment fee is payable (but without double counting):
  - (i) on the last day of each successive period of three Months which ends during the Availability Period commencing with the period of three Months starting on the Commitment Fee Commencement Date;
  - (ii) on the last day of the Availability Period; and
  - (iii) if a Lender’s Commitment is reduced to zero before the last day of the Availability Period, on the day on which such reduction to zero becomes effective.
- (c) No commitment fee is payable to the Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

### 11.2 Upfront fee

The Company shall pay to each Mandated Lead Arranger an upfront fee in the amount and at the times agreed in a Fee Letter.

### 11.3 Agency fee

The Company shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

## 12. Tax Gross Up and Indemnities

### 12.1 Tax definitions

- (a) In this Clause 12:

“ **FATCA** ” means:

- (i) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;
- (ii) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (i) above; or
- (iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“ **FATCA Deduction** ” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“ **Tax Credit** ” means a credit against, relief or remission for, or repayment of any Tax.

“ **Tax Deduction** ” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“ **Tax Payment** ” means an increased payment made by an Obligor to a Finance Party under Clause 12.2 ( *Tax gross-up* ) or a payment under Clause 12.3 ( *Tax indemnity* ).

- (b) Unless a contrary indication appears, in this Clause 12 a reference to “ **determines** ” or “ **determined** ” means a determination made in the absolute discretion of the person making the determination acting in good faith.

## 12.2 Tax gross-up

- (a) All payments to be made by an Obligor to any Finance Party under the Finance Documents shall be made free and clear of and without any Tax Deduction unless such Obligor is required to make a Tax Deduction, in which case the sum payable by such Obligor (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Company shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Company and that Obligor.
- (c) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

## 12.3 Tax indemnity

- (a) Without prejudice to Clause 12.2 ( *Tax gross-up* ), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by such Finance Party whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Company shall, within five (5) Business Days of demand of the Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, **provided that** this Clause 12.3 shall not apply:
- (i) to the extent a loss, liability or cost relates to a FATCA Deduction required to be made by a Party;

- (ii) to any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which such Finance Party is incorporated; or
  - (iii) to any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which its Facility Office is located.
- (b) A Finance Party intending to make a claim under paragraph (a) shall notify the Agent of the event giving rise to the claim, whereupon the Agent shall notify the Company thereof.
  - (c) A Finance Party shall, on receiving a payment from an Obligor under this Clause 12.3, notify the Agent.
  - (d) Paragraph (a) shall not apply to the extent any Tax is not notified to the Agent by the relevant Finance Party within three (3) Months of the relevant Finance Party becoming aware of the relevant Tax.

#### **12.4 Tax credit**

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Finance Party has obtained and utilised that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in no better and no worse position in respect of its worldwide tax liabilities than it would have been in had the Obligor not been required to make the Tax Payment.

#### **12.5 Stamp taxes**

The Company shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within five (5) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to any stamp duty, registration or other similar Tax paid or payable in respect of any Finance Document.

#### **12.6 Indirect tax**

- (a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the

Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.

- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all Indirect Tax incurred by that Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

## 12.7 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Company, the Agent and the other Finance Parties.

## 13. Increased Costs

### 13.1 Increased costs

- (a) Subject to Clause 13.3 ( *Exceptions* ) the Company shall, within five (5) Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation by any governmental or regulatory authority or (ii) compliance with any law or regulation made after the date of this Agreement. The terms “law” and “regulation” in this paragraph (a) shall include any law or regulation concerning capital adequacy, prudential limits, liquidity, reserve assets or Tax.
- (b) In this Agreement:
  - (i) “**Basel III**” means:
    - (A) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “Basel III: A global regulatory framework for more resilient banks and banking systems”, “Basel III: International framework for liquidity risk measurement, standards and monitoring” and “Guidance for national authorities operating the countercyclical capital buffer” published by the Basel Committee on Banking Supervision in December 2010, each as amended supplemented or restated; and
    - (B) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”; and

(ii) “ **Increased Costs** ” means:

- (A) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital (including as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by such Finance Party);
- (B) an additional or increased cost; or
- (C) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to the undertaking, funding or performance by such Finance Party of any of its obligations under any Finance Document or any participation of such Finance Party in any Loan or Unpaid Sum.

### 13.2 **Increased cost claims**

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 ( *Increased costs* ) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Company.
- (b) Each Finance Party shall together with its demand provide a certificate confirming the amount and basis of calculation of its Increased Costs.

### 13.3 **Exceptions**

- (a) Clause 13.1 ( *Increased costs* ) does not apply to the extent any Increased Cost is:
  - (i) attributable to a Tax Deduction required by law to be made by an Obligor;
  - (ii) compensated for by Clause 12.3 ( *Tax indemnity* ) (or would have been compensated for under Clause 12.3 ( *Tax indemnity* ) but was not so compensated solely because the exclusion in paragraph (a) of Clause 12.3 ( *Tax indemnity* ) applied);
  - (iii) attributable to the breach by the relevant Finance Party or its Affiliates of any law or regulation or the negligence of any of them;
  - (iv) attributable to the implementation or application of or compliance with the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (“ **Basel II** ”) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates);
  - (v) attributable to the implementation or application of or compliance with Basel III or any other law or regulation which implements Basel III (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates) but only

to the extent the relevant Finance Party is required to implement, apply or comply with Basel III on the date on which it becomes a Party;

- (vi) attributable to a FATCA Deduction required to be made by a Party; or
- (vii) not notified to the Agent by the relevant Finance Party within three (3) Months of such Finance Party becoming aware of the Increased Cost in accordance with Clause 13.2(a) ( *Increased cost claims* ).

- (b) In this Clause 13.3 references to a “ **FATCA Deduction** ” or a “ **Tax Deduction** ” have the same meaning given to such terms in Clause 12.1 ( *Tax definitions* ).

#### **14. Mitigation by the Lenders**

##### **14.1 Mitigation**

- (a) Each Finance Party shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 ( *Illegality* ), Clause 12 ( *Tax Gross Up and Indemnities* ) or Clause 13.1 ( *Increased costs* ), including (but not limited to):
  - (i) providing such information as the Company may reasonably request in order to permit the Company to determine its entitlement to claim any exemption or other relief (whether pursuant to a double taxation treaty or otherwise) from any obligation to make a Tax Deduction; and
  - (ii) in relation to any circumstances which arise following the date of this Agreement, transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

##### **14.2 Limitation of liability**

- (a) The Company shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 14.1 ( *Mitigation* ).
- (b) A Finance Party is not obliged to take any steps under Clause 14.1 ( *Mitigation* ) if, in the opinion of that Finance Party (acting reasonably), to do so might reasonably be expected to be prejudicial to it.

##### **14.3 Conduct of business by the Finance Parties**

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim;
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax; or
- (d) oblige any Finance Party to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any applicable anti-money laundering, counter-terrorism financing, economic or trade Sanctions law or regulation.

**15. Other Indemnities**

**15.1 Currency indemnity**

- (a) If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
  - (i) making or filing a claim or proof against that Obligor; or
  - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five (5) Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

**15.2 Other indemnities**

The Company shall, within five (5) Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) any written information produced or approved by any Obligor in connection with the Finance Documents being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to any Obligor or with respect to the transactions contemplated or financed under this Agreement;
- (d) a failure by an Obligor to pay any amount due under a Finance Document on its due date or in the relevant currency, including without limitation, any cost,

loss or liability arising as a result of Clause 26 ( *Sharing among the Finance Parties* );

- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Company in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Company.

### **15.3 Indemnity to the Agent**

- (a) The Company shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:
  - (i) investigating any event which it reasonably believes is a Default; or
  - (ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.
- (b) The indemnity to the Agent shall survive the termination or expiry of this Agreement and the resignation or replacement of the Agent.

## **16. Costs and Expenses**

### **16.1 Transaction expenses**

The Company shall, within five Business Days of demand, pay the Administrative Parties the amount of all reasonable costs and expenses (including legal fees of law firms approved by the Company and subject to any agreed caps) reasonably incurred by any of them in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other Finance Documents referred to in it; and
- (b) any other Finance Documents executed after the date of this Agreement.

### **16.2 Amendment costs**

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 27.10 ( *Change of currency* ), the Company shall, within five Business Days of demand, reimburse the Agent for the amount of all reasonable costs and expenses (including legal fees of law firms approved by the Company and subject to any agreed caps) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

### **16.3 Enforcement costs**

The Company shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

## **17. Guarantee and Indemnity**

### **17.1 Guarantee and indemnity**

The Guarantor irrevocably and unconditionally:

- (a) guarantees to each Finance Party punctual performance by the Company of all the Company's obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever the Company does not pay any amount when due under or in connection with any Finance Document, it shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of the Company not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 17 if the amount claimed had been recoverable on the basis of a guarantee.

### **17.2 Continuing guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Company under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

### **17.3 Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantor under this Clause 17 will continue or be reinstated as if the discharge, release

or arrangement had not occurred.

**17.4 Waiver of defences**

The obligations of the Guarantor under this Clause 17 will not be affected by an act, omission, matter or thing which, but for this Clause 17, would reduce, release or prejudice any of its obligations under this Clause 17 (without limitation and whether or not known to it or any Finance Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (b) the release of the Company or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, execute, take up or enforce, any rights against, or security over assets of, the Company or other person or any non-presentation

or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Company;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document including any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document;
- (g) any insolvency or similar proceedings; or
- (h) this Agreement or any other Finance Document not being executed by or binding upon any other party.

#### **17.5 Immediate recourse**

The Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 17. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

#### **17.6 Appropriations**

Until all amounts which may be or become payable by the Company under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 17.

#### **17.7 Deferral of Guarantor's rights**

Until all amounts which may be or become payable by the Company under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, the Guarantor will not exercise or otherwise enjoy the benefit of any right which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 17:

- (a) to be indemnified by the Company;
- (b) to claim any contribution from any other guarantor of or provider of security for the Company's obligations under the Finance Documents;

- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;
- (d) to bring legal or other proceedings for an order requiring the Company to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under Clause 17.1 (*Guarantee and indemnity*);
- (e) to exercise any right of set-off against the Company; and/or
- (f) to claim or prove as a creditor of the Company in competition with any Finance Party.

If the Guarantor shall receive any benefit, payment or distribution in relation to any such right it shall hold that benefit, payment or distribution (or so much of it as may be necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be paid in full) on trust for the Finance Parties, and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 27 (*Payment Mechanics*).

**17.8 Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

**18. Representations**

Each Obligor makes the representations and warranties with respect to itself set out in this Clause 18 to each Finance Party.

**18.1 Status**

- (a) The Company is a limited liability company, duly incorporated and validly existing under the laws of Hong Kong.
- (b) The Guarantor is an exempted company, duly incorporated, validly existing and in good standing under the laws of the Cayman Islands.
- (c) It has the power to own its assets and carry on its business in all material respects as it is being conducted.
- (d) It is acting as principal for its own account and not as agent or trustee in any capacity on behalf of any person in relation to the Finance Documents.

**18.2 Binding obligations**

The obligations expressed to be assumed by it in each Finance Document are, subject to any general principles of law limiting its obligations which are generally applicable, legal, valid, binding and enforceable obligations.

**18.3 Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any material law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets in a manner that might reasonably be expected to give rise to a Material Adverse Effect.

**18.4 Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

**18.5 Validity and admissibility in evidence**

All Authorisations required:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and
- (c) for it to carry on its business, and which are material,

have been obtained or effected and are in full force and effect (or, in each case, will be when required).

**18.6 Governing law and enforcement**

- (a) The choice of Hong Kong law as the governing law of the Finance Documents will be recognised and enforced in its Relevant Jurisdiction.
- (b) Any judgment obtained in Hong Kong in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation.

**18.7 Deduction of Tax**

It is not required under the law applicable where it is incorporated or resident or at the address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

**18.8 No filing or stamp taxes**

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except that Cayman Islands stamp duty may be payable if the original Finance Documents are brought into or executed in the Cayman Islands.

**18.9 No default**

- (a) No Event of Default is continuing or could reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or to which

its assets are subject which has or could reasonably be expected to have a Material Adverse Effect.

**18.10 No misleading information**

Save as disclosed in writing to the Agent on or prior to the date on which such information is provided, all written information provided by it to the Agent after the date of this Agreement was true and accurate in all material respects as at the date it was provided and was not misleading in any material respect as at such date.

**18.11 Financial statements**

- (a) The financial statements most recently supplied to the Agent or otherwise made available to the public (which, at the date of this Agreement, are the Original Financial Statements) were prepared in accordance with the Accounting Principles consistently applied save to the extent expressly disclosed in such financial statements.
- (b) The financial statements most recently supplied to the Agent or otherwise made available to the public (which, at the date of this Agreement, are the Original Financial Statements) give a true and fair view of (if audited) or fairly represent (if unaudited) its financial condition and operations (consolidated in the case of the Guarantor) as at the end of and for the relevant financial year save to the extent expressly disclosed in such financial statements.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group) since 31 March 2018.

**18.12 Pari passu ranking**

Its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

**18.13 No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which might reasonably be expected to be adversely determined and, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it.

**18.14 Taxation**

- (a) It is not overdue (taking into account any extension or grace period) in the payment of any material amount in respect of Tax, in each case save to the extent that (i) such payment is being contested in good faith; and (ii) it has maintained adequate reserves for those Taxes.
- (b) No claim or investigations are being, or to its actual knowledge, are reasonably likely to be, made or conducted against it with respect to Taxes which would have or are reasonably likely to have a Material Adverse Effect.
- (c) It is resident for tax purposes only in the jurisdiction of its incorporation.

**18.15 No insolvency**

No event as described in Clause 21.5 (*Involuntary proceedings*) or Clause 21.6 (*Voluntary proceedings*) is continuing in relation to it or any Major Material Subsidiary.

**18.16 Intellectual Property**

- (a) It, or another Group Member, is the legal and beneficial owner of or has licensed to it all the material Intellectual Property which is required in order to carry on the business of the Group as it is currently being conducted.
- (b) It does not, in carrying on its businesses, infringe any Intellectual Property of any third party in any respect which has or is reasonably likely to have a Material Adverse Effect.
- (c) All formal or procedural actions (including payment of fees) required to maintain any Intellectual Property owned by it have been taken, except to the extent failure to take such actions does not or is not reasonably likely to have a Material Adverse Effect.

**18.17 Immunity**

- (a) The entry into by it of each Finance Document constitutes, and the exercise by it of its rights and performance of its obligations under each Finance Document will constitute, private and commercial acts performed for private and commercial purposes.
- (b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in its Relevant Jurisdiction in relation to any Finance Documents.

**18.18 Authorised Signatories**

Any person specified as its authorised signatory under Schedule 2 (*Conditions Precedent*) is authorised to sign Utilisation Requests, Selection Notices and other notices on its behalf.

**18.19 Good title to assets**

It has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as from time to time conducted the absence of which, in relation to any asset other than the Property, would have a Material Adverse Effect.

**18.20 Bribery, Anti-corruption**

- (a) To the actual knowledge of Management, its business is carried on in all material respects in compliance with all, and none of its directors, officers, agents (solely in their capacity as agents under, and in compliance with, a written contract with that Obligor), affiliates or employees acts in breach of any, applicable laws relating to bribery and anti-corruption, including without limitation the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977 or any similar laws, rules or regulations issued, administered or enforced by any government or governmental authority having jurisdiction over it.

- (b) There are in place appropriate policies and procedures designed to promote and achieve compliance with all such applicable laws by each Obligor and by its directors, officers and employees.

**18.21 Sanctions**

- (a) To the actual knowledge of Management, after due and reasonable enquiry, its business is as at the date of this Agreement carried on in compliance with all applicable Sanctions.
- (b) None of the Obligors or any of their respective directors, officers, agents (solely in their capacity as agents under, and in compliance with, a written contract with that Obligor), affiliates or employees is a person currently the subject of any Sanctions, and neither Obligor is located, organised or resident in a country or territory that is the subject of any Sanctions.

**18.22 Money Laundering**

- (a) To the actual knowledge of Management, after due and reasonable enquiry, no Obligor engages in Money Laundering or acts in breach of any applicable laws or regulations relating to Money Laundering issued, administered or enforced by any governmental agency having jurisdiction over it.
- (b) There are in place appropriate policies and procedures designed to promote and achieve compliance by each Obligor with all applicable laws or regulations relating to Money Laundering.

**18.23 Dividends repatriation**

There is no contractual restriction for any Major Material Subsidiary incorporated in the PRC which is a WFOE to pay dividends out of its Distributable Reserves, or to make any distribution to any of its shareholders or holders of any equity interest in it (in each case, subject to any generally applicable administrative and legal restrictions).

**18.24 Times when representations made**

- (a) All the representations and warranties in this Clause 18 are made by each Obligor on the date of this Agreement.
- (b) The Repeating Representations are deemed to be made by each Obligor on the date of each Utilisation Request and the first day of each Interest Period.
- (c) Each representation or warranty deemed to be made after the date of this Agreement shall, except where the contrary is indicated, be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

**19. Information Undertakings**

The undertakings in this Clause 19 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

## 19.1 Financial statements

The Company shall supply to the Agent:

- (a) as soon as they become available but in any event within 120 days after the end of each of its financial years:
  - (i) its audited consolidated financial statements for that financial year; and
  - (ii) (in the event that the Guarantor's financial statements cease to be publicly available), the audited consolidated financial statements of the Guarantor for that financial year; and
- (b) as soon as they become available but in any event within 60 days after the end of the first half of each of its financial years:
  - (i) its unaudited consolidated financial statements for that financial half year; and
  - (ii) (in the event the Guarantor's financial statements cease to be publicly available) the unaudited consolidated financial statements of the Guarantor for that financial half year.

## 19.2 Compliance Certificate

The relevant Obligor shall supply to the Agent:

- (a) annually, within 120 days after the end of each of its fiscal year; and
- (b) upon written request by the Agent, within 14 days of such request,

a brief certificate from (in relation to the Company) its chief financial officer and (in relation to the Guarantor) its principal execution officer, principal financial officer, principal account officer or treasurer as to his or her knowledge of that Obligor's compliance with all conditions and covenants under the Finance Documents (which compliance shall be determined without regarding to any period of grace or requirement of notice provided under the Finance Documents), specifying if any Default has occurred and, in the event that any Default has occurred, specifying each such Default and the nature and status thereof of which such person may have knowledge.

## 19.3 Notification of default

The Company shall deliver to the Agent promptly and in any event within 30 calendar days after any Obligor becomes aware of the occurrence of any Event of Default or any event which, with the giving of notice of the lapse of time or both, would constitute an Event of Default, an Officer's Certificate of the Company setting out the details of such Event of Default or Default and the action which the Company proposes to take with respect thereto.

## 19.4 "Know your customer" checks

- (a) Each Obligor shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender (including for any Lender on behalf of any prospective new Lender)) in order for the Agent,

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such Lender or any prospective new Lender to conduct any "know your customer" or other similar procedures under applicable laws and regulations.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to conduct any "know your customer" or other similar procedures under applicable laws and regulations.

## 19.5 Information on the Project

- (a) The Company shall supply to the Agent, on a semi-annual basis, on the last day of each fiscal half-year commencing from the date of this Agreement, a report on progress of the Project.
- (b) The Company shall supply to the Agent, on a quarterly basis, on the last day of each fiscal quarter commencing from the date of this Agreement, a Budget.
- (c) To the extent any of the following documents are not delivered as a condition precedent under Clause 4.1 (*Initial conditions precedent*), the Company shall supply to the Agent a certified copy of the same as soon as reasonably practicable after the relevant document(s) become available:
  - (i) each Project Development Document;
  - (ii) the Project Development Plan.
- (d) The Company shall notify the Agent in writing of:
  - (i) any material amendment, supplement, waiver or release in respect of any of the Project Development Documents, the Budgets or the Project

Development Plan; and

- (ii) any amendment, supplement, waiver or release in respect of a Development Right Document where such amendment, supplement, waiver or release would have a Material Adverse Effect,

in each case, as soon as reasonably practicable and in any event within 30 days of any such amendment, supplement, waiver or release and provide the Agent with a copy of the relevant updated document.

- (e) To the extent not delivered as a condition precedent under Clause 4.1 (*Initial conditions precedent*), a certified copy of each contract of Property Insurances as soon as reasonably practicable and in any event within two weeks after the initial Utilisation Date.
  - (f) The Company shall deliver to the Agent promptly, and in any event within two weeks after such document becomes available, certified copies of any renewal policy of any of the Property Insurances (including, for the avoidance of doubt, the renewal of any insurances described in paragraph 4(d) of Schedule 2 (*Conditions Precedent*)).
  - (g) The Company shall deliver to the Agent promptly upon becoming aware of them, the details of any proposed extension of time to the “Long Stop Date” (as defined in the Agreement for Sub-Lease) including the new Long Stop
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Date after the proposed extension and details of the circumstances leading or giving rise to the right to extend such Long Stop Date.

## 19.6 Use of websites

- (a) The Company may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the “**Website Lenders**”) who accept this method of communication by posting this information onto an electronic website designated by the Company and the Agent (the “**Designated Website**”) if:
- (i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
  - (ii) both the Company and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and
  - (iii) the information is in a format previously agreed between the Company and the Agent.

If any Lender (a “**Paper Form Lender**”) does not agree to the delivery of information electronically then the Agent shall notify the Company accordingly and the Company shall supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form.

- (b) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Company and the Agent.
- (c) The Company shall promptly upon becoming aware of its occurrence notify the Agent if:
- (i) the Designated Website cannot be accessed due to technical failure;
  - (ii) the password specifications for the Designated Website change;
  - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
  - (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
  - (v) the Company becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Company notifies the Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Company under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

## 20. General Undertakings

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 20.1 *Pari passu* ranking

Each Obligor shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

### 20.2 Negative pledge

- (a) No Obligor shall create or have outstanding, and shall ensure that none of the Principal Controlled Entities will create or have outstanding, any Security upon the whole or any part of their respective present or future assets securing any Relevant Indebtedness, or create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness either of an Obligor or of any of the Principal Controlled Entities, without:
  - (i) at the same time or prior thereto securing or guaranteeing the liabilities of the Obligors under the Finance Documents equally and ratably therewith; or
  - (ii) providing such other Security or guarantee for the Facility as shall be approved by the Majority Lenders.
- (b) Paragraph (a) above does not apply to:
  - (i) any Security arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;
  - (ii) any Security in respect of the obligations of any person which becomes a Principal Controlled Entity or which merges with or into an Obligor or a Principal Controlled Entity after the date of the Indenture which is in existence at the date on which it becomes a Principal Controlled Entity or merges with or into that Obligor or a Principal Controlled Entity;
  - (iii) any Security created or outstanding in favour of an Obligor or any Security created by any of the Controlled Entities of the Obligors in favour of any other Controlled Entities of the Obligors;
  - (iv) any Security in respect of Relevant Indebtedness of an Obligor or any Principal Controlled Entity with respect to which such Obligor or such Principal Controlled Entity has paid money or deposited money or securities with a paying agent, trustee or depository to pay or discharge in full the obligations of such Obligor or such Principal Controlled Entity in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full);
  - (v) any Security created in connection with a project financed with, or created to secure, Non-recourse Obligations; or

- (vi) any Security arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security permitted by paragraphs (ii), (v) or this paragraph (vi); provided that such Relevant Indebtedness is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding, including any accrued interest and prepayment premiums or consent fees) and is not secured by any additional property or assets.

### 20.3 Merger, consolidation and sale of assets

No Obligor shall consolidate with or merge into any other person in a transaction or convey, transfer or lease its properties and assets substantially as an entirety to any person unless:

- (a)
  - (i) the relevant Obligor party to that merger or consolidation is the surviving entity; or
  - (ii) any person formed by such consolidation or into or with which that Obligor is merged or to whom that Obligor has conveyed, transferred or leased its properties and assets substantially as an entirety (such entity, the “ **New Merged Entity** ”) is a corporation, partnership, trust or other entity validly existing under the laws of the British Virgin Islands, the Cayman Islands, the PRC or Hong Kong and such person expressly assumes, by an accession deed in form and substance reasonably satisfactory to the Lenders, all of that Obligor’s obligations under the Finance Documents, including any of its obligations under Clause 12 ( *Tax Gross Up and Indemnities* );
- (b) immediately after given effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the relevant Obligor or the New Merged Entity (as the case may be) delivers to the Agent an Officer’s Certificate and an opinion of independent legal firm of internationally recognised standing that is reasonably acceptable to the Agent, each stating that such consolidation, merger, conveyance, transfer or lease and the accession deed referred in paragraph (a)(ii) above is in compliance with the Finance Documents and that all conditions precedent therein provided for relating to such transaction have been complied with.

### 20.4 Sanctions

- (a) No Obligor shall use any of the funds advanced under this Agreement directly or indirectly for the purpose of, or with the effect of, funding or facilitating any activities or business activities in, with or relating to (a) Crimea, Cuba, Sudan, Iran, Syria or North Korea, unless such countries are no longer the subject of Sanctions; and (b) any other countries that are, or become, the subject of Sanctions (as notified in writing by the Agent (acting on behalf of any Lenders) to such Obligor from time to time) where such utilisation would be prohibited under Sanctions.
- (b) No Obligor shall use any of the funds advanced under this Agreement directly or indirectly for the purpose of, or with the effect of, funding or

facilitating, any activities or business activities or dealings of or with any person that is/are the subject of Sanctions and/or subject to economic or trade sanctions, restrictions or embargoes by any other governmental or supranational body notified in writing by the Agent (acting on behalf of any Lenders) to such Obligor from time to time. This includes in particular (but without limitation) business activities involving persons named on any sanctions lists issued by any of the aforementioned bodies.

#### **20.5 Anti-corruption**

No Obligor will directly or indirectly use the proceeds of the Facility in a manner, or lend, contribute or otherwise make available such proceeds to any subsidiary, affiliate, joint venture partner or other person or entity for the purpose of financing or facilitating any activity, that would violate applicable anti-corruption laws and regulations including without limitation to the extent applicable the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977.

#### **20.6 Anti-money laundering**

Each Obligor will at all times have in place appropriate procedures and policies designed to promote and achieve compliance by it with all applicable laws and regulations relating to Money Laundering.

#### **20.7 No other business**

- (a) The Company shall not trade or carry on any business except for the development and management of the Project.
- (b) The Company shall not enter into any material agreement other than the relevant Finance Documents, the Project Development Documents, the Development Right Documents, the Property Insurances, contracts facilitating the issuance of a security in favour of the Airport Authority in connection with the Project, and, in each case, any other commitment reasonably ancillary thereto.
- (c) The Company shall not assign, transfer, novate or otherwise dispose of any or all of its rights and/or obligations under any of the Project Development Documents, Development Right Documents and Property Insurances.

#### **20.8 Practical Completion**

Each Obligor shall ensure that Practical Completion occurs by no later than the Long Stop Date (as defined in the Agreement for Sub-Lease), as may be extended pursuant to the terms of the Agreement for Sub-Lease in its agreed form.

#### **20.9 Property Insurances**

- (a) The Company shall maintain or procure to be maintained insurances on and in relation to the Property against those risks and to the extent as is usual for companies carrying on the same or substantially similar business.
- (b) Without limiting the foregoing in paragraph (a), such insurances shall:
  - (i) insure the Company (or, if applicable, a relevant Group Member or a Principal Controlled Entity) in respect of its interests in the Property and the plant and machinery on the Property (including fixtures and improvements) for their full replacement value (being the total cost

of entirely rebuilding, reinstating or replacing the relevant asset if it is completely destroyed, together with all related fees and demolition costs);

- (ii) provide cover for site clearance, shoring or propping up, professional fees (including any applicable Indirect Tax) together with adequate allowance for inflation;
- (iii) include public liability and third party liability insurance;
- (iv) insure such other risks as a prudent company or other person in the same business as the Company would insure; and
- (v) any other insurance as may be required under the Agreement for Sub-Lease or by the Airport Authority,

in each case with a reputable independent insurance company or underwriters acceptable to the Majority Lenders.

#### **20.10 CNAC Facility**

The Company shall ensure that the total commitment amount under the CNAC Facility, when aggregated with the Total Commitments, will not exceed HK\$11,775,000,000 (or its equivalent in another currency or currencies).

#### **21. Events of Default**

Each of the events or circumstances set out in the following sub-clauses of this Clause 21 (other than Clause 21.8 ( *Acceleration* )) is an Event of Default.

##### **21.1 Non-payment**

- (a) The Company fails to pay the principal amount in respect of the Facility when due and payable (whether at the Final Repayment Date or upon acceleration or otherwise).
- (b) The Company fails to pay interest in respect of any Loan within 30 days after such interest becomes due and payable.
- (c) The Guarantor does not pay any amount payable in respect of the principal amount of the Facility when such amount becomes due and payable.
- (d) The Guarantor does not pay any amount payable in respect of any interest on any Loan within 30 days after such amount becomes due and payable.

##### **21.2 Specified Defaults**

An Obligor defaults in the performance of or breaches its obligations under Clause 20.3 ( *Merger, consolidation and sale of assets* ).

##### **21.3 Other obligations**

An Obligor defaults in the performance of or breaches any provision of the Finance Documents (other than a default specified in Clauses 21.1 ( *Non-payment* ) or 21.2 ( *Specified Defaults* ) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Agent.

##### **21.4 Cross Default**

An event of default (howsoever defined) occurs under the facility documentation for the CNAC Facility.

##### **21.5 Involuntary proceedings**

In relation to any Obligor or any Principal Controlled Entity, a court having jurisdiction enters in the premises of:

- (a) a decree or order for relief in respect of it or any of the Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law; or
- (b) a decree or order adjudging it or any of the Principal Controlled Entities bankrupt or insolvent, or approving as final and nonappealable a petition seeking reorganisation, arrangement, adjustment, or composition of or in respect of it or any of the Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of it or any of the Principal Controlled Entities or of any substantial part of its or their respective property, or ordering the winding up or liquidation of their respective affairs (or any similar relief granted under any foreign laws),
- (c) and in any such case the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive calendar days.

##### **21.6 Voluntary proceedings**

An Obligor or any of the Principal Controlled Entities:

- (a) commence a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency or other similar law or of any other

case or proceeding to be adjudicated bankrupt or insolvent; or

- (b) consent to the entry of a decree or order for relief in respect of it or any of the Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or the commencement of any bankruptcy or insolvency case or proceeding against it or any Principal Controlled Entity; or
- (c) file a petition or answer or consent seeking reorganisation or relief with respect to it or any of the Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of it or any of the Principal Controlled Entities or of any substantial part of its or their respective property pursuant to any such law; or
- (d) make a general assignment for the benefit of creditors in respect of any indebtedness as a result of an inability to pay such indebtedness as it becomes due, or admit in writing of its inability to pay debts generally as they become due, or take corporate action that resolves to commence any such action.

**21.7 Illegality**

Any obligation of the Obligors under the Finance Documents or any Finance Document is or becomes or is claimed by any Obligor to be unenforceable, invalid or ceases to be in full force and effect otherwise than is permitted by the terms of this Agreement.

**21.8 Acceleration**

At any time while an Event of Default is continuing the Agent may, and shall if so directed by a Lender or Lenders whose Commitments aggregate more than  $66 \frac{2}{3} \%$  of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than  $66 \frac{2}{3} \%$  of the Total Commitments immediately prior to the reduction), by notice to the Company:

- (a) without prejudice to the participations of any Lenders in any Loans then outstanding:
  - (i) cancel the Commitments (and reduce them to zero), whereupon they shall immediately be cancelled (and reduced to zero); or
  - (ii) cancel any part of any Commitment (and reduce such Commitment accordingly), whereupon the relevant part shall immediately be cancelled (and the relevant Commitment shall be immediately reduced accordingly); and/or
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.

**22. Changes to the Lenders**

**22.1 Transfers by the Lenders**

- (a) Subject to this Clause 22, a Lender (the “ **Existing Lender** ”) may:
  - (i) transfer by novation any of its rights and obligations, under the Finance Documents to another bank or financial institution (the “ **New Lender** ”); and
  - (ii) sub-participate any of its rights and/or obligations under this Agreement.
- (b) Subject to Clause 22.9 ( *Security over Lenders’ rights* ), an Existing Lender shall not be permitted to assign any of its rights under the Finance Documents.

**22.2 Conditions of transfer or sub-participation**

- (a) Subject to paragraph (b) below, the prior written consent of the Obligors is required for any transfer or sub-participation by an Existing Lender.

- (b) The prior written consent of the Obligors is not required for a transfer by an Existing Lender if the relevant transfer is:
- (i) to another Lender or an Affiliate of a Lender; or
  - (ii) made at a time when an Event of Default is continuing,
- unless such transfer is to a Prohibited Transferee, in which case consent of the Obligors will be required in accordance with paragraph (a) above.
- (c) Any transfer of a Lender's rights or obligations under the Finance Documents must be in a minimum amount of HK\$250,000,000 (and following any such transfer by a Lender, unless that Lender has transferred all of its rights and obligations under the Finance Documents, that Lender must retain rights and obligations in a minimum amount of HK\$250,000,000 or, in each case, such lower amount with the consent of the Obligors.
- (d) A transfer will be effective only if the procedure set out in Clause 22.5 ( *Procedure for transfer* ) is complied with.
- (e) If:
- (i) a Lender transfers any of its rights and obligations under the Finance Documents or changes its Facility Office; and
  - (ii) as a result of circumstances existing at the date the transfer occurs, the Company would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 ( *Tax Gross Up and Indemnities* ) or Clause 13 ( *Increased Costs* ),
- then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the transfer had not occurred.
- (f) Each New Lender, by executing the relevant Transfer Certificate, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.
- (g) The right of any Lender to make transfers and enter into sub-participations as provided by this Clause 22 is in any event subject to that Lender procuring that Confidentiality Undertakings are entered into and delivered to the Company as provided by Clause 24 ( *Disclosure of Information* ).

### **22.3 Transfer fee**

Unless the Agent otherwise agrees and excluding any transfer to an Affiliate of a Lender, the New Lender shall, on the date upon which a transfer takes effect, pay to the Agent (for its own account) a fee of US\$2,500.

## 22.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
  - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
  - (ii) the financial condition of any Obligor;
  - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
  - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document, and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
  - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
  - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
  - (i) accept a re-transfer from a New Lender of any of the rights and obligations transferred under this Clause 22; or
  - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

## 22.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 22.2 ( *Conditions of transfer or sub-participation* ) a transfer is effected in accordance with paragraph (c) below when:
  - (i) the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate; and

- (ii) when the Intercreditor Agreement has been entered into, the New Lender enters into documentation required for it to accede as a party to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement.
- (b) The Agent shall not be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender unless it is satisfied that it has completed all “know your customer” and other similar procedures that it is required (or deems desirable) to conduct in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
  - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
  - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
  - (iii) the Agent, the Mandated Lead Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Mandated Lead Arrangers and the Existing Lender shall each be released from further obligations to each other under this Agreement; and
  - (iv) the New Lender shall become a Party as a “Lender”.
- (d) The procedure set out in this Clause 22.5 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of transfer of such right or obligation or prohibit or restrict any transfer of such right or obligation, unless such prohibition or restriction shall not be applicable to the relevant transfer or each condition of any applicable restriction shall have been satisfied.

#### **22.6 Copy of Transfer Certificate to Company**

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Company a copy of that Transfer Certificate.

#### **22.7 Existing consents and waivers**

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant transfer to such New Lender.

## **22.8 Exclusion of Agent's liability**

In relation to any transfer pursuant to this Clause 22, each Party acknowledges and agrees that the Agent shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

## **22.9 Security over Lenders' rights**

In addition to the other rights provided to Lenders under this Clause 22, each Lender may without consulting with or obtaining consent from any Obligor at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation, any charge, assignment or other Security to secure obligations to a federal reserve or central bank, except that no such charge, assignment or Security shall:

- (a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or
- (b) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

## **23. Assignment or Transfer by the Obligors**

No Obligor may assign or transfer any of its rights or obligations under any Finance Document, except with the prior written consent of all the Lenders.

## **24. Disclosure of Information**

### **24.1 Obligation to keep information confidential**

- (a) Each Finance Party must keep confidential all information relating to any Obligor, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either (i) any Group Member or any of its advisers; or (ii) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any Group Member or any of its advisers (regardless of the form such information takes, and including information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information) and shall not use any such information except in connection with the Finance Documents and the Facility.
- (b) However, a Finance Party is entitled to disclose information referred to in paragraph (a) above:
  - (i) if such information is publicly available, other than as a direct or indirect result of a breach by that Finance Party of, or action by its Affiliates that is contrary to the provisions of, this Clause;

- (ii) if required to do so in connection with any legal, arbitration or regulatory proceedings or procedure;
  - (iii) if required to do so under any applicable law or regulation;
  - (iv) if required or requested to do so by any governmental, banking, taxation or other regulatory authority;
  - (v) to its professional advisers and any other person providing services to it (including, without limitation, any provider of administrative or settlement services, external auditors, insurers and insurance brokers) provided that such person is under a duty of confidentiality, contractual or otherwise, to that Finance Party;
  - (vi) to its officers, employees, directors and agents on a need-to-know basis provided that such person is under a duty of confidentiality, contractual or otherwise, to that Finance Party;
  - (vii) to the head office, branches, representative offices, Subsidiaries, related corporations or Affiliate of any Finance Party (each a “ **Finance Party Related Party** ”) and each Finance Related Party shall be permitted to disclose information as if it were a Finance Party;
  - (viii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 22.9 ( *Security over Lenders’ rights* );
  - (ix) to any other Finance Party;
  - (x) to any person permitted in writing by the Company;
  - (xi) to an Obligor; or
  - (xii) to the International Swaps and Derivatives Association, Inc. (“ **ISDA** ”) or any Credit Derivatives Determination Committee or sub-committee of ISDA where such disclosure is required by them in order to determine whether the obligations under the Finance Documents will be, or in order for the obligations under the Finance Documents to become, deliverable under a credit derivative transaction or other credit linked transaction which incorporates the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement or other provisions substantially equivalent thereto; or
  - (xiii) if required to do so under the Intercreditor Agreement.
- (c) A Finance Party may disclose to an Affiliate or any potential transferee or Participant to which a transfer or sub-participation is not expressly prohibited under Clause 22 ( *Changes to the Lenders* ) but for the avoidance of doubt not to an Industrial Competitor:
- (i) a copy of any Finance Document; and
  - (ii) any information which that Finance Party has acquired under or in connection with any Finance Document.

However, before a potential transferee or Participant may receive any confidential information, it must execute in favour of the relevant Finance Party a Confidentiality Undertaking and deliver a copy of the same to the Company. A potential transferee or Participant may itself disclose the documents and information referred to in sub-paragraphs (i) and (ii) to an Affiliate or any person with whom it may enter, or has entered into, any kind of transfer of an economic or other interest in, or related to, this Agreement so long as the relevant Affiliate or transferee executes in favour of the relevant potential transferee or Participant a Confidentiality Undertaking and delivers a copy of the same to the Company.

This Clause supersedes any previous agreement relating to the confidentiality of such information.

## 24.2 Relevant information

Without affecting the responsibility of the relevant Obligor for information supplied by it or on its behalf in connection with any Finance Document, each of the Lenders accepts and acknowledges that:

- (a) some or all of the information (including, without limitations, financial projections and/or other financial data) that has or may be provided to the Lenders (through the Agent or otherwise) is or may constitute relevant information in relation to an Obligor (the “**Price Sensitive Information**”) and that the use of such information may be regulated or prohibited by applicable laws and regulations relating to, among other things, insider dealing and/or market abuse;
- (b) upon possession of the Price Sensitive Information, a Lender may be prohibited or restricted under the applicable laws and regulations from, among other things, dealing in or counselling or procuring another person to deal in the listed securities of the Guarantor or its derivatives, or the listed securities of a related corporation of the Guarantor or its derivatives, or otherwise from using or disclosing the Price Sensitive Information;
- (c) none of the Agent nor the Mandated Lead Arrangers will be liable for any action taken by it under or in connection with distributing the information provided that where it is required to act on the instructions of any Lender or Lenders, the Agent may ask for a confirmation or certificate (in form and substance satisfactory to the Agent) confirming that the instructing Lender or Lenders is or are not in possession of any Price Sensitive Information and that it is or they are not instructing the Agent, to act as a consequence of being in possession of any Price Sensitive Information; and
- (d) any information received under or in connection with the Finance Documents shall not be used for any unlawful purpose, and each Lender shall make an independent evaluation of, and ensure its compliance with, any legal and regulatory restrictions on the use and/or disclosure of such information.

## 24.3 Individual Data

In respect of any data or information (including, without limitation, data covered by banking secrecy and/or personal data laws) regarding an individual (including, without limitation, any employees of an Obligor or its Affiliates) (“Individual Data”) provided to any Finance Party, each Obligor represents and warrants that it has obtained each relevant individual’s prior consent to the collection, use, disclosure and

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processing of his/her Individual Data by the Finance Parties, and that such Individual Data is true, accurate and complete in all material respects.

## 25. Role of the Administrative Parties

### 25.1 Appointment of the Agent

- (a) Each of the other Finance Parties appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each of the other Finance Parties authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

### 25.2 Duties of the Agent

- (a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Without prejudice to Clause 22.6 ( *Copy of Transfer Certificate to Company* ), paragraph (a) above shall not apply to any Transfer Certificate.
- (c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to any Administrative Party) under this Agreement it shall promptly notify the other Finance Parties.
- (f) The Agent shall provide to each Obligor within ten (10) Business Days of the last Business Day of each calendar month, a list (which may be in electronic form) setting out the names of the Lenders as at that Business Day, their respective Commitments, the address and fax number (and the department or office, if any, for whose attention any communication is to be marked) of each Lender for any communications to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the

Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

- (g) The Agent shall not be liable to account for interest on money paid to it by or recovered from any Obligor. Monies held by the Agent need not be segregated except as required by law.

- (h) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

### **25.3 Role of the Mandated Lead Arrangers**

Except as specifically provided in the Finance Documents, the Mandated Lead Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

### **25.4 No fiduciary duties**

- (a) The Administrative Parties shall not otherwise have, nor be deemed to have, assumed any obligations to, or trust or fiduciary relationship with, any other party to this Agreement.
- (b) None of the Agent or the Mandated Lead Arrangers shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

### **25.5 Business with the Group**

- (a) Any Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Group Member.
- (b) Each of the Lenders hereby irrevocably waives, in favour of the Agent, any conflict of interest which may arise by virtue of the Agent acting in various capacities under the Finance Documents or for other customers of the Agent. Each of the Lenders acknowledges that the Agent and its affiliates (together, the "Agent Parties") may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which a Lender may regard as conflicting with its interests and may possess information (whether or not material to the Lenders) other than as a result of the Agent acting as Agent under the Finance Documents, that the Agent may not be entitled to share with any Lender.
- (c) Consistent with its long-standing policy to hold in confidence the affairs of its customers, the Agent will not disclose confidential information obtained from any Lender (without its consent) to any of the Agent's other customers nor will it use on the Lender's behalf any confidential information obtained from any other customer. Without prejudice to the foregoing, each of the Lenders agrees that each of the Agent Parties may deal (whether for its own or its customers' account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of the Finance Documents.

### **25.6 Rights and discretions of the Agent**

- (a) The Agent may rely on:
  - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
  - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

- (b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
  - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 ( *Non-payment* )); and
  - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Without prejudice to the generality of paragraph (e) above, the Agent may disclose the identity of a Defaulting Lender to the other Finance Parties and the Company and shall disclose the same upon the written request of the Company or the Majority Lenders.
- (g) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

#### **25.7 No Duty to Monitor**

The Agent shall not be bound to enquire:

- (a) whether or not any Default has occurred;
- (b) as to the performance, default or any breach by any Party of its obligations under any Finance Document; or
- (c) whether any other event specified in any Finance Document has occurred.

#### **25.8 Majority Lenders' instructions**

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) or under paragraph (d) below until it has received such security as it may require for any cost, loss or liability (together with any associated Indirect Tax) which it may incur in complying with the instructions.

- (d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

#### **25.9 Responsibility for documentation**

No Administrative Party:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by any Administrative Party, an Obligor or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document;
- (c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

#### **25.10 Exclusion of liability**

- (a) Without limiting paragraph (b) below, the Agent shall not be liable for any cost, loss or liability incurred by any Party as a consequence of:
  - (i) the Agent having taken or having omitted to take any action under or in connection with any Finance Document, unless directly caused by the Agent's gross negligence or wilful misconduct; or
  - (ii) any delay in the crediting to any account of an amount required under the Finance Documents to be paid by the Agent if the Agent shall have taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for the purpose of such payment.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause subject to Clause 1.3 ( *Third party rights* ) and the provisions of the Third Parties Ordinance.
- (c) Nothing in this Agreement shall oblige any Administrative Party to conduct any "know your customer" or other procedures in relation to any person on behalf of any Lender and each Lender confirms to each Administrative Party that it is solely responsible for any such procedures it is required to conduct and that it shall not rely on any statement in relation to such procedures made by any Administrative Party.

- (d) Notwithstanding anything to the contrary in this Agreement or in any other Finance Document, the Agent shall not in any event be liable for any loss or damage, or any failure or delay in the performance of its obligations hereunder if it is prevented from so performing its obligations by any reason which is beyond the control of the Agent, including, but not limited to, any existing or future law or regulation, any existing or future act of governmental authority, Act of God, flood, war whether declared or undeclared, terrorism, riot, rebellion, civil commotion, strike, lockout, other industrial action, general failure of electricity or other supply, aircraft collision, technical failure, accidental or mechanical or electrical breakdown, computer failure or failure of any money transmission system or any event where, in the reasonable opinion of the Agent, performance of any duty or obligation under or pursuant to this Agreement would or may be illegal or would result in the Agent being in breach of any law, rule, regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organisation to which the Agent is subject.
- (e) Notwithstanding any other term or provision of this Agreement to the contrary, the Agent shall not be liable under any circumstances for special, punitive, indirect or consequential loss or damage of any kind whatsoever, whether or not foreseeable, or for any loss of business, goodwill, opportunity or profit, whether arising directly or indirectly and whether or not foreseeable, even if the Agent is actually aware of or has been advised of the likelihood of such loss or damage and regardless of whether the claim for such loss or damage is made in negligence, for breach of contract, breach of trust, breach of fiduciary obligation or otherwise. The provisions of this Clause shall survive the termination or expiry of this Agreement or the resignation or removal of the Agent.

#### **25.11 Refrain from Illegality**

The Agent may refrain from doing anything which in its opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction which would or might otherwise render it liable to any person.

#### **25.12 Lenders' indemnity to the Agent**

- (a) Each Lender shall, in accordance with paragraph (b) below, indemnify the Agent within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Agent's gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).
- (b) The proportion of such cost, loss or liability to be borne by each Lender shall be in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero.
- (c) The Lenders' indemnity to the Agent shall survive the termination or expiry of this Agreement and the resignation or replacement of the Agent.

### 25.13 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Company.
- (b) Alternatively the Agent may resign by giving thirty (30) days' notice to the other Finance Parties and the Company, in which case the Majority Lenders (with the consent of the Company, such consent not to be unreasonably withheld) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within thirty (30) days after notice of resignation was given, the retiring Agent (with the consent of the Company, such consent not to be unreasonably withheld) may appoint a successor Agent.
- (d) The retiring Agent shall make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The Agent's resignation notice shall take effect only upon the appointment of a successor, provided that notwithstanding any of the foregoing, the resignation of the Agent otherwise in accordance with the provisions of this Clause 25 shall be effective immediately in the event that the Agent's continuing appointment would conflict with (and such resignation would be required by) applicable law or the Agent's internal policies (including without limitation with respect to "know-your-client" and/or any conflict of interest) that in each case, cannot be resolved to the reasonable satisfaction of the Agent.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 25.13. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Company, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.
- (h) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:
  - (i) the Agent fails to respond to a request under Clause 25.15 ( *FATCA Information* ) and the Company or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
  - (ii) any information supplied by the Agent pursuant to Clause 25.15 ( *FATCA Information* ) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

- (iii) the Agent notifies the Company and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date,

and (in each case) the Company or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and the Company or that Lender, by notice to the Agent, requires it to resign.

- (iv) For the purposes of this paragraph (h):

“ **Code** ” means the US Internal Revenue Code of 1986.

“ **FATCA** ” has the meaning given to that term in Clause 12.1 ( *Tax definitions* ).

“ **FATCA Application Date** ” means:

- (A) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or
- (B) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA.

“ **FATCA Deduction** ” has the meaning given to that term in Clause 12.1 ( *Tax definitions* ).

“ **FATCA Exempt Party** ” means a Party that is entitled to receive payments free from any FATCA Deduction.

#### **25.14 Replacement of the Agent**

- (a) After consultation with the Company, the Majority Lenders may, by giving thirty (30) days’ notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Agent or by appointing a successor Agent (acting through an office in Hong Kong).
- (b) The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (c) The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 25.14 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).

- (d) Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

#### **25.15 FATCA Information**

- (a) Subject to paragraph (c) below, the Agent shall, within ten Business Days of a reasonable request by another Party:
  - (i) confirm to that other Party whether it is:
    - (A) a FATCA Exempt Party; or
    - (B) not a FATCA Exempt Party; and
  - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable “passthru payment percentage” or other information required under the US Treasury Regulations or other official guidance including intergovernmental agreements) as that other Party reasonably requests for the purposes of that other Party’s compliance with FATCA.
- (b) If the Agent confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, the Agent shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige the Agent to do anything which would or might in its reasonable opinion constitute a breach of:
  - (i) any law or regulation;
  - (ii) any fiduciary duty; or
  - (iii) any duty of confidentiality.
- (d) If the Agent fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then:
  - (i) if the Agent failed to confirm whether it is (and/or remains) a FATCA Exempt Party then the Agent shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and
  - (ii) if the Agent failed to confirm its applicable “passthru payment percentage” then the Agent shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable “passthru payment percentage” is 100%,until (in each case) such time as the Agent provides the requested confirmation, forms, documentation or other information.

## 25.16 Confidentiality

- (a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency or, as the case may be, trustee division which shall be treated as a separate legal person from any other of its branches, divisions or departments.
- (b) If information is received by another branch, division or department of the legal person which is the Agent, it may be treated as confidential to that branch, division or department and the Agent shall not be deemed to have notice of it.
- (c) Notwithstanding any other provision of any Finance Document to the contrary, the Agent shall not be obliged to disclose to any Finance Party any information supplied to it by an Obligor or any Affiliates of an Obligor on a confidential basis and for the purpose of evaluating whether any waiver or amendment is or may be required or desirable in relation to any Finance Document.

## 25.17 Relationship with the Lenders

- (a) Subject to Clause 27.2 ( *Distributions by the Agent* ), the Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five (5) Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information that the Agent may reasonably specify as being necessary or desirable to enable the Agent to perform its functions as Agent.
- (c) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 29.5 ( *Electronic communication* )) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 29.2 ( *Addresses* ) and paragraph (a) of Clause 29.5 ( *Electronic communication* ) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

## 25.18 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each Administrative Party that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each Group Member;

- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (c) whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

#### 25.19 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (with the consent of the Company, such consent not to be unreasonably withheld) appoint another Lender or an Affiliate of a Lender or any bank approved by the Majority Lenders to replace that Reference Bank.

#### 25.20 Agent's management time

Any amount payable to the Agent under Clause 15.3 ( *Indemnity to the Agent* ), Clause 16 ( *Costs and Expenses* ) and Clause 25.12 ( *Lenders' indemnity to the Agent* ) shall include the reasonable cost of utilising the Agent's management time or other resources in respect of any duties which are outside the scope of the normal duties of the Agent under the Finance Documents and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify to the Company and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 11 ( *Fees* ). For the avoidance of doubt, any action required to be undertaken by the Agent in respect of or in relation to any Default, change in structure of the Facility, including acts contemplated in Clauses 16.2 ( *Amendment costs* ) and 16.3 ( *Enforcement costs* ) shall not be regarded as tasks falling within the scope of the normal duties of the Agent under the Finance Documents. In the event of any dispute in respect of such cost of utilising the Agent's management time or other resources, the costs to be paid shall be as reasonably determined by the Agent.

#### 25.21 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

### 26. Sharing among the Finance Parties

#### 26.1 Payments to Finance Parties

If a Finance Party (a “ **Recovering Finance Party** ”) receives or recovers (whether by set off or otherwise) any amount from an Obligor other than in accordance with Clause 27 ( *Payment Mechanics* ) (a “ **Recovered Amount** ”) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 ( *Payment Mechanics* ), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “ **Sharing Payment** ”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.6 ( *Partial payments* ).

#### 26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the “ **Sharing Finance Parties** ”) in accordance with Clause 27.6 ( *Partial payments* ) towards the obligations of that Obligor to the Sharing Finance Parties.

#### 26.3 Recovering Finance Party's rights

- (a) On a distribution by the Agent under Clause 26.2 ( *Redistribution of payments* ) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

#### 26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Agent, pay to the Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the “ **Redistributed Amount** ”); and

- (b) as between the relevant Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

## **26.5 Exceptions**

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
  - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
  - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

## **27. Payment Mechanics**

### **27.1 Payments to the Agent**

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

### **27.2 Distributions by the Agent**

- (a) Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to an Obligor*), Clause 27.4 (*Clawback*), Clause 27.6 (*Partial payments*) and Clause 25.21 (*Deduction from amounts payable by the Agent*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office):
  - (i) with respect to the Original Lenders, to such account as specified in Schedule 6 (*Account Details*) (or such other account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency); or
  - (ii) with respect to any other Party, to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.

- (b) The Agent shall distribute payments received by it in relation to all or any part of a Loan to the Lender indicated in the records of the Agent as being so entitled on that date **PROVIDED THAT** the Agent is authorised to distribute payments to be made on the date on which any transfer becomes effective pursuant to Clause 22 ( *Changes to the Lenders* ) to the Lender so entitled immediately before such transfer took place regardless of the period to which such sums relate.

### 27.3 Distributions to an Obligor

The Agent may (with the consent of the relevant Obligor or in accordance with Clause 28 ( *Set-Off* )) apply any amount received by it for that Obligor in or towards payment (in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

### 27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

### 27.5 Impaired Agent

- (a) If, at any time, the Agent becomes an Impaired Agent, the relevant Obligor or a Lender which is required to make a payment under the Finance Documents to the Agent in accordance with Clause 27.1 ( *Payments to the Agent* ) may instead either:
  - (i) pay that amount direct to the required recipient(s); or
  - (ii) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to the required recipient(s), pay that amount or the relevant part of that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of that Obligor or the Lender making the payment (the “ **Paying Party** ”) and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the “ **Recipient Party** ” or “ **Recipient Parties** ”).

In each case such payments must be made on the due for payment under the Finance Documents.

- (b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Party or the Recipient Parties *pro rata* to their respective entitlements.

- (c) A Party which has made a payment in accordance with this Clause 27.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.
- (d) Promptly upon the appointment of a successor Agent in accordance with Clause 25.14 ( *Replacement of the Agent* ), each Paying Party shall (other than to the extent that that Party has given an instruction pursuant to paragraph (e) below) give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the relevant Recipient Party or Recipient Parties in accordance with Clause 27.2 ( *Distributions by the Agent* ).
- (e) A Paying Party shall, promptly upon request by a Recipient Party and to the extent:
  - (i) that it has not given an instruction pursuant to paragraph (d) above; and
  - (ii) that it has been provided with the necessary information by that Recipient Party,give all requisite instructions to the bank with whom the trust account is held to transfer the relevant amount (together with any accrued interest) to that Recipient Party.

## 27.6 Partial payments

- (a) If any Finance Party receives or recovers an amount from or in respect of an Obligor under or in connection with any Finance Document which amount is insufficient to, or is not applied to, discharge all the amounts then due and payable by an Obligor under the Finance Documents, then the Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:
  - (i) **first** , in or towards payment *pro rata* of any unpaid fees, costs and expenses of the Agent under the Finance Documents;
  - (ii) **secondly** , in or towards payment *pro rata* of any accrued interest, fee (other than as provided in (i) above) or commission due but unpaid under the Finance Documents;
  - (iii) **thirdly** , in or towards payment *pro rata* of any principal due but unpaid under this Agreement; and
  - (iv) **fourthly** , in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by an Obligor.

**27.7 No set-off by Obligor**

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

**27.8 Business Days**

- (a) Any payment which is due to be made on a day (other than a Final Repayment Date) that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not). If a Final Repayment Date is not a Business Day, any payment which is due to be made on that Final Repayment Date shall be made on the preceding Business Day.
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under paragraph (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

**27.9 Currency of account**

- (a) Subject to paragraphs (b) to (e) below, HK Dollar is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than HK Dollar shall be paid in that other currency.

**27.10 Change of currency**

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
  - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (acting reasonably and after consultation with the Company); and
  - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably and after consultation with the Company).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Company)

specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

**28. Set-Off**

While an Event of Default is continuing, a Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. That Finance Party shall promptly notify the relevant Obligor of any such set-off or conversion.

**29. Notices**

**29.1 Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

**29.2 Addresses**

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Company and the Guarantor, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

**29.3 Delivery**

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:
  - (i) if by way of fax, only when received in legible form; or
  - (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 ( *Addresses* ), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the Agent shall specify for this purpose).
- (c) All notices from or to an Obligor shall be sent through the Agent.
- (d) Any communication or document which becomes effective, in accordance with paragraphs (a) to (c) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

#### **29.4 Communication when Agent is Impaired Agent**

If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

#### **29.5 Electronic communication**

- (a) Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication and if those two Parties:
  - (i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
  - (ii) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.
- (b) Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.
- (c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

#### **29.6 English language**

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
  - (i) in English; or

- (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

**30. Calculations and Certificates**

**30.1 Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

**30.2 Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document shall set out the basis of calculation in reasonable detail and is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

**30.3 Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 365 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

**31. Partial invalidity**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

**32. Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

**33. Amendments and waivers**

**33.1 Required consents**

- (a) Subject to Clause 33.2 ( *Exceptions* ) and Clause 33.3 ( *Extension of Commitments* ), any term of the Finance Documents may be amended or

waived only with the consent of the Majority Lenders and each of the Obligor and any such amendment or waiver will be binding on all Parties.

- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 33.

### 33.2 Exceptions

- (a) Subject to Clause 33.3 (*Extension of Commitments*), an amendment or waiver that has the effect of changing or which relates to:
- (i) the definition of “ **Majority Lenders** ” in Clause 1.1 (*Definitions*);
  - (ii) an extension to the date of payment of any amount under the Finance Documents;
  - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
  - (iv) an increase in the amount of any Commitment or an extension of the period of availability for utilisation of any Commitment or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably;
  - (v) the nature or scope or release of the guarantee and indemnity granted under Clause 17 (*Guarantee and Indemnity*);
  - (vi) any provision which expressly requires the consent of all the Lenders;
  - (vii) Clause 2.2 (*Finance Parties’ rights and obligations*); or
  - (viii) Clause 22 (*Changes to the Lenders*) or this Clause 33.2,

shall not be made without the prior consent of all the Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of any Administrative Party may not be effected without the consent of such Administrative Party.

### 33.3 Extension of Commitments

- (a) Subject to Clause 33.4 (*Requirement to offer extension of Commitments to all Lenders*), the Company and any Lender may agree that:
- (i) the Availability Period and Final Repayment Date applicable to such participation be extended; and
  - (ii) if any extension as referred to in paragraph (a) applies, the Margin applicable to the relevant participation should be adjusted.
- (b) Following any agreement as referred to in paragraph (a) above, the Company and the relevant Lender(s) may notify the Agent, giving details of the applicable agreement (the “ **Extension Agreement** ”).
- (c) Promptly following notification in accordance with paragraph (b) above, the Agent shall, at the cost of the Company, agree with the Company on behalf of the Finance Parties such amendments to the Finance Documents as may be necessary or appropriate to give effect to the Extension Agreement (which

may for the avoidance of doubt include designating the affected participations as loans under a new facility).

- (d) The Agent shall promptly provide to each of the Finance Parties and the Guarantor copies of any amendment agreement entered into pursuant to paragraph (c) above (any such amendment agreement or any Finance Document amended to give effect to the Extension Agreement, an “ **Extension Amendment Agreement** ”).
- (e) Upon the effectiveness of any Extension Amendment Agreement, the Guarantor:
  - (i) agrees and acknowledges that, save as amended by that Extension Amendment Agreement, each Finance Document to which it is a party shall continue in full force and effect; and
  - (ii) agrees that the guarantee and indemnity contained in Clause 17 ( *Guarantee and Indemnity* ) shall continue in full force and effect and extend to the liabilities and obligations of each Obligor under such Extension Amendment Agreement (each as amended, restated, supplemented, varied or extended from time to time).

#### 33.4 Requirement to offer extension of Commitments to all Lenders

- (a) The Agent will only be authorised to enter into an Extension Amendment Agreement under paragraph (c) of Clause 33.3 ( *Extension of Commitments* ) if prior to entering into such amendment agreement it is satisfied (acting reasonably) that:
  - (i) each Lender shall have been offered the opportunity to participate in such extension in an amount up to that Lender’s Pro Rata Share; and
  - (ii) each Lender shall have been given a period of at least 10 Business Days following receipt of the proposed terms of the extension referred to in paragraph (a) of Clause 33.3 ( *Extension of Commitments* ), to determine (A) whether or not to participate; and (B) if it wishes to participate, the amount of its Commitment (up to its Pro Rata Share) that it is willing to extend on the proposed terms.
- (b) For the purposes of paragraph (a) above, “ **Pro Rata Share** ” means in relation to a Lender whose Commitments are being extended, the percentage of the aggregate amount of the relevant Extended Loans that that Lender’s Commitment bears to the Total Commitments.
- (c) For the avoidance of doubt, prior to the date on which the Company and the relevant Lender(s) execute an Extension Amendment Agreement, the Company shall have no obligation to proceed with any proposed extension.

#### 33.5 Disenfranchisement of Defaulting Lenders

- (a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining:
  - (i) the Majority Lenders; or
  - (ii) whether:

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- (A) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments; or
- (B) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents,

that Defaulting Lender’s Commitments will be reduced by the amount of its Available Commitments and, to the extent that that reduction results in that Defaulting Lender’s Total Commitments being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (i) and (ii) above.

- (b) For the purposes of this Clause 33.5, the Agent may assume that the following Lenders are Defaulting Lenders:
  - (i) any Lender which has notified the Agent that it has become a Defaulting Lender;
  - (ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of “ **Defaulting Lender** ” has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

#### 33.6 Excluded Commitments

- If:
- (a) any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within fifteen Business Days of that request being notified to the Lenders (or, if later, within 15 Business Days of the date on which the Lenders have received such information as the Agent determines is reasonably required to allow the Lenders to respond to the relevant request in an informed manner); or

(b) any Lender which is not a Defaulting Lender fails to respond to such a request for such a vote within fifteen Business Days of that request being made,

(unless, in either case, the Company and the Agent agree to a longer time period in relation to any request):

- (i) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and
- (ii) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

### 33.7 Replacement of Lender

- (a) If:
- (i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (d) below); or
  - (ii) an Obligor becomes obliged to repay any amount in accordance with Clause 7.1 ( *Illegality* ) or to pay additional amounts pursuant to Clause 13 ( *Increased Costs* ), Clause 12.2 ( *Tax gross-up* ) or Clause 12.3 ( *Tax indemnity* ) to any Lender; or
  - (iii) any Lender becomes a Defaulting Lender or ceases to have a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A3 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency,

then the Company may, on fifteen (15) Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 22 ( *Changes to the Lenders* ) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution or other entity (a " **Replacement Lender** ") selected by the Company, which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 22 ( *Changes to the Lenders* ) for a purchase price in cash payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.

- (b) The replacement of a Lender pursuant to this Clause 33.7 shall be subject to the following conditions:
- (i) the Company shall have no right to replace the Agent;
  - (ii) neither the Agent nor the Lender shall have any obligation to the Company to find a Replacement Lender;
  - (iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 30 Business Days after the date on which that Lender is deemed a Non-Consenting Lender;
  - (iv) in no event shall a Lender replaced under this Clause 33.7 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and
  - (v) the Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

- (c) A Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Agent and the Company when it is satisfied that it has complied with those checks.
- (d) In the event that:
  - (i) the Company or the Agent (at the request of the Company) has requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;
  - (ii) the consent, waiver or amendment in question requires the approval of all the Lenders; and
  - (iii) Lenders whose Commitments aggregate more than eighty per cent. (80%) of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than eighty per cent. (80%) of the Total Commitments prior to that reduction) have consented or agreed to such waiver or amendment,

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a “ **Non-Consenting Lender** ”.

#### **34. Counterparts**

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

#### **35. Contractual Recognition of Bail-in**

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including:
  - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
  - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
  - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

**36. Governing Law**

This Agreement is governed by the laws of Hong Kong.

**37. Enforcement**

**37.1 Jurisdiction of Hong Kong courts**

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including any dispute regarding the existence, validity or termination of this Agreement) (a “**Dispute**”).
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

**37.2 Service of process**

- (a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in Hong Kong):
  - (i) irrevocably appoints the Company as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with any Finance Document; and
  - (ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.
- (b) Each Obligor expressly agrees and consent to the provision of this Clause 37.2.

**37.3 Waiver of immunities**

Each Obligor irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from:

- (a) suit;
- (b) jurisdiction of any court;
- (c) relief by way of injunction or order for specific performance or recovery of property;
- (d) attachment of its assets (whether before or after judgment); and
- (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction (and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any immunity in any such proceedings).

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

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**Schedule 1  
The Original Lenders**

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**Schedule 4  
Form of Transfer Certificate**

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**Schedule 5  
Form of Confidentiality Undertaking**

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**SIGNATORIES**

**The Company**

**HONG KONG CINGLEOT INVESTMENT MANAGEMENT LIMITED**

By:

/s/ Linjiang Lin

/s/ Zheng Lin

Name: Linjiang Lin

Zheng Lin

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

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

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**The Guarantor**

**ALIBABA GROUP HOLDING LIMITED**

/s/ Timothy Alexander Steinert

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By: Timothy Alexander Steinert

Title: Authorized Signatory

Address: c/o Alibaba Group Services Limited  
26/F, Tower One, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

---

**Mandated Lead Arranger**

**BANK OF CHINA (HONG KONG) LIMITED**

By:

/s/ Fung Yuen Pik, Fiona

/s/ Chin Lal Noen

Name: Fung Yuen Pik, Fiona

Chin Lal Noen

---

Address: 34/F, Bank of China Tower, 1 Garden Road Central, Hong Kong

Fax:

Telephone:

Email:

Attention:

c.c.:

[Signature Page to Project KLW — AGH Facility Agreement]

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**Mandated Lead Arranger**

**CITIGROUP GLOBAL MARKETS ASIA LIMITED**

By:

/s/ Asghar Ali

Name: Asghar Ali  
Managing Director

Address: 47/F, Champion Tower, Three Garden Road, Central, Hong Kong

Fax:

Telephone:

Email:

[Signature Page to Project KLW — AGH Facility Agreement]

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**Mandated Lead Arranger**

**DBS BANK LTD.**

By:

/s/ Stockor Ng

---

Name: STOCKOR NG  
EXECUTIVE DIRECTOR, TEAM HEAD  
NORTH ASIA REGION

Address: 18<sup>th</sup> Floor, The Center, 99 Queen's Road Central, Central, Hong Kong

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

---

**Mandated Lead Arranger**

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

By:

/s/ Matthew Hung

---

Name: Matthew Hung  
Managing Director, Global Banking, China

Address: Level 16, 1 Queen's Road Central, Hong Kong

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

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**Mandated Lead Arranger**

**MIZUHO BANK, LTD.**

By:

/s/ Monita Chang

---

Name: Monita Chang  
Senior Director

Address: 12/F, K11 Atelier, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

---

**Original Lender**

**MIZUHO BANK, LTD., HONG KONG BRANCH**

By:

/s/ Davis Chai

Name: Davis Chai  
Managing Director

For Credit Matters:

Address: 12th Floor, K11 Atelier, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong  
Fax:  
Telephone:  
Email:  
Attention:

For Operational Matters:

Address: 12th Floor, K11 Atelier, 18 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong  
Fax:  
Telephone:  
Email:  
Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

---

**Original Lender**

**BANK OF CHINA (HONG KONG) LIMITED**

By:

/s/ Fung Yuen Pik, Fiona

Name: Fung Yuen Pik, Fiona

/s/Chin Lal Noan

Chin Lal Noan

---

Address: 17/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon, Hong Kong

Fax:

Telephone:

Email:

Attention:

c.c.:

[Signature Page to Project KLW — AGH Facility Agreement]

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**Original Lender**

**DBS BANK LTD., HONG KONG BRANCH**

By:

/s/ XU Mengmeng Greta

Name: XU Mengmeng Greta  
(AX003)

Address: 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong

Fax:

Telephone:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

---

**Original Lender**

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

By:

/s/ Matthew Hung

---

Name: Matthew Hung  
Managing Director, Global Banking, China

For Credit Matters:

Address: Level 16, 1 Queen's Road Central, Hong Kong  
Fax:  
Telephone:  
Email:  
Attention:

For Operational Matters:

Address: 8/F Tower 1 HSBC Centre, 1 Sham Mong Road, Tai Kok Tsui, Kowloon, Hong Kong  
Fax:  
Telephone:  
Email:  
Attention:

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**Original Lender**

**CITIBANK N.A., HONG KONG BRANCH**

By:

/s/ Angela Fuh

\_\_\_\_\_  
Name: Angela Fuh  
Director

Address: 50/F, Champion Tower, Three Garden Road, Central, Hong Kong

Fax:

Telephone:

Email:

Attention:

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**The Agent**

**CITICORP INTERNATIONAL LIMITED**

By:

/s/ Terence Yeung

Name: Terence Yeung  
Vice President

Address: 9th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong

Fax:

Telephone:

Email:

Attention:

*With copy to:*

Address: Citicorp International Limited  
39/F Champion Tower, 3 Garden Road, Central, Hong Kong

Fax:

Email:

Attention:

[Signature Page to Project KLW — AGH Facility Agreement]

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DECEMBER 3, 2018

**LOCAL SERVICES HOLDING LIMITED**

**KOUBEI HOLDING LIMITED**

**RAJAX HOLDING**

**THE INVESTORS**

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**SHARE SUBSCRIPTION AGREEMENT**  
relating to the subscription of Series A Preferred  
Shares of Local Services Holding Limited

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**Freshfields Bruckhaus Deringer**

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**THIS SHARE SUBSCRIPTION AGREEMENT** (this “Agreement”) is made and entered into as of December 3, 2018, by and between:

- (1) **Local Services Holding Limited**, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”);
- (2) **Koubei Holding Limited**, an exempted company incorporated with limited liability under the laws of the Cayman Islands (“Koubei”) (only for the purpose of Clause 6.3 ( *Conduct of Business Prior to the Closing* ), Clause 6.5 ( *Reorganization* ), Clause 6.6 ( *Other Covenants* ), Clause 10 ( *Confidentiality and Non-Disclosure* ) and Clause 11 ( *Miscellaneous* ) (collectively, the “Relevant Provisions”));
- (3) **Rajax Holding**, an exempted company incorporated with limited liability under the laws of the Cayman Islands (“Rajax”) (only for the purpose of the Relevant Provisions); and
- (4) each of the Persons listed under the heading “Investor Name” in column 1 of Part A and Part B of Schedule 1 ( *Investors and Subscription Shares* ) (the “Investors”, and each an “Investor”),

(each a “Party” and together the “Parties”; provided that, each of Koubei and Rajax shall be a Party only for the purpose of the Relevant Provisions).

## RECITALS

- (A) The Company intends to issue and allot to each Investor, and each Investor intends to subscribe for certain Series A preferred shares with a par value of US\$0.00001 per share in the share capital of the Company (the “Series A Preferred Shares”) on the terms, and subject to the conditions, of this Agreement.
- (B) The Company, on the one hand, and each Investor, on the other hand, intend to make certain representations, warranties, covenants and agreements with each other in connection with the transactions contemplated in this Agreement.
- (C) Concurrently with the execution and delivery of this Agreement, each Investor may elect to deliver an investor disclosure letter, in substantially the form attached as Exhibit 5 ( *Form of Investor Disclosure Letter* ) and dated as of the date of this Agreement (the “Investor Disclosure Letter”), to the Company.

**NOW, THEREFORE**, in consideration of the foregoing recitals, the mutual promises set out in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Investor agree as follows.

Words and expressions used in this Agreement shall be interpreted in accordance with Clause 1 ( *Definitions* ).

## 1. DEFINITIONS

### 1.1 Definitions

For the purposes of this Agreement, the following terms shall have the meanings specified in this Clause 1.1:

“Affiliate” means, with respect to any specified Person, any other Person who directly or indirectly Controls, is Controlled by, or is under common Control with such specified Person. For the avoidance of doubt and notwithstanding the foregoing, for the purposes of this Agreement:

- (a) none of AGH, ANT or any of their respective Subsidiaries shall be deemed an Affiliate of SoftBank Group Corp., Yahoo! Inc. or any of their respective Subsidiaries, or *vice versa*;
- (b) none of ANT or its Subsidiaries shall be deemed an Affiliate of AGH or any of its Subsidiaries, or *vice versa*;
- (c) none of the Company or its Subsidiaries shall be deemed an Affiliate of AGH, ANT or any of their respective Subsidiaries, or *vice versa*; and
- (d) with respect to any Investor (other than Ali KB), Affiliate shall have the meaning applicable to such Investor as set out in Schedule 7 ( *Investor Affiliates* );

“AGH” means Alibaba Group Holding Limited, an exempted company incorporated with limited liability under the Laws of the Cayman Islands;

“Agreement” has the meaning set forth in the Preamble;

“Ali KB” means Ali KB Investment Holding Limited, an exempted company incorporated with limited liability under the Laws of the Cayman Islands;

“Ali KB Convertible Loan” means the convertible shareholder loan made available to the Company by Ali KB pursuant to the Reorganization Agreement;

“ANT” means 浙江蚂蚁小微金融服务集团股份有限公司 (Ant Small And Micro Financial Services Group Co., Ltd.), a joint stock company incorporated under the Laws of the PRC;

“Approvals” has the meaning set forth in Clause 4.5(d) ( *No Conflicts* );

“Articles” means the First Amended and Restated Memorandum and Articles of Association of the Company, in substantially the form as set out in Exhibit 2 ( *Form of Articles* ), to be adopted by the Company as part of the Reorganization;

“Beijing Choice Century” means Beijing Choice Century Science Technology Limited by Shares ( 北京辰森世纪科技股份有限公司 );

“Beijing Choice Century ESOP” means the 2017 Restrictive Partnership Equity Incentive Plan (2017 限制性合伙权益激励计划 ) which was adopted on June 28, 2017 by Beijing Choice Century, whereby certain employees are granted interests in Beijing Choice Century through two limited partnerships, Beijing Choice Century Information Technology Partnership (Limited Partnership) ( 北京辰森世纪信息技术合伙企业 (有限合伙) ) and Beijing Choice Century Network Science and Technology Partnership (Limited Partnership) ( 北京辰森世纪网络科技合伙企业 (有限合伙) ), as may be amended from time to time;

“Beneficial Owner” and “Beneficially Own” shall each have the meaning set forth in the Shareholders Agreement and the term “Beneficially Owned” shall have a correlative meaning;

“Benefit Plan” means, with respect to any Person, any ESOP, employee loan and employee profit-sharing plan, agreement, policy, commitment or other similar program or arrangement;

“Board” means the board of directors of the Company;

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banking institutions in Hong Kong, New York, Singapore, the Cayman Islands or the PRC are authorized or required by Law or executive order to remain closed, or on which a tropical cyclone warning no. 8 or above or a *black* rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time;

“Charter Documents” means, with respect to a Person, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such Person as may be amended from time to time;

“Claim Notice” has the meaning set forth in Clause 8.5(a) (*Procedure*);

“Closing” means:

- (a) with respect to each of the Non-Tranching Investors, the issuance and subscription of the Non-Tranching Investor Subscription Shares of such Non-Tranching Investor in accordance with Clause 2.2(a) (*Closing*); and
- (b) with respect to each of the Tranching Investors, the issuance and subscription of the Tranching Investor Subscription Shares of such Tranching Investor in accordance with Clause 3.2(a) (*Closing*);

“Closing Date” means the date on which the Closing with respect to an Investor occurs;

“Company” has the meaning set forth in the Preamble;

“Company Fundamental Warranties” means, collectively, the representations and warranties of the Company as set forth in Clause 4.2 (*Organization, Standing and Qualification*), Clause 4.3 (*Capitalization*), Clause 4.4 (*Due Authorization and Enforceability*) and Clause 4.6 (*Valid Issuance of Shares*) and given by the Company pursuant to Clause 4.1;

“Company Warranties” means, collectively, the representations and warranties of the Company set forth in Clause 4.2 (*Organization, Standing and Qualification*) to Clause 4.23 (*Related Party Transactions*) and given by the Company pursuant to Clause 4.1;

“Competing Investment” has the meaning set forth in the Shareholders Agreement;

“Confidential Information” has the meaning set forth in Clause 10.1(a) ( *Disclosure of Terms* );

“Control” means as used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; the terms “Controlled by” and “under common Control with” shall have correlative meanings;

“Disclosing Party” has the meaning set forth in Clause 10.3(a) ( *Permitted Disclosures* );

“Disclosure Schedule” means the disclosure schedule set out in Schedule 3 ( *Disclosure Schedule* );

“Enhanced Repeated Warranties” means, collectively, the Company Fundamental Warranties and the representations and warranties set out in Clause 4.5 ( *No Conflicts* ), Clause 4.7 ( *Subsidiaries* ), Clause 4.8 ( *Financial Statements* ) and Clause 4.10 ( *Solvency* ) and given by the Company pursuant to Clause 4.1(a) (ii);

“Equity Security” or “Equity Securities” means ordinary shares, preferred shares and any other equity securities of any Group Company, including any right of conversion into, or exchange for, any of the foregoing;

“ESOP” means any equity-based compensation or incentive, purchase or participation plans;

“Fairly Disclosed” means disclosed in sufficient detail to enable an Investor (with the advice of its professional advisors) to identify and reasonably assess the nature and scope of the matter disclosed;

“Financial Statements” means, collectively, the Rajax Financial Statements and the Koubei Financial Statements;

“First Tranche Subscription Price” means:

- (a) in relation to SoftBank, the aggregate amount of \*\*\* †; and
- (b) in relation to \*\*\* †, the aggregate amount of \*\*\* †;

“Fourth Tranche Funding” has the meaning set forth in Clause 3.6(a)(iii) ( *Tranching Investor Funding* );

“Fourth Tranche Funding Date” means, in relation to a Tranching Investor:

- (a) the 360th day following, but excluding, the Closing Date with respect to such Tranching Investor (or, if such day is not a Business Day, the next following Business Day); or
- (b) any earlier closing date requested by the Company and consented to in writing by such Tranching Investor (such consent not to be unreasonably withheld or delayed), provided that not less than 45 days’ prior written notice of such earlier closing date shall have been given by the Company to such Tranching Investor unless such Tranching Investor waives the aforementioned notice requirement in writing;

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† Confidential treatment requested.

“Fourth Tranche Subscription Price” means:

- (a) in relation to SoftBank, the aggregate amount of \*\*\* †; and
- (b) in relation to \*\*\* †, the aggregate amount of \*\*\* †;

“Fourth Tranche Subscription Shares” means:

- (a) in relation to SoftBank, \*\*\* † Series A Preferred Shares; and
- (b) in relation to \*\*\* †, \*\*\* † Series A Preferred Shares;

“Fully Paid Tranching Investor Subscription Shares” means in relation to a Tranching Investor, the number of fully paid Series A Preferred Shares set out opposite the name of such Tranching Investor under the heading “Number of Fully Paid Tranching Investor Subscription Shares” in column 3 of Part B of Schedule 1 (*Investors and Subscription Shares*);

“Governmental Authority” means any nation or government or any province or state or any other political subdivision of such bodies, or any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality or any political subdivision of such bodies, any court, tribunal or arbitrator, and any self-regulatory organization or national or international stock exchange on which the securities of the applicable Party or its Affiliates are listed;

“Group Companies” means:

- (a) prior to completion of the Reorganization, the Company, Koubei, Rajax and all their respective Subsidiaries; and
- (b) following completion of the Reorganization, the Company and all of its Subsidiaries,

and each is in this Agreement referred to individually as a “Group Company”;

“Hangzhou Kou Kou” means 杭州口口相传网络科技有限公司 (Hangzhou Kou Kou Xiang Chuan Network Technology Co., Ltd.) a limited liability company established under the Laws of the PRC;

“HKIAC” has the meaning set forth in Clause 11.2 (*Dispute Resolution*);

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“IFRS” means International Financial Reporting Standards promulgated by the International Accounting Standards Board;

“Indemnifiable Loss” means, with respect to any Person, any direct cost, damage, disbursement, expense, liability, loss or penalty (and in any event excluding any punitive, speculative or special loss or any indirect or consequential loss), together with all interest, penalties, legal, accounting and other professional fees and expenses reasonably incurred in the investigation, collection, prosecution and defense of any

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† Confidential treatment requested.

related claims and amounts paid in settlement of such claims, that are actually imposed on or otherwise actually incurred or suffered by such Person;

“Indemnified Party” has the meaning set forth in Clause 8.1 ( *Indemnification by the Company* ) and “Indemnified Parties” shall be construed accordingly;

“Injunction” has the meaning set forth in Clause 7.1(a)(ii) ( *Conditions to Closing* );

“Investor” and “Investors” have the meaning set forth in the Preamble;

“Investor Disclosure Letter” has the meaning set forth in Recital (C) of the Recitals;

“Investor Subscription Shares” means:

- (a) with respect to each of the Non-Tranching Investors, the Non-Tranching Investor Subscription Shares of such Non-Tranching Investor to be subscribed for by such Non-Tranching Investor in accordance with Clause 2.1(a) ( *Agreement to subscribe for and issue the Non-Tranching Investor Subscription Shares* ); and
- (b) with respect to each of the Tranching Investors, the Tranching Investor Subscription Shares of such Tranching Investor to be subscribed for by such Tranching Investor in accordance with Clause 3.1(a) ( *Agreement to subscribe and issue the Tranching Investor Subscription Shares* );

“Investor Warranties” means, collectively, in respect of each Investor, the representations and warranties of such Investor as set forth in Clauses 5.3 ( *Organization, Standing and Qualification* ) to 5.15 ( *Financial Advisor Fees* ) (other than in relation to Ali KB, in which case Clause 5.13 ( *Absence of Interest in Competing Investment* ) and Clause 5.15 ( *Financial Advisor Fees* ) shall be excluded) and given by such Investor pursuant to Clause 5.1 and Clause 5.2 (as applicable);

“IT Assets” means computer systems, software firmware, middleware, servers, workstations, routers, hubs, switches, circuits, networks, data communications lines, and all other information technology equipment, and all associated documentation;

“Knowledge of the Company” means the actual knowledge that any of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer (if any) and the Head of Legal of each of Koubei and Rajax either has or would have obtained after making due inquiries, in each case of the relevant matter;

“Koubei” has the meaning set forth in the Preamble;

“Koubei Audited Financial Statements” has the meaning set forth in Clause 4.8(b) ( *Financial Statements* );

“Koubei ESOP” means the Koubei Holding Limited 2016 Equity Incentive Plan adopted on June 28, 2016, as may be amended from time to time;

“Koubei Financial Statements” has the meaning set forth in Clause 4.8(b) ( *Financial Statements* );

“Koubei Unaudited Financial Statements” has the meaning set forth in Clause 4.8(b) ( *Financial Statements* );

“Koubei VIE Subsidiaries” means, collectively, Hangzhou You Kou Jie Bei Information Technology Co., Ltd. ( 杭州有口皆碑信息技术有限公司 ) and Hangzhou Kou Kou and their respective Subsidiaries (if any);

“Law” means any federal, state, territorial, foreign or local law, common law, statute, ordinance, rule, regulation, code, measure, notice, circular, opinion or order of any Governmental Authority, including any rules promulgated by a stock exchange or regulatory body;

“Lien” means any encumbrance, right, interest or restriction, including any mortgage, judgment lien, materialman’s lien, mechanic’s lien, other lien (statutory or otherwise), charge, security interest, pledge, hypothecation, encroachment, easement, title defect, title retention agreement, voting trust agreement, right of pre-emption, right of first refusal, claim, option, limitation, forfeiture, penalty, equity, adverse interest or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

“Long Stop Date” means, with respect to any Investor, the date that is one hundred and eighty (180) days following the date of this Agreement or such other date as the Company or such Investor may mutually agree in writing;

“Majority Investors” means any one or more Investors who individually or collectively are subscribing for a majority of the Series A Preferred Shares being subscribed for by all Investors under this Agreement (excluding, for the purposes of calculating such majority, Ali KB);

“Material Adverse Effect” means any change, effect, event, or occurrence that has or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (i) the business, financial condition or results of operations of the Group Companies, taken as a whole or (ii) the ability of each of the Company, Rajax and Koubei to perform its obligations that are required to be completed by it prior to the Closing with respect to the relevant Investor under any of the Transaction Documents; provided, however, that in no event shall any of the following exceptions, alone or in combination with the other enumerated exceptions below, be deemed to constitute, nor shall be taken into account in determining whether there has been or will be, such a material adverse effect:

- (a) any action required to be taken under the Transaction Documents or any change or effect resulting from any announcement of the transactions required or expressly permitted by, this Agreement or any other Transaction Document;
- (b) any actions taken (or omitted to be taken) at the written request of or with the written consent of the applicable Investor pursuant to this Agreement or under any other Transaction Document;
- (c) any change or effect arising out of changes or developments generally affecting any of the industries in which the Group Companies operate or generally affecting the economic, financial market or political conditions in one or more jurisdictions in which the Group Companies operate or generate revenues (other than to the extent such changes adversely affect the Group Companies, taken as a whole, in a materially disproportionate manner relative

to other similarly situated participants in the industries or markets in which they operate);

- (d) any changes or proposed changes in applicable Laws of general application or the interpretation or enforcement of such Laws or in applicable accounting principles or the interpretation of such accounting principles;
- (e) any pandemic, earthquake, typhoon, other natural disasters, any outbreak or escalation of hostilities of war or any act of terrorism;
- (f) any changes in the general financial, credit, debt, capital or securities market conditions;
- (g) any telecommunication failures, power losses, computer attacks, security breaches, viruses or similar events; or
- (h) any failure to meet any internal projections or forecasts;

“Material Contract” means any written agreement, arrangement or contract that is material to, and has been entered into by, any Group Company, including any VIE Document; for the avoidance of doubt, other than the VIE Documents, “material” for the purposes of the foregoing shall mean any agreement, arrangement or contract that involves payment obligations by or to a Group Company in excess of US\$10,000,000 per year, but, in any event, excluding any agreement, arrangement or contract that has been performed and satisfied or that has been terminated;

“Material Permit” has the meaning set forth in Clause 4.12(b) (*Compliance with Laws; Consents and Permits*);

“Material Proprietary Assets” has the meaning set forth in Clause 4.17(a) (*Intellectual Property*);

“Non-Disclosing Parties” has the meaning set forth in Clause 10.3(a) (*Permitted Disclosures*);

“Non-Tranching Investor” means each of the Persons listed under the heading “Investor Name” in column 1 of Part A of Schedule 1 (*Investors and Subscription Shares*);

“Non-Tranching Investor Deliverables” has the meaning set forth in Clause 2.3 (*Non-Tranching Investor Closing Deliverables*);

“Non-Tranching Investor Subscription Price” has the meaning set forth in Clause 2.1(a) (*Agreement to subscribe for and issue the Non-Tranching Investor Subscription Shares*);

“Non-Tranching Investor Subscription Shares” has the meaning set forth in Clause 2.1(a) (*Agreement to subscribe for and issue the Non-Tranching Investor Subscription Shares*);

“Non-Voting/Dividend Ordinary Shares” means ordinary shares with a par value of US\$0.00001 per share in the share capital of the Company which are designated as non-voting and non-dividend receiving shares in the capital of the Company by the directors of the Company prior to the issue of such shares;

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“Ordinary Shares” means the ordinary shares with a par value of US\$0.00001 per share in the share capital of the Company (excluding, for avoidance of doubt, the Non-Voting/Dividend Ordinary Shares);

“Party” or “Parties” has the meaning set forth in the Preamble;

“Person” means any individual or any partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity;

“Planned Closing Date” means:

- (a) the twelfth (12th) Business Day following, but excluding, the Reorganization Completion Date; or
- (b) any such later date prior to the Long Stop Date as reasonably determined by the Company to let the Closings with respect to as many Investors as possible occur simultaneously, provided that the Company shall deliver a written notice to each Investor with respect to such later closing date no less than three (3) Business Days prior to the twelfth (12th) Business Day following, but excluding, the Reorganization Completion Date;

“PRC” means the People’s Republic of China, excluding, for the purposes of this Agreement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and the Taiwan region;

“\*\*\*†” means \*\*\*†, a company incorporated under the laws of the British Virgin Islands with registered address c/o Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands;

“Proceeding” means any action, suit, claim, hearing, proceeding, arbitration, mediation, audit, inquiry or investigation (whether civil, criminal, administrative or otherwise) by or before any Governmental Authority;

“Proprietary Assets” means all patents, patent applications, trademarks, service marks, trade names, domain names, copyrights, copyright registrations and applications, inventions, databases and all rights therein, all computer software including all source code, object code, firmware, development tools, files, records and data, including all media on which any of the foregoing is stored, formulas, designs, trade secrets, confidential and proprietary information, proprietary rights, know-how and processes of a company, and all documentation related to any of the foregoing;

“Rajax” has the meaning set forth in the Preamble;

“Rajax Audited Financial Statements” has the meaning set forth in Clause 4.8(a) (*Financial Statements*);

“Rajax Financial Statements” has the meaning set forth in Clause 4.8(a) (*Financial Statements*);

“Rajax Unaudited Financial Statements” has the meaning set forth in Clause 4.8(a) (*Financial Statements*);

“Rajax VIE Subsidiaries” means, collectively, Shanghai Rajax and its Subsidiaries;

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† Confidential treatment requested.

“Registered Owned MPA” has the meaning set forth in Clause 4.17(b) ( *Intellectual Property* );

“Relevant Provisions” has the meaning set forth in the Preamble;

“Reorganization” means the reorganization of, amongst others, the Company, Koubei and Rajax and certain of their respective direct and indirect shareholders undertaken in accordance with Clause 2 ( *Reorganization Steps* ) of the Reorganization Agreement;

“Reorganization Agreement” means the Reorganization Agreement relating to the Company dated on or around the date of this Agreement between, amongst others, the Company, Rajax and Koubei, in substantially the form as set out in Exhibit 6 ( *Form of Reorganization Agreement* );

“Reorganization Completion Condition” has the meaning set forth in Clause 7.1 ( *Conditions to Closing* );

“Reorganization Completion Date” has the meaning set forth in Clause 7.1 ( *Conditions to Closing* );

“Reorganization Documents” has the meaning set forth in Clause 6.5 ( *Reorganization* );

“Reorganization Steps” has the meaning set forth in the Reorganization Agreement;

“Repeated Company Fundamental Warranties” means, collectively, the representations and warranties of the Company as set forth in Clause 4.2 ( *Organization, Standing and Qualification* ) and Clause 4.4 ( *Due Authorization and Enforceability* ) and given by the Company pursuant to Clause 4.1(b);

“Repeated Investor Warranties” means, collectively, in respect of each Tranching Investor, the Investor Warranties excluding the representations and warranties of such Investor as set forth in Clause 5.13 ( *Absence of Interest in Competing Investment* ) and given by each Tranching Investor pursuant to Clause 5.2;

“Representatives” has the meaning set forth in Clause 8.7(a)(ii) ( *Other Limitations* );

“SAIC” means the State Administration for Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration for Industry and Commerce of the PRC, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the Laws of the PRC;

“Second Tranche Funding” has the meaning set forth in Clause 3.6(a)(i) ( *Tranching Investor Funding* );

“Second Tranche Funding Date” means, in relation to a Tranching Investor:

- (a) the 120th day following, but excluding, the Closing Date with respect to such Tranching Investor (or, if such day is not a Business Day, the next following Business Day); or
- (b) any earlier closing date requested by the Company and consented to in writing by such Tranching Investor (such consent not to be unreasonably withheld or delayed), provided that not less than 45 days’ prior written notice of such

earlier closing date shall have been given by the Company to such Tranching Investor unless such Tranching Investor waives the aforementioned notice requirement in writing;

“Second Tranche Subscription Price” means:

- (a) in relation to SoftBank, the aggregate amount of \*\*\* †; and
- (b) in relation to \*\*\* †, the aggregate amount of \*\*\* †;

“Second Tranche Subscription Shares” means:

- (a) in relation to SoftBank, \*\*\* † Series A Preferred Shares; and
- (b) in relation to \*\*\* †, \*\*\* † Series A Preferred Shares;

“Securities Act” means the United States Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations under such statutes;

“Series A Preferred Shares” has the meaning set forth in Recital (A) of the Recitals;

“Shanghai Rajax” means Shanghai Rajax Information Technology Co., Ltd. (上海拉扎斯信息科技有限公司), a limited liability company established under the Laws of the PRC;

“Shareholders Agreement” means the Shareholders Agreement in substantially the form as set out in Exhibit 1 (*Form of Shareholders Agreement*) and to be entered into by, amongst others, the Company, Ali KB and SoftBank;

“Shares” means any and all issued share capital of the Company, including Ordinary Shares, Non-Voting/Dividend Ordinary Shares and Series A Preferred Shares;

“Social Insurance” means any form of social insurance required under applicable Laws including without limitation, the PRC national and local contributions for pensions, medical insurance, unemployment insurance, work-related injury insurance, pregnancy benefits and housing accumulation funds;

“SoftBank” means SVF Ruby (Singapore) Pte. Ltd., a company incorporated under the Laws of Singapore with its registered address at 80 Robinson Road #02-00, Singapore (068898);

“Statement Date” has the meaning set forth in Clause 4.8(a) (*Financial Statements*);

“Subsidiary” means, with respect to any Person, each other Person in which the first Person:

- (a) holds, directly or indirectly, share capital or other equity interests representing more than fifty percent (50%) of the outstanding voting shares or other equity interests;
- (b) holds the rights to more than fifty percent (50%) of the economic interest of such other Person, including interests held through a VIE Structure or other contractual arrangements; or

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† Confidential treatment requested.

- (c) has a relationship such that the financial statements of such other Person may be consolidated into the financial statements of the first Person under applicable accounting conventions.

Notwithstanding the foregoing and for the avoidance of doubt, for the purposes of this Agreement:

- (x) none of AGH, ANT or any of their respective Subsidiaries shall be deemed a Subsidiary of SoftBank Group Corp., Yahoo! Inc. or any of their respective Subsidiaries;
- (y) none of ANT or its Subsidiaries shall be deemed a Subsidiary of AGH or any of its Subsidiaries; and
- (z) none of the Company or its Subsidiaries shall be deemed a Subsidiary of AGH, ANT or any of their respective Subsidiaries;

“Survival Periods” has the meaning set forth in Clause 8.3(b) (*Survival of representations and warranties*);

“Tax” or “Taxes” means any national, provincial, municipal, or local taxes, charges, fees, levies, withholdings or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education tax), property (including urban real estate tax and land use taxes), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes of any kind whatsoever imposed by any Governmental Authority, and all interest, penalties (administrative, civil or criminal), or additional amounts imposed in connection with any of the foregoing tax items;

“Tax Matters” has the meaning set forth in Clause 8.7(d) (*Other Limitations*);

“Tax Returns” means any report, return, election, statement or other document or similar filing (including the attached schedules) required to be filed with respect to Taxes, including any information return, submission of electronic data including electronic VAT invoices, claim for refund, amended return, or declaration of estimated Taxes;

“Tax Warranties” means, collectively, the representations and warranties of the Company set forth in Clause 4.13 (*Tax Matters*);

“Third Party Claim” has the meaning set forth in Clause 8.5(c) (*Procedure*);

“Third Tranche Funding” has the meaning set forth in Clause 3.6(a)(ii) (*Tranching Investor Funding*);

“Third Tranche Funding Date” means, in relation to a Tranching Investor:

- (a) the 240th day following, but excluding, the Closing Date with respect to such Tranching Investor (or, if such day is not a Business Day, the next following Business Day); or
- (b) any earlier closing date requested by the Company and consented to in writing by such Tranching Investor (such consent not to be unreasonably withheld or delayed), provided that not less than 45 days’ prior written notice of such earlier closing date shall have been given by the Company to such Tranching Investor unless such Tranching Investor waives the aforementioned notice requirement in writing;

“Third Tranche Subscription Price” means:

- (a) in relation to SoftBank, the aggregate amount of \*\*\* †; and
- (b) in relation to \*\*\* †, the aggregate amount of \*\*\* †;

“Third Tranche Subscription Shares” means:

- (a) in relation to SoftBank, \*\*\* † Series A Preferred Shares; and
- (b) in relation to \*\*\* †, \*\*\* † Series A Preferred Shares;

“Tranche Subscription Price” means the Second Tranche Subscription Price, the Third Tranche Subscription Price or the Fourth Tranche Subscription Price, as the case may be;

“Tranche Subscription Shares” means the Second Tranche Subscription Shares, the Third Tranche Subscription Shares or the Fourth Tranche Subscription Shares, as the case may be;

“Tranching Investor” means each of the Persons listed under the heading “Investor Name” in column 1 of Part B of Schedule 1 (*Investors and Subscription Shares*);

“Tranching Investor Deliverables” has the meaning set forth in Clause 3.3 (*Investor Closing Deliverables*);

“Tranching Investor Funding” means the Second Tranche Funding, the Third Tranche Funding or the Fourth Tranche Funding, as the case may be;

“Tranching Investor Funding Date” means the Second Tranche Funding Date, the Third Tranche Funding Date or the Fourth Tranche Funding Date, as the case may be;

“Tranching Investor Subscription Price” has the meaning set forth in Clause 3.1(a) (*Agreement to subscribe for and issue the Tranching Investor Subscription Shares*);

“Tranching Investor Subscription Shares” has the meaning set forth in Clause 3.1(a) (*Agreement to subscribe for and issue the Tranching Investor Subscription Shares*);

“Transaction Documents” means this Agreement, the Shareholders Agreement, the Articles, the Reorganization Agreement and any other agreement, document or instrument to be executed and delivered, in connection with the transactions contemplated by this Agreement and the other documents described above;

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† Confidential treatment requested.

“Unpaid Tranching Investor Subscription Shares” means in relation to a Tranching Investor, the number of unpaid Series A Preferred Shares set out opposite such Tranching Investor’s name under the heading “Number of Unpaid Tranching Investor Subscription Shares” in column 4 of Part B of Schedule 1 ( *Investors and Subscription Shares* );

“U.S. Dollar” or “US\$” means the lawful currency of the United States;

“US GAAP” means United States generally accepted accounting principles applied on a consistent basis;

“VIE Document” means any written agreement, arrangement or contract implementing any VIE Structure of the Group Companies, including (but not limited to) the documents set forth in Part A of Clause 4.18(a) of the Disclosure Schedule;

“VIE Structure” means the investment structure in which a PRC-domiciled operating entity and its PRC shareholder(s) enter into a number of contracts with a non-PRC investor (or a foreign-invested enterprise incorporated in the PRC invested by the non-PRC investor) pursuant to which the non-PRC investor (or a foreign-invested enterprise incorporated in the PRC invested by the non-PRC investor) achieves Control of the PRC-domiciled operating entity and consolidates the financials of the PRC-domiciled entity with those of the non-PRC investor;

\*\*\* †;

\*\*\* †; and

\*\*\* †.

## 1.2 Interpretation and Rules of Construction

- (a) Unless otherwise expressly provided, for the purposes of this Agreement, the following rules of interpretation shall apply:
- (i) the provision of a table of contents, the division of this Agreement into Clauses and other subdivisions and the insertion of headings and titles for each Clause of this Agreement are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement;
  - (ii) any reference in this Agreement to a Clause, Paragraph, Exhibit or Schedule, such reference is to a Clause or Paragraph of, or a Schedule or Exhibit to, this Agreement, unless otherwise indicated. All Exhibits and Schedules to this Agreement or referred to in this Agreement are hereby incorporated in and made a part of this Agreement as if set forth in full in this Agreement;

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† Confidential treatment requested.

- (iii) any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and *vice versa* ;
  - (iv) the word “ including ” or any variation of such word means (unless the context of its usage otherwise requires) “ including, without limitation ” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it;
  - (v) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded, and all references to dates and times shall, except as expressly provided otherwise, mean dates and times in the China Standard Time zone;
  - (vi) references to “ in the ordinary course of business ” and comparable expressions mean the ordinary and usual course of business of the relevant Person, consistent in all material respects (including nature and scope) with the prior practice of such Person;
  - (vii) references to “ writing ”, “ written ” and comparable expressions include any mode of reproducing words in a legible and non-transitory form including emails and faxes, provided the sender complies with the applicable provisions of Clause 11.7 ( *Notices* );
  - (viii) if any payment under this Agreement would have been, but for this Clause 1.2(a)(viii), due and payable on a date that is not a Business Day, then such payment shall instead be due and payable on the first Business Day after such date;
  - (ix) the term “ non-assessable ”, when used with respect to any shares, means that no further sums are required to be paid by the holders of such shares in connection with the issue of such shares for such issuance to be valid under the Laws of the Cayman Islands; and
  - (x) references to “ Indemnification ” or terms of similar construct includes indemnification with respect to a direct claim or a Third Party Claim.
- (b) In the event an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

## **2. AGREEMENT TO SUBSCRIBE FOR AND ISSUE THE NON-TRANCHING INVESTOR SUBSCRIPTION SHARES**

### **2.1 Agreement to subscribe for and issue the Non-Tranching Investor Subscription Shares**

- (a) Subject to the terms and conditions of this Agreement, the Company shall issue and allot to each Non-Tranching Investor, and each Non-Tranching Investor, severally and not jointly, shall subscribe for, on the Closing Date with respect to such Non-Tranching Investor, the number of Series A Preferred Shares set out opposite its name under the heading “Number of

Investor Subscription Shares” in column 2 of Part A of Schedule 1 ( *Investors and Subscription Shares* ) (the “ Non-Tranching Investor Subscription Shares ” of such Non-Tranching Investor), for the aggregate subscription price set out opposite its name under the heading “Investor Subscription Price (US\$)” in column 3 of Part A of Schedule 1 ( *Investors and Subscription Shares* ) (the “ Non-Tranching Investor Subscription Price ” of such Non-Tranching Investor).

- (b) The Non-Tranching Investor Subscription Price of each Non-Tranching Investor reflects a per share subscription price of \*\*\* † .

## 2.2 Closing

- (a) Subject to the terms of this Agreement and the satisfaction or waiver (by the applicable Party) of the conditions set forth in Clause 7.1 ( *Conditions to Closing* ), the issuance and subscription of the Non-Tranching Investor Subscription Shares of each Non-Tranching Investor shall take place via the remote exchange of electronic documents and signatures on the Planned Closing Date.
- (b) Notwithstanding anything in this Agreement to the contrary:
- (i) the Company’s agreement with each Non-Tranching Investor under this Agreement is a separate agreement, and the sale and issuance of the Non-Tranching Investor Subscription Shares to each Non-Tranching Investor under this Agreement is a separate sale and issuance; and
- (ii) in the event that any Non-Tranching Investor is unable to consummate its Closing simultaneously with the Closings with respect to the other Investors, the Company may, at its sole discretion, elect to effect separate Closings with respect to the Non-Tranching Investors at different times without affecting the rights and obligations as between the Company and any Investor under this Agreement.

## 2.3 Non-Tranching Investor Closing Deliverables

At the Closing with respect to each Non-Tranching Investor, such Non-Tranching Investor shall deliver or cause to be delivered to the Company:

- (a) the Non-Tranching Investor Subscription Price of such Non-Tranching Investor, by wire transfer of immediately available funds in U.S. Dollars to the bank account set forth in Schedule 2 ( *Company Bank Account* );
- (b) a copy of the duly adopted resolutions of the board of directors of such Non-Tranching Investor approving entry into and the transactions contemplated by this Agreement; and
- (c) if such Non-Tranching Investor is not a party to the Shareholders Agreement prior to the Closing of such Non-Tranching Investor, the Joinder Agreement (as defined in the Shareholders Agreement) in the form attached to the Shareholders Agreement, duly executed by such Non-Tranching Investor,

together the “ Non-Tranching Investor Deliverables ”.

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† Confidential treatment requested.

## 2.4 Company Closing Deliverables

At the Closing with respect to each Non-Tranching Investor, the Company shall upon its receipt of all of the Non-Tranching Investor Deliverables with respect to such Non-Tranching Investor:

- (a) issue and allot to such Non-Tranching Investor the Non-Tranching Investor Subscription Shares of such Non-Tranching Investor, as fully paid and free and clear of any and all Liens (except for any Liens set forth in the Transaction Documents, created by such Non-Tranching Investor, or pursuant to applicable securities laws and regulations);
- (b) deliver to such Non-Tranching Investor a copy of the register of members of the Company, dated as of the Closing Date and duly certified by a director of the Company or the registered office provider of the Company as a true and correct copy, evidencing that the Non-Tranching Investor Subscription Shares of such Non-Tranching Investor have been issued and registered under the name of such Non-Tranching Investor (excluding the names and details of any individual holders, whether they hold such interests directly or indirectly through nominee vehicles, of the Company's Equity Securities either: (i) acquired upon exercise and/or vesting of awards granted pursuant to any ESOP adopted by the Company; or (ii) issued to replace the Equity Securities of Koubei which have been issued pursuant to the Koubei ESOP);
- (c) deliver to such Non-Tranching Investor a copy of the duly executed share certificate in the name of such Non-Tranching Investor, reflecting such Non-Tranching Investor as the sole holder of the Non-Tranching Investor Subscription Shares of such Non-Tranching Investor;
- (d) deliver or cause to be delivered to such Non-Tranching Investor a copy of the Shareholders Agreement in the form as set out in Exhibit 1 (*Form of Shareholders Agreement*), duly executed by the Company and the other parties to the Shareholders Agreement;
- (e) deliver or cause to be delivered to such Non-Tranching Investor copies of the duly adopted resolutions of (i) the Board approving entry by the Company into the Transaction Documents and performance of its obligations under such Transaction Documents, and (ii) the shareholders of the Company adopting the Articles; and
- (f) deliver or cause to be delivered to such Non-Tranching Investor a copy of legal opinion of Maples and Calder (Hong Kong) LLP, Cayman Islands counsel to the Company, in substantially the form as set out in Exhibit 3 (*Form of Cayman Legal Opinion*), and a copy of legal opinion of Fangda Partners, PRC counsel to the Company, in substantially the form as set out in Exhibit 4 (*Form of PRC Legal Opinion*), in each case addressed to such Investor and dated as of the Closing Date of such Non-Tranching Investor.

## 2.5 Post-Closing deliverables

If any Non-Tranching Investor requests in writing no later than its Closing, the Company shall, within five (5) Business Days, following the Closing with respect to

such Non-Tranching Investor, deliver or cause to be delivered to such Non-Tranching Investor:

- (a) the original of the share certificate referred to in Clause 2.4(c) (*Company Closing Deliverables*); and
- (b) the original of each of the legal opinions referred to in Clause 2.4(f) (*Company Closing Deliverables*).

### 3. AGREEMENT TO SUBSCRIBE FOR AND ISSUE THE TRANCHING INVESTOR SUBSCRIPTION SHARES

#### 3.1 Agreement to subscribe and issue the Tranching Investor Subscription Shares

- (a) Subject to the terms and conditions of this Agreement, the Company shall issue and allot to each Tranching Investor, and each Tranching Investor, severally and not jointly, shall subscribe for the number of Series A Preferred Shares set out opposite its name under the heading “Number of Investor Subscription Shares” in column 2 of Part B of Schedule 1 (*Investors and Subscription Shares*) (the “Tranching Investor Subscription Shares” of such Tranching Investor), for the aggregate subscription price set out opposite its name under the heading “Investor Subscription Price (US\$)” in column 5 of Part B of Schedule 1 (*Investors and Subscription Shares*) (the “Tranching Investor Subscription Price” of such Tranching Investor).
- (b) The Tranching Investor Subscription Price of each Tranching Investor reflects a per share subscription price of \*\*\* †.

#### 3.2 Closing

- (a) Subject to the terms of this Agreement and the satisfaction or waiver (by the applicable Party) of the conditions set forth in Clause 7.1 (*Conditions to Closing*), the issuance and subscription of the Tranching Investor Subscription Shares of each Tranching Investor shall take place via the remote exchange of electronic documents and signatures on the Planned Closing Date.
- (b) Notwithstanding anything in this Agreement to the contrary:
  - (i) the Company’s agreement with each Tranching Investor under this Agreement is a separate agreement, and the sale and issuance of the Tranching Investor Subscription Shares to each Tranching Investor under this Agreement is a separate sale and issuance; and
  - (ii) in the event that any Tranching Investor is unable to consummate its Closing simultaneously with the Closings with respect to the other Investors, the Company may, at its sole discretion, elect to effect separate Closings with respect to the Tranching Investors at different times without affecting the rights and obligations as between the Company and any Investor under this Agreement.

#### 3.3 Investor Closing Deliverables

At the Closing with respect to each Tranching Investor, such Tranching Investor shall deliver or cause to be delivered to the Company:

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† Confidential treatment requested.

- (a) the First Tranche Subscription Price of such Tranching Investor, by wire transfer of immediately available funds in U.S. Dollars to the bank account set forth in Schedule 2 (*Company Bank Account*);
- (b) a copy of the duly adopted resolutions of the board of directors of such Tranching Investor approving entry into and the transactions contemplated by this Agreement (or in the case of SoftBank, a copy of the extract of the minutes of the investment committee of SoftBank Vision Fund L.P. approving entry into and the transactions contemplated by this Agreement); and
- (c) if such Tranching Investor is not a party to the Shareholders Agreement prior to the Closing of such Tranching Investor, the Joinder Agreement (as defined in the Shareholders Agreement) in the form attached to the Shareholders Agreement, duly executed by such Tranching Investor,

together the “Tranching Investor Deliverables”.

#### 3.4 Company Closing Deliverables

At the Closing with respect to each Tranching Investor, the Company shall upon its receipt of all of the Tranching Investor Deliverables with respect to such Tranching Investor:

- (a) issue and allot to such Tranching Investor:
  - (i) the Fully Paid Tranching Investor Subscription Shares of such Tranching Investor on a fully paid basis; and
  - (ii) the Unpaid Tranching Investor Subscription Shares of such Tranching Investor on an unpaid basis,in each case, free and clear of any and all Liens (except for any Liens set forth in the Transaction Documents, created by such Tranching Investor, or pursuant to applicable securities laws and regulations);
- (b) deliver to such Tranching Investor a copy of the register of members of the Company, dated as of the Closing Date and duly certified by a director of the Company or the registered office provider of the Company as a true and correct copy, evidencing that the Fully Paid Tranching Investor

Subscription Shares and the Unpaid Tranching Investor Subscription Shares of such Tranching Investor have been issued and registered under the name of such Tranching Investor, and recorded in the register of members of the Company as fully paid shares (in the case of the Fully Paid Tranching Investor Subscription Shares) or as unpaid shares (in the case of the Unpaid Tranching Investor Subscription Shares) (excluding the names and details of any individual holders, whether they hold such interests directly or indirectly through nominee vehicles, of the Company's Equity Securities either: (i) acquired upon exercise and/or vesting of awards granted pursuant to any ESOP adopted by the Company; or (ii) issued to replace the Equity Securities of Koubei which have been issued pursuant to the Koubei ESOP);

- (c) deliver to such Tranching Investor a copy of the duly executed share certificate in the name of such Tranching Investor, reflecting such Tranching

Investor as the sole holder of the Tranching Investor Subscription Shares of such Tranching Investor;

- (d) deliver or cause to be delivered to such Tranching Investor a copy of the Shareholders Agreement in the form as set out in Exhibit 1 ( *Form of Shareholders Agreement* ), duly executed by the Company and the other parties to the Shareholders Agreement;
- (e) deliver or cause to be delivered to such Tranching Investor copies of the duly adopted resolutions of (i) the Board approving entry by the Company into the Transaction Documents and performance of its obligations under such Transaction Documents, and (ii) the shareholders of the Company adopting the Articles; and
- (f) deliver or cause to be delivered to such Tranching Investor a copy of legal opinion of Maples and Calder (Hong Kong) LLP, Cayman Islands counsel to the Company, in substantially the form as set out in Exhibit 3 ( *Form of Cayman Legal Opinion* ), and a copy of legal opinion of Fangda Partners, PRC counsel to the Company, in substantially the form as set out in Exhibit 4 ( *Form of PRC Legal Opinion* ), in each case addressed to such Tranching Investor and dated as of the Closing Date of such Tranching Investor.

### 3.5 Post-Closing deliverables

If any Tranching Investor requests in writing no later than its Closing, the Company shall, within five (5) Business Days, following the Closing with respect to such Tranching Investor, deliver or cause to be delivered to such Tranching Investor:

- (a) the original of the share certificate referred to in Clause 3.4(c) ( *Company Closing Deliverables* ); and
- (b) the original of each of the legal opinions referred to in Clause 3.4(f) ( *Company Closing Deliverables* ).

### 3.6 Tranching Investor Funding

- (a) Each Tranching Investor shall deliver or cause to be delivered to the Company:
  - (i) its Second Tranche Subscription Price for its Second Tranche Subscription Shares (the “ Second Tranche Funding ”) on its Second Tranche Funding Date;
  - (ii) its Third Tranche Subscription Price for its Third Tranche Subscription Shares (the “ Third Tranche Funding ”) on its Third Tranche Funding Date; and
  - (iii) its Fourth Tranche Subscription Price for its Fourth Tranche Subscription Shares (the “ Fourth Tranche Funding ”) on its Fourth Tranche Funding Date,

in each case, by wire transfer of immediately available funds in U.S. Dollars to the bank account set forth in Schedule 2 ( *Company Bank Account* ).

- (b) Upon receipt by the Company of the relevant Tranche Subscription Price paid by a Tranching Investor in accordance with Clause 3.6(a) ( *Tranching Investor Funding* ), the Company shall:
- (i) update the Company's register of members to evidence the relevant Tranche Subscription Shares of such Tranching Investor as being fully paid as of the relevant Tranching Investor Funding Date; and
  - (ii) deliver or cause to be delivered to such Tranching Investor a copy of the Company's register of members (excluding the names and details of any individual holders, whether they hold such interests directly or indirectly through nominee vehicles, of the Company's Equity Securities acquired upon exercise and/or vesting of awards granted pursuant to any ESOP adopted by the Company) dated as of the relevant Tranching Investor Funding Date and duly certified by a director of the Company or the registered office provider of the Company as a true and correct copy, and evidencing the relevant Tranche Subscription Shares of such Tranching Investor as being fully paid.

3.7 Failure by a Tranching Investor to comply with its Tranching Investor Funding obligations

If a Tranching Investor fails to comply with its obligations set out in Clause 3.6(a) ( *Tranching Investor Funding* ) within thirty (30) days after any of its Tranching Investor Funding Dates, the Company shall be entitled (in addition to and without prejudice to all other rights or remedies available to it, including the right to claim damages) by written notice to such Tranching Investor at any time prior to the completion of the relevant Tranching Investor Funding, to terminate this Agreement with immediate effect as between the Company on the one hand and such Tranching Investor on the other hand. Notwithstanding anything to the contrary in this Agreement, in the event of termination by the Company under this Clause 3.7, all unpaid Series A Preferred Shares of such Tranching Investor shall immediately be forfeited in accordance with the terms of the Articles, provided, however, that such termination will not affect the Tranching Investor Subscription Shares of such Tranching Investor that have been fully paid prior to such termination. Clause 11.14(c) ( *Termination of this Agreement* ) shall apply in respect of such termination by the Company under this Clause 3.7.

4. **REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

4.1 Except as: (A) Fairly Disclosed, as of November 29, 2018, in the virtual data room hosted by Merrill DatasiteOne under the name "Ruby VDR 2018" set up by or on behalf of AGH (a copy of the index of which is made available to each Investor on or prior to the date of this Agreement); or (B) disclosed in the Disclosure Schedule, the Company hereby represents and warrants:

- (a) to each Investor:
- (i) as at the date of this Agreement (except for such representations and warranties that speak as of a specified date, in which case, such

representations and warranties shall be given as of such specified date) in the terms of the Company Warranties; and

(ii) as at immediately prior to the Closing with respect to such Investor (by reference to the facts and circumstances then existing; except for such representations and warranties that speak as of a specified date, in which case, such representations and warranties shall be given as of such specified date) in the terms of the Enhanced Repeated Warranties; and

(b) to each Tranching Investor, as at immediately prior to each Tranching Investor Funding (by reference to the facts and circumstances then existing; except for such representations and warranties that speak as of a specified date, in which case, such representations and warranties shall be given as of such specified date) in the terms of the Repeated Company Fundamental Warranties.

#### 4.2 Organization, Standing and Qualification

Each Group Company is duly incorporated, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under the Laws of the jurisdiction of its incorporation or establishment, and has all requisite corporate power and authority to own its properties and assets and to carry on its business as now conducted in all material respects. Each Group Company is in compliance with its Charter Documents in all material respects.

#### 4.3 Capitalization

(a) As of the date immediately prior to the first Closing with respect to the Investors, and disregarding the effect of any issuance or conversion of Series A Preferred Shares under this Agreement, the authorized share capital of the Company will be divided into shares consisting of the following:

(i) Ordinary Shares

A total of \*\*\* † authorized Ordinary Shares, of which \*\*\* † Ordinary Shares have been issued.

(ii) Non-Voting/Dividend Ordinary Shares

A total of authorized Non-Voting/Dividend Ordinary Shares, of which any issued Non-Voting/Dividend Ordinary Shares will have been issued either pursuant to any ESOP adopted by the Company or to replace the Equity Securities of Koubei which have been issued pursuant to the Koubei ESOP.

(iii) Preferred Shares

A total of authorized Series A Preferred Shares, of which \*\*\* † Series A Preferred Shares have been issued.

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† Confidential treatment requested.

(iv) Options, Warrants, Reserved Shares of the Company

Except for:

- (A) the rights of certain Persons to acquire any Shares pursuant to the Reorganization Agreement;
- (B) the rights of certain Persons to acquire any Equity Securities pursuant to any ESOP of the Company (or any Equity Securities issued by the Company to replace the Equity Securities of Koubei which have been issued pursuant to the Koubei ESOP);
- (C) the rights of Ali KB to acquire Series A Preferred Shares pursuant to the conversion of the Ali KB Convertible Loan;
- (D) the rights of the Investors to subscribe for and be issued their respective Investor Subscription Shares; and
- (E) the rights provided in the Shareholders Agreement and the Articles,

there are no options, warrants, conversion privileges or other rights or agreements presently outstanding to purchase, convert into, exercise for or exchange any of the Shares.

(v) Option, Warrants, Reserved Shares of the other Group Companies

Except for:

- (A) the rights provided in the Transaction Documents;
- (B) the rights provided for in other Charter Documents of the Group Companies;
- (C) the rights set out in the VIE Documents; and
- (D) the rights set out in any documents related to the Koubei ESOP and the Beijing Choice Century ESOP,

no Equity Securities of any Group Company ( excluding the Company), are subject to (A) any pre-emptive rights, rights of first refusal or other rights to purchase such Equity Securities (whether in favor of such Group Company or any other Person), or (B) any agreement that affects the voting or relates to the giving of written consents with respect to, or the right to cause the redemption or repurchase of, any Equity Securities of such Group Company (in each case, excluding any such rights or agreements relating to the non-wholly-owned Subsidiaries of Koubei set forth in Clause 4.3(a) of the Disclosure Schedule that are not significant or material in the context of the financial investment by the relevant Investor).

- (b) Schedule 4 ( *Capitalization* ) sets forth a complete and accurate list of all holders of Shares or other Equity Securities of the Company, together with the number of Shares or Equity Securities held by them immediately prior to the

first Closing with respect to the Investors, provided that if the Company adopts an ESOP prior to the first Closing with respect to the Investors, then as at immediately prior to such Closing, the number of Non-Voting/Dividend Ordinary Shares issued pursuant to such ESOP shall not exceed \*\*\* †

Non-Voting/Dividend Ordinary Shares in aggregate and Schedule 4 ( *Capitalization* ) shall exclude any other Equity Securities issued to replace the Equity Securities of Koubei which have been issued pursuant to the Koubei ESOP.

#### 4.4 Due Authorization and Enforceability

- (a) The Company, Koubei and Rajax has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations under the Transaction Documents to which it is a party.
- (b) All corporate action on the part of each of the Company, Koubei and Rajax necessary to authorize:
  - (i) the execution and delivery of the Transaction Documents to which it is a party; and
  - (ii) the performance of all its respective obligations under the Transaction Documents (including the issuance and sale of the Investor Subscription Shares of such Investor by the Company),has been taken or will be taken prior to the Closing of such Investor.
- (c) This Agreement has been duly executed and delivered by the Company.
- (d) Each Transaction Document to which each of the Company, Rajax and Koubei is a party, when executed and delivered by such Person shall be (assuming due execution and delivery by each of the other parties to each of the Transaction Documents) valid and legally binding obligations of such Person, enforceable against such Person in accordance with its terms, except:
  - (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally; and
  - (ii) as limited by Laws relating to the availability of specific performance, injunctive relief or other equitable remedies and to general equity principles.

#### 4.5 No Conflicts

Neither the execution, delivery or performance of and compliance with each Transaction Document, nor the consummation of the transactions contemplated under each Transaction Document by each of the Company, Rajax and Koubei will:

- (a) result in any violation or breach of such Person's Charter Documents;
- (b) result in any material violation, breach or default under any Material Contract;
- (c) result in any material violation of any applicable Law; or

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† Confidential treatment requested.

- (d) require any consents, waivers, permits, approvals, orders, licenses, authorizations, registrations, qualifications, designations, declarations or filings by or with any Governmental Authority or any third party (collectively, “Approvals”) including waivers of pre-emptive rights, rights of first refusal or other similar rights to be obtained or made by the Company in respect of the Investor Subscription Shares of such Investor (other than Approvals which will have been obtained or granted on or prior to the date of Closing of such Investor).

#### 4.6 Valid Issuance of Shares

The Investor Subscription Shares of such Investor, when issued and allotted in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid, non-assessable and free and clear of any Liens (except for any Liens set forth in the Transaction Documents, created by such Investor, or pursuant to applicable securities laws and regulations), save and except that the Unpaid Tranching Investor Subscription Shares issued to any Tranching Investor shall not be fully paid or non-assessable unless and until the Tranche Subscription Price for the relevant Tranche Subscription Shares has been paid in full by such Tranching Investor in accordance with Clause 3.6(a) ( *Tranching Investor Funding* ). The Ordinary Shares issuable upon the conversion of the Investor Subscription Shares of such Investor will be duly authorized, validly issued, fully paid, non-assessable and free and clear of any Liens (except for any Liens set forth in the Transaction Documents, created by such Investor or pursuant to applicable securities laws and regulations).

#### 4.7 Subsidiaries

- (a) Clause 4.7(a) of the Disclosure Schedule contains a correct and complete list of each Subsidiary of Rajax and Koubei (for the avoidance of doubt, excluding Rajax and Koubei) including, its name, its jurisdiction of incorporation or organization, the names of its direct shareholders and the shareholding percentage of each such shareholder (subject to any changes in the shareholding percentage of such shareholders that may result from the exercise and/or vesting of awards granted pursuant to the Beijing Choice Century ESOP), and in any event excluding the names and details of any individual holders, whether they hold such interests directly or indirectly through nominee vehicles, of Equity Securities acquired upon exercise and/or vesting of awards granted pursuant to the Beijing Choice Century ESOP. As at immediately prior to the first Closing with respect to the Investors, the Company does not own any Subsidiary (other than Rajax and Koubei and their respective Subsidiaries).
- (b) Other than as set out in Clauses 4.7(a) and 4.7(b) of the Disclosure Schedule, as at the date of the Agreement, no Group Company owns or Controls any Equity Security in any other Person. Other than as set out in Clause 4.7(b) of the Disclosure Schedule, as at the date of the Agreement, no Group Company is obligated to make any investment or capital contribution in or on behalf of any other Person.

#### 4.8 Financial Statements

- (a) (i) The consolidated statement of financial position of Rajax as of December 31, 2017 (the “Statement Date”) and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including all notes to such financial statements, in each case as audited by PricewaterhouseCoopers (the “Rajax Audited Financial Statements”), and (ii) the unaudited and consolidated management accounts of Rajax for the six (6) months ended June 30, 2018 (the “Rajax Unaudited Financial Statements”), together with the Rajax Audited Financial Statements, the “Rajax Financial Statements”), present fairly, in all material respects, the financial position and financial performance of Rajax and its Subsidiaries, taken as a whole, as of the respective dates or for the respective periods set forth in the relevant Rajax Financial Statements, in each case in accordance with US GAAP during the periods covered by the relevant Rajax Financial Statements (except in the case of the Rajax Unaudited Financial Statements, for the omission of notes thereto and subject to normal year-end adjustments).
- (b) (i) The consolidated statement of financial position of Koubei as of December 31, 2017 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including all notes to such financial statements, in each case as audited by Ernst & Young (the “Koubei Audited Financial Statements”), and (ii) the consolidated statement of financial position of Koubei as of June 30, 2018 and the related consolidated statement of profit or loss and other comprehensive income for the six month period then ended (the “Koubei Unaudited Financial Statements”), together with the Koubei Audited Financial Statements, the “Koubei Financial Statements”), present fairly, in all material respects, the financial position and financial performance of Koubei and its Subsidiaries, taken as a whole, as of the respective dates or for the respective periods set forth in the relevant Koubei Financial Statements, in each case in accordance with IFRS during the periods covered by the relevant Koubei Financial Statements (except, (A) in the case of the Koubei Unaudited Financial Statements, for the omission of notes thereto and subject to normal year-end adjustments, and (B) in the case of the consolidated statement of profit or loss of Koubei for the six month period ending June 30, 2018, for the note contained therein).
- (c) To the Knowledge of the Company, all the accounts, books, registers, ledgers and financial and other material records of whatsoever kind of each Group Company have been properly kept and completed in all material respects and fairly reflect, in all material respects, the transactions of such Group Company and its disposition of assets.

#### 4.9 Absence of Certain Changes: Liabilities

- (a) Since the Statement Date, each Group Company has (i) operated its principal business in the ordinary course consistent with its past practice, (ii) used its reasonable best efforts to preserve its business and (iii) collected receivables

and paid payables and similar obligations in the ordinary course of business consistent with past practice, in all material respects. Since the Statement Date, there has not been a Material Adverse Effect.

- (b) Except as disclosed in Clause 4.9(b) of the Disclosure Schedule or in the Financial Statements, no Group Company has any liabilities of the type required to be disclosed on a balance sheet except for (i) liabilities set forth in the balance sheet that have not been satisfied since the Statement Date, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the business consistent with its past practices and which do not exceed US\$30,000,000 in the aggregate. Except as disclosed in Clause 4.9(b) of the Disclosure Schedule or in the Financial Statements or is incurred in the ordinary course of business, none of the Group Companies has any indebtedness, which individually exceeds US\$10,000,000, that it has created, incurred, assumed or guaranteed.

#### 4.10 Solvency

None of the Group Companies is insolvent under the Laws of its jurisdiction of incorporation or unable to pay its debts as they fall due in the ordinary course of business. There are no ongoing Proceedings involving any Group Company in relation to any compromise or arrangement with creditors and no order has been made or petition presented or resolution passed by or on behalf of any Group Company for the winding-up, liquidation or bankruptcy of any Group Company. There has not been any petition or order for administration, winding-up, liquidation or bankruptcy filed against a Group Company or any appointment of a receiver or liquidator in respect of the assets of a Group Company.

#### 4.11 Litigation

Except for those disclosed in Clause 4.11 of the Disclosure Schedule, there is no material Proceeding pending or, to the Knowledge of the Company, threatened against or adversely affecting any Group Company or any of its properties or assets. Neither any Group Company nor any of its properties and assets is subject to any material order, injunction, judgment or decree of a Governmental Authority. For the purposes of this Clause 4.11 “material” means any Proceeding, order, injunction, judgment or decree which could have a cost or value to a Group Company, of US\$10,000,000 or more.

#### 4.12 Compliance with Laws; Consents and Permits

- (a) None of the Group Companies is in violation of any applicable Law in any material respect. The business of each Group Company as currently conducted is in compliance in all material respects with all applicable Laws and no Group Company has received any notice from any Governmental Authority or, to the Knowledge of the Company, is under investigation, in each case with respect to a material violation of any applicable Laws. Each Group Company has fulfilled any and all material filings and registration requirements with the applicable Governmental Authorities necessary with respect to its operations as currently conducted.

- (b) The Group Companies have obtained all material franchises, approvals, permits, licenses, certificates and any similar authorizations of or from any applicable Governmental Authority necessary for the business as currently conducted (each, a “Material Permit”), and:
  - (i) each Material Permit is valid and in full force and effect;
  - (ii) no Group Company is in material default or violation of any Material Permit; and
  - (iii) there is no Proceeding by any Governmental Authority pending against any Group Company that would likely result in the revocation, withdrawal, suspension, cancellation or termination of any Material Permit.

#### 4.13 Tax Matters

- (a) Each Group Company has filed all Tax Returns that are required to have been filed by such entity in a timely manner, with such filed Tax Returns being correct and complete in all material respects.
- (b) Each Group Company has paid all Taxes required to be paid by such entity in a timely manner.
- (c) Each Group Company has complied in all material respects with all applicable Laws relating to the withholding and payment of Taxes and has, within the time and manner prescribed by applicable Laws, withheld from and paid over to the appropriate Governmental Authority all amounts required to be so withheld and paid over.
- (d) There are no pending Proceedings for the assessment or collection of Taxes against any Group Company, and there are no deficiencies for any Taxes assessed or proposed against any Group Company that have not been fully paid.
- (e) Each Group Company is in compliance, in all material respects, with all applicable Laws with respect to transfer pricing (including record-keeping and documentation requirements).
- (f) Each Group Company is in compliance, in all material respects, with all terms and conditions of any Tax exemption or Tax holiday, and the consummation of the transactions contemplated by this Agreement will not have any adverse effect on any such Tax exemption or Tax holiday.
- (g) No Group Company is a tax resident of a jurisdiction other than its jurisdiction of incorporation.
- (h) No Group Company has taken any action or been a party to a transaction the primary purpose of which is the evasion of Taxes in violation of applicable Laws.

#### 4.14 Certain Compliance Matters

To the Knowledge of the Company, each of the Group Companies and their respective directors, officers and employees are and have been in compliance with all applicable Laws relating to anti-bribery and anti-corruption.

#### 4.15 Financial Advisor Fees

Except as disclosed in Clause 4.15 of the Disclosure Schedule, there exists no agreement or understanding between any Group Company or any of their respective Affiliates and any investment bank or other financial advisor, broker or finder under which any Group Company may owe any brokerage, placement, finder or other fees relating to the offer or sale of the Investor Subscription Shares of any Investor.

#### 4.16 Labour and Employment Matters

- (a) Each Group Company has complied in all material respects with all applicable employment and labor Laws. The Group Companies, taken as a whole, have satisfied their payment obligations with respect to all wages, severance, allowances, commissions and other compensation required to be paid under any labor contract or applicable Law to the current and former employees and third party contractors of the Group Companies in all material respects.
- (b) No Group Companies is bound by or subject to any written contract, commitment or arrangement with any labor union or any collective bargaining agreements that would have a material impact on the operation of the business of the Group Companies taken as a whole. There is no pending or, to the Knowledge of the Company, threatened, strike or union organization activity or any unfair labor practice charge against any Group Company that would have a material impact on the operation of the business of the Group Companies taken as a whole.
- (c) Clause 4.16(c) of the Disclosure Schedule lists all Benefit Plans maintained by the Group Companies. All such Benefit Plans are and have at all times been maintained in compliance in all material respects with all applicable Laws. Each Group Company is in compliance in all material respects with all applicable employment and labor Laws and labor contracts relating to its provision of Social Insurance, and has satisfied its payment obligations with respect to, or made provision for the payment of, all Social Insurance contributions required under applicable employment and labor Laws and labor contracts in all material respects.
- (d) The consummation of the transactions contemplated by this Agreement will not give rise to any liability for severance pay, unemployment compensation or termination pay becoming due, or accelerate the time of payment or vesting or increase the amount of compensation or benefits due to any employee, officer, director or stockholder of the Group Companies.

4.17 Intellectual Property

- (a) The Group Companies own or have a valid right or license to use all Proprietary Assets material to the Group Companies, taken as a whole, that are used in their businesses as now conducted (the “Material Proprietary Assets”)

and no use of such Material Proprietary Assets infringes upon or otherwise violates any Proprietary Assets of any third person and to the Knowledge of the Company, all Material Proprietary Assets are valid and enforceable.

- (b) Each Material Proprietary Asset owned by a Group Company that is subject to registration with a Governmental Authority, including but not limited to patents, trademarks and copyrights (the “Registered Owned MPA”) is valid and subsisting. All registration, maintenance, renewal or other fees related to the Registered Owned MPA have been paid in a timely manner. To the Knowledge of the Company, no Registered Owned MPA is subject to ongoing or threatened challenges, objections, proceedings or actions before any court or Governmental Authority.
- (c) There are no outstanding options, licenses, agreements or rights of any kind granted by any Group Company to any third party relating to any Material Proprietary Assets of a Group Company which is not entered into on an arm’s length basis. No Group Company is bound by a party to any options, licenses or agreements with respect to the Proprietary Assets of any third party which is not entered into in the ordinary course of business and which termination (or any default or violation as a result of the execution, delivery or performance of and compliance with this Agreement, or the consummation of the transactions contemplated under this Agreement by the Company) would materially adversely affect the business, assets or prospects of the Group Companies, taken as a whole.
- (d) As of the date of this Agreement, no conduct of any Group Company infringes upon, misappropriates, or otherwise violates the Proprietary Assets of any other person or entity in any material respect, and none of the Group Companies has received any written notice:
  - (i) alleging that such Group Company has violated any Proprietary Assets of any other person or entity; or
  - (ii) seeking any damages or other remedies that would be material to such Group Company.
- (e) To the Knowledge of the Company, there is no infringement, unauthorized use or other violation of any Material Proprietary Asset (whether registered or not) by a third party that is materially adverse to the business of the Group Companies taken as a whole.
- (f) All Material Proprietary Assets created by employees of each Group Company are works for hire, and all rights, title and interest therein vest in, have been transferred and assigned to, or are under contractual obligations to and will (upon the request of the employing Group Company) be transferred and assigned to, such employing Group Company. No Group Company has obtained or utilized, in the course of its business operation, any employee’s Material Proprietary Assets developed prior to such employee’s employment with such Group Company, except for any Material Proprietary Assets that have been validly and properly assigned or licensed to such Group Company prior to the date of this Agreement.

4.18 Material Contracts

- (a) Clause 4.18(a) of the Disclosure Schedule lists all Material Contracts. All of the Material Contracts are valid, subsisting, in full force and effect and binding upon the relevant Group Companies that are parties to such Material Contracts, except:
  - (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting enforcement of creditors' rights generally; and
  - (ii) as limited by Laws relating to the availability of specific performance, injunctive relief or other equitable remedies and to general equity principles.
- (b) Each Group Company has complied in all material respects with the terms of each Material Contract.
- (c) Each Group Company is not in default in any material respect under any Material Contract. As of the date of this Agreement, no Group Company has received from any person any written notice regarding a material violation or material breach of, or material default under, any Material Contract. To the Knowledge of the Company, no counterparty to each such Material Contract is in breach of or default in any material respect thereunder, and no written notice has been received by any Group Company from such counterparty stating its intention to cancel, terminate or modify any Material Contract.

4.19 Property

- (a) Except as disclosed in Clause 4.19 of the Disclosure Schedule, the Group Companies taken as a whole, have good and valid title to, or a legal and valid right to use, all material assets they currently use in the conduct of their respective businesses, free and clear of any Liens or third party claims (other than of lessors of any such leased assets), and except for leased items, no person other than a Group Company owns any interest in any such assets in any material respect.
- (b) No Group Company owns or has legal or equitable title or other right or interest (other than leasehold interests) in any real property. Except as disclosed in Clause 4.19 of the Disclosure Schedule, each lease pursuant to which a Group Company holds a leasehold interest is in compliance with applicable Laws in all material respects, including with respect to the operation of property and conduct of business as now conducted by the applicable Group Company which is a party to such lease.
- (c) All IT Assets owned or used by the Group Companies that are material to the operation of the business of the Group Companies as currently conducted taken as a whole operate and perform in all material respects in accordance with their documentation and functional specifications. The Group Companies have, taken as a whole, implemented reasonable security measures and backup and disaster recovery technology consistent with industry practices with respect to its material IT Assets and data stored thereon.

4.20 Insurance

- (a) All material insurance policies purchased or maintained by the Group Companies are in full force and effect (and all premiums due and payable in relation to such insurance policies have been paid in full on a timely basis).
- (b) None of the Group Companies is in default in any material respect with respect to any of its obligations under any material insurance policies. There is no threatened cancellation or termination of, or threatened premium increase with respect to, any of such insurance policies, other than increases in connection with renewals of such insurance policies in the ordinary course of business.

4.21 Exempt Offering

Subject to the accuracy of the representations and warranties of each Investor, the sale provided for in this Agreement is either exempt from the registration requirements under the Securities Act or the registration or listing requirements of any other applicable securities laws and regulations, or such requirements do not apply.

4.22 VIE Documents

The VIE Documents are adequate to establish and maintain the intended VIE Structure of the Group Companies, under which (a) each of Rajax and Koubei Control the Rajax VIE Subsidiaries and the Koubei VIE Subsidiaries, respectively, and (b) the financial statements of the Rajax VIE Subsidiaries can be consolidated with those of Rajax and the other Subsidiaries of Rajax in accordance with US GAAP and the financial statements of the Koubei VIE Subsidiaries can be consolidated with those of Koubei and the other Subsidiaries of Koubei in accordance with IFRS. No Group Company has received any written inquiries, notifications or any other form of official correspondence from any Governmental Authority challenging or questioning the legality or enforceability of any of the VIE Documents.

4.23 Related Party Transactions

Each transaction that is material to the Group Companies, taken as a whole, and is between the Company or any Group Company, on the one hand, and AGH or any of its Subsidiaries, on the other hand, is entered into on an arm's length basis.

4.24 No Other Representations or Warranties

- (a) The Company hereby acknowledges and agrees that the Investor Warranties and the Repeated Investor Warranties, given by each Investor in accordance with Clause 5.1 and Clause 5.2 (if applicable), are the only representations and warranties given by each of the Investors in connection with the transactions contemplated by this Agreement.
- (b) The Company hereby expressly disclaims any and all reliance of any other statements, promises, advice, data or information made, communicated or furnished (orally or in writing, including electronically) by or on behalf of each Investor (or any of their respective direct or indirect shareholders, and their and such shareholders' respective officers, directors, employees, advisors and other representatives, and advisors to the foregoing).

**5. REPRESENTATIONS AND WARRANTIES OF EACH INVESTOR**

5.1 Each Investor hereby, severally but not jointly, represents and warrants to the Company in the terms of the Investor Warranties as at the date of this Agreement and as at immediately prior to the Closing of such Investor (except for such representations and warranties that speak as of a specified date, in which case, such representations and warranties shall be given as of such specified date).

5.2 Each Tranching Investor hereby represents and warrants to the Company as at immediately prior to each Tranching Investor Funding (by reference to the facts and circumstances then existing) in the terms of the Repeated Investor Warranties.

5.3 Organization, Standing and Qualification

Such Investor is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment, and has all requisite corporate (or other) power and authority, in all material respects, to own its properties and assets and to carry on its business as now conducted.

5.4 Due Authorization and Enforceability

- (a) Such Investor has all requisite corporate (or other) power and authority to execute and deliver the Transaction Documents to which such Investor is a party and to carry out and perform its obligations under the Transaction Documents.
- (b) All action on the part of such Investor (and, as applicable, its directors and/or shareholders) necessary to authorize the execution and delivery of the Transaction Documents to which it is a party and the performance of all obligations of such Investor under the Transaction Documents, has been taken or will be taken prior to the Closing with respect to such Investor.
- (c) This Agreement has been, and each of the other Transaction Documents to which such Investor is a party has been or will be, duly executed and delivered by such Investor.
- (d) This Agreement and each of the other Transaction Documents to which such Investor is a party are, or when executed and delivered by such Investor, will be (assuming due execution and delivery by each of the other parties to the Transaction Documents) valid and legally binding obligations of such Investor and enforceable against such Investor in accordance with its terms, except:
  - (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting creditors' rights generally; and
  - (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and to general equitable principles.

5.5 Accredited Investors

Such Investor is:

- (a) either (i) not a “US Person” as defined in Rule 902 of Regulation S of the Securities Act, or (ii) an “accredited investor” within the meaning of Rule 501(a) under Regulation D of the Securities Act; and
- (b) a “professional investor” (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) or the Securities and Futures (Professional Investor) Rules (Cap. 571D of the Laws of Hong Kong).

5.6 Purchase for Own Account

The Investor Subscription Shares of such Investor will be acquired for such Investor’s own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part of the Investor Subscription Shares of such Investor, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The entire legal and beneficial interest of the Investor Subscription Shares of such Investor is being purchased, and will be held, for such Investor’s account only, and neither in whole or in part for any other Person. By executing this Agreement, such Investor further represents that it does not have any contract with any person to, directly or indirectly, sell, transfer or grant participations, with respect to any of its Investor Subscription Shares and has not solicited any person for such purpose.

5.7 Exempt from Registration: Restricted Securities

Such Investor understands that its Investor Subscription Shares have not been registered under the Securities Act or registered or listed publicly pursuant to any other applicable securities laws and regulations, on the ground that the sale provided for in this Agreement is exempt from registration under the Securities Act or the registration or listing requirements of any other applicable securities laws and regulations, and that the reliance of the Company on such exemption is predicated in part on such Investor’s representations set forth in this Agreement. Such Investor understands that its Investor Subscription Shares are restricted securities within the meaning of Rule 144 under the Securities Act and the Company has no obligation to register or qualify such Investor Subscription Shares for resale (other than any obligation of the Company related to registration rights under the Shareholders Agreement); that such Investor Subscription Shares are not registered or listed publicly and must be held indefinitely unless they are subsequently registered or listed publicly or sold pursuant to an exemption from such registration or listing. Such Investor further acknowledges that if such exemption from registration or qualification is available, it may be conditioned on various requirements including the time and manner of sale, the holding period for its Investor Subscription Shares and on requirements relating to the Company which are outside of such Investor’s control, and which the Company is under no obligation, and may not be able to, satisfy.

5.8 No Conflicts

Neither the execution, delivery nor performance by such Investor of, nor compliance by such Investor with, this Agreement and the other Transaction Documents to which

such Investor is a party, nor the consummation of the transactions contemplated in this Agreement and the other Transaction Documents, will:

- (a) result in any violation or breach by such Investor of any of its Charter Documents;
- (b) result in any material violation, breach of default under any material contract to which such Investor is party;
- (c) result in any material violation of any applicable Law on the part of such Investor; or
- (d) require any Approvals or any notification to any Governmental Authority or any third party.

5.9 Solvency

Such Investor is not insolvent under the Laws of its jurisdiction of incorporation or unable to pay its debts as they fall due. There are no ongoing Proceedings involving such Investor in relation to any compromise or arrangement with creditors and no order has been made or petition presented or resolution passed by or on behalf of such Investor for the winding-up, liquidation or bankruptcy of such Investor, and there has not been any petition or order for administration, winding-up, liquidation or bankruptcy filed against such Investor or any appointment of a receiver or liquidator in respect of the assets of such Investor.

5.10 Disclosure of Information

Such Investor and its advisors have been afforded the opportunity to ask questions of and receive answers from representatives of the Company regarding the terms and conditions of the offering of the Investor Subscription Shares of such Investor and relating to the business, management, finances and operations of the members of the Group Companies.

5.11 Knowledge and Experience of the Investor

Such Investor is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development and acknowledges that it can bear the economic risk of its investment and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment of a nature similar to that contemplated hereby. Such Investor is relying solely on: (a) its own counsel and other advisors for legal, financial and other advice with respect to the transactions contemplated by this Agreement and the other Transaction Documents; and (b) the Company Warranties.

5.12 Financing

Such Investor has and will at the Closing and the Tranching Investor Funding (if applicable) of such Investor have cash (or commitment that payment shall be made on behalf of such Investor) available (or binding commitments to ensure cash is available prior to the Closing and the Tranching Investor Funding (if applicable) of such Investor) which is sufficient to purchase its Investor Subscription Shares and to pay all related fees and expenses for which such Investor will be responsible, and affirms

that it is not a condition to the Closing of such Investor or any of its other obligations under this Agreement that such Investor obtains financing for or related to any of the transactions contemplated hereby. The funds used by such Investor to purchase its Investor Subscription Shares will be obtained and paid in compliance with all applicable Law.

5.13 Absence of Interest in Competing Investment

Other than as set out in the Investor Disclosure Letter of such Investor (if applicable), neither such Investor nor its Affiliates, holds or otherwise Beneficially Owns, any equity interests in any Competing Investment as of the date of this Agreement.

5.14 Legends

Such Investor understands that the certificates evidencing its Investor Subscription Shares issued pursuant to this Agreement may bear the following legend:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION UNDER THE SECURITIES ACT.

THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF ANY SHAREHOLDERS AGREEMENT TO WHICH THE COMPANY AND THE HOLDERS OF SUCH SECURITIES IS A PARTY (IF ANY) AND OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY.”

5.15 Financial Advisor Fees

There exists no agreement or understanding between such Investor or any of its Affiliates and any investment bank or other financial advisor, broker or finder under which any Group Company may owe any brokerage, placement, finder or other fees relating to the offer or sale of the Investor Subscription Shares of such Investor.

5.16 No Other Representations or Warranties

- (a) Each Investor hereby acknowledges and agrees that the Company Warranties, Enhanced Repeated Warranties and the Repeated Company Fundamental Warranties given by the Company in accordance with Clause 4.1 are the only representations and warranties given by the Company in connection with the transactions contemplated by this Agreement.
- (b) Each Investor hereby expressly disclaims any and all reliance of any other statements, promises, advice, data or information made, communicated or furnished (orally or in writing, including electronically) by or on behalf of the Company (or any of its respective direct or indirect shareholders, and its and such shareholders’ respective officers, directors, employees, accounting,

financial and legal advisors and other representatives, and advisors to the foregoing).

## 6. COVENANTS AND AGREEMENTS

### 6.1 Use of Proceeds

The Company agrees and covenants with each Investor that the proceeds from the issue of the Investor Subscription Shares of such Investor under this Agreement shall be used for business operations, strategic investments and other general corporate purposes of the Group Companies from time to time.

### 6.2 Reasonable Best Efforts, Further Assurances

Each Party shall from time to time and at all times from the date of this Agreement, use all reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the transactions contemplated by this Agreement. In furtherance and without limitation of the foregoing, in connection with any Approvals by any Governmental Authority necessary for any Party to consummate the transactions contemplated by the Transaction Agreements, such Party shall:

- (a) cooperate with other Parties and use its reasonable best efforts to make all filings and notifications with or to, and provide as promptly as reasonably practicable any additional information and documents that may be requested by, any such Governmental Authority;
- (b) to the extent legally permissible and reasonably practicable, keep the other Parties reasonably informed of any communication received by any such Governmental Authority; and
- (c) use its reasonable best efforts to resolve any objections and obtain such Approval as promptly as practicable; provided that, no such action shall be required if it would reasonably be expected to materially adversely affect the business, assets or prospects of such Party or the Group Companies.

### 6.3 Conduct of Business Prior to the Closing

Except as required or expressly permitted by the Transaction Documents, between the date of this Agreement and the occurrence of first Closing with respect to the Investors, each of the Company, Koubei and Rajax shall, and shall procure the Group Companies to:

- (a) conduct its business, taken as a whole, in the ordinary course of business consistent with past practice and in compliance with all applicable Laws, in all material respects; and
- (b) use reasonable efforts to preserve their relationships with key customers and suppliers.

#### 6.4 No Distribution; Prohibited Actions

Except as contemplated by the Transaction Documents, the Company shall not (without the prior written consent of the Majority Investors), from and after the date of this Agreement and until the first Closing with respect to the Investors:

- (a) declare any dividend or otherwise make any distribution to its shareholders; and
- (b) take any of the actions which, if taken after the first Closing with respect to the Investors, would require the prior written consent of the holders of a majority of the Series A Preferred Shares.

#### 6.5 Reorganization

As soon as practicable after the date of this Agreement and in any event prior to the first Closing with respect to the Investors, the Company, Koubei and Rajax shall enter into the Reorganization Agreement and use reasonable efforts to procure the completion of the Reorganization Steps in accordance with Clause 2 ( *Reorganization Steps* ) of the Reorganization Agreement. The Company shall deliver to each Investor:

- (a) a copy of the duly executed Reorganization Agreement;
- (b) a copy of the register of members of each of Koubei and Rajax, dated as of the date on which the Reorganization Steps are completed, reflecting the shareholding of Koubei and Rajax respectively (as indicated in Part A and Part B of Schedule 4 of the Reorganization Agreement); provided that the register of members of Koubei will not include the details of any individual holders, whether they hold such interests directly or indirectly through nominee vehicles, of Koubei's Equity Securities acquired upon exercise and/or vesting of awards granted pursuant to the Koubei ESOP; and
- (c) a copy of the amended memorandum and articles of association of each of Koubei and Rajax, adopted by Koubei and Rajax respectively pursuant to the Reorganization Steps on or prior to the date on which the Reorganization Steps are completed,

(collectively, the “ Reorganization Documents ”).

#### 6.6 Other Covenants

The Company, Rajax and Koubei shall procure each relevant Group Company to use its reasonable efforts to complete the actions set forth in Schedule 5 ( *Other Covenants* ) as soon as practicable following the first Closing with respect to the Investors, and shall deliver reasonable evidence to the Majority Investors (including SoftBank) indicating that each such action has been completed.

### 7. **CONDITIONS**

#### 7.1 Conditions to Closing

- (a) Mutual Conditions. The obligations of the Company, on the one hand, and each Investor, on the other hand, to proceed to the Closing with respect to such

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Investor is subject to the satisfaction or waiver (where legally permissible) of the following conditions:

- (i) the completion of the Reorganization Steps (as defined in the Reorganization Agreement), undertaken in accordance with Clause 2 ( *Reorganization Steps* ) of the Reorganization Agreement;
  - (ii) no applicable Laws shall have been adopted, promulgated or enforced by any Governmental Authority, and no temporary restraining order, preliminary or permanent injunction or other order issued by any Governmental Authority of competent jurisdiction (an “ Injunction ”) shall be in effect, having the effect of making the transactions contemplated in this Agreement illegal or otherwise prohibiting the completion of the transactions contemplated in this Agreement; and
  - (iii) no Proceeding initiated by any Governmental Authority, seeking an Injunction having the effect of making the transactions contemplated in this Agreement illegal or otherwise prohibiting the completion of the transactions contemplated in this Agreement shall be pending.
- (b) Conditions to an Investor's Obligations. The obligations of each Investor to proceed to the Closing of such Investor is subject to the satisfaction or waiver by such Investor of the following conditions:
    - (i) the Company shall have delivered to such Investor the Reorganization Documents;
    - (ii) (A) the Company Warranties (including the representations and warranties set forth in Clause 4.3 ( *Capitalization* ) but excluding other Company Fundamental Warranties) given by the Company in accordance with Clause 4.1(a)(i) shall be true and accurate in all material respects as of the date of this Agreement, (B) the Enhanced Repeated Warranties (including the representations and warranties set forth in Clause 4.3 ( *Capitalization* ) but excluding other Company Fundamental Warranties) given by the Company in accordance with Clause 4.1(a)(ii) shall be true and accurate in all material respects as at immediately prior to the Closing with respect to such Investor and (C) the Company Fundamental Warranties (excluding the representations and warranties set forth in Clause 4.3 ( *Capitalization* )) given by the Company in accordance with Clause 4.1(a) shall be true and accurate as of the date of this Agreement and as at immediately prior to the Closing with respect to such Investor;

- (iii) each of the Company, Rajax and Koubei shall have performed in all material respects each of its obligations under the Transaction Documents that are required to be performed by it prior to the Closing with respect to such Investor; and
- (iv) there has not been a Material Adverse Effect,

and of the above conditions, the condition listed in Clause 7.1(a)(i) is referred to as the “Reorganization Completion Condition”. The Company shall notify the Investors as soon as practicable (and in any event, within forty-eight (48) hours) upon becoming

aware that the Reorganization Completion Condition has been satisfied. The first Business Day on or by which the Reorganization Completion Condition is satisfied is the “Reorganization Completion Date”.

7.2 No other conditions

The Company, on the one hand, and each Investor, on the other hand, agree that, except as may be otherwise agreed in writing between the Company and such Investor, the Closing with respect to such Investor is not subject to any conditions (including any condition as to availability of financing to such Investor) other than the conditions expressly set forth in Clause 7.1 ( *Conditions to Closing* ).

**8. INDEMNIFICATION**

8.1 Indemnification by the Company

The Company hereby agrees to, from and after the Closing of each Investor and subject to the limitations set forth in this Clause 8, indemnify and hold harmless such Investor, its Affiliates and their respective directors, officers and employees (each an “Indemnified Party”) from and against any and all Indemnifiable Losses (whether or not such Indemnifiable Losses relate to a direct claim or a Third Party Claim) actually suffered or incurred by such Indemnified Party as a result of, or arising from any breach of or inaccuracy in any representation or warranty given by the Company in this Agreement.

8.2 Limitations

- (a) The Company shall have no liability to any Indemnified Party under Clause 8.1 ( *Indemnification by the Company* ):
  - (i) in respect of any claim or series of related claims arising from the same or substantially similar facts or circumstances if the Indemnifiable Losses suffered or incurred by such Indemnified Party in respect of such claim or series of related claims are less than US\$2,000,000; and
  - (ii) unless and until the aggregate amount of the Indemnifiable Losses suffered or incurred by such Indemnified Party (not taking into account any Indemnifiable Losses excluded pursuant to Clause 8.2(a)(i) ( *Limitations* )) exceeds, in the case of a Non-Tranching Investor, five (5) per cent of the Non-Tranching Investor Subscription Price of such Non-Tranching Investor, or in the case of a Tranching Investor, five (5) per cent of the Tranching Investor Subscription Price of such Tranching Investor, in which case the Company shall be liable to such Indemnified Party for the whole amount of such Indemnifiable Losses and not merely the excess, provided that the limitations on the Company’s indemnification obligations under this Clause 8.2(a) shall not apply to any breach of the Company Fundamental Warranties.
- (b) The maximum aggregate liability of the Company to any Indemnified Party under Clause 8.1 ( *Indemnification by the Company* ), other than Indemnifiable Losses in respect of any breaches of any Company Fundamental Warranties by the Company or of any fraud by the Company, shall not exceed twenty five (25) per cent of:

- (i) in the case of any Non-Tranching Investor, the Non-Tranching Investor Subscription Price actually paid by such Non-Tranching Investor at the Closing with respect to such Non-Tranching Investor; or
  - (ii) in the case of any Tranching Investor, the First Tranche Subscription Price actually paid by such Tranching Investor at its Closing plus any Tranche Subscription Price actually paid by such Tranching Investor at any Tranching Investor Funding.
- (c) The maximum aggregate liability of the Company to any Indemnified Party under Clause 8.1 (*Indemnification by the Company*) (including any Indemnifiable Losses in respect of any breach of any Company Fundamental Warranties by the Company but excluding any Indemnifiable Losses in respect of any fraud by the Company), shall not exceed:
- (i) in the case of any Non-Tranching Investor, the Non-Tranching Investor Subscription Price actually paid by such Non-Tranching Investor at the Closing with respect to such Non-Tranching Investor; or
  - (ii) in the case of any Tranching Investor, the First Tranche Subscription Price actually paid by such Tranching Investor at its Closing plus any Tranche Subscription Price actually paid by such Tranching Investor at any Tranching Investor Funding.

8.3 Survival of representations and warranties

- (a) With respect to each Investor, each of:
- (i) the Company Warranties (other than the Tax Warranties and the Company Fundamental Warranties), shall survive the Closing with respect to such Investor, until the date which shall fall eighteen (18) months after such Closing;
  - (ii) the Tax Warranties shall survive the Closing with respect to such Investor, until March 31, 2020; and
  - (iii) the Company Fundamental Warranties shall survive the Closing with respect to such Investor, until the date which shall fall on the third (3<sup>rd</sup>) anniversary of such Closing.
- (b) Without prejudice to Clause 8.3(a) (*Survival of representations and warranties*), with respect to each of the Tranching Investors, each of the Repeated Company Fundamental Warranties shall survive each Tranching Investor Funding, until the date which shall fall on the third (3<sup>rd</sup>) anniversary of the date of such Tranching Investor Funding (the applicable survival periods set forth in Clause 8.3(a) (*Survival of representations and warranties*) and this Clause 8.3(b) (*Survival of representations and warranties*), the “Survival Periods”).
- (c) It is the express intent of the Parties that:
- (i) if the applicable Survival Periods for the survival of representations and warranties and for the making of claims for indemnification based on any breaches of such representations and warranties is shorter than

the statute of limitations that would otherwise have been applicable to such breach, then, by contract, the statute of limitations applicable to such breach shall be reduced to the applicable Survival Periods; and

(ii) in respect of the relevant breach, the Company shall not have any obligation to indemnify and hold harmless any Indemnified Parties after the last date that is within the applicable Survival Period (other than any unresolved claim set out in a Claim Notice that was duly delivered prior to such date), and all rights and remedies that may be exercised by an Indemnified Party with respect to such representations and warranties and any claim for indemnification based on any breaches of such representations and warranties (other than any unresolved claim set out in a Claim Notice that was delivered prior to such date) will expire and terminate simultaneously with the ending of such applicable Survival Period.

(d) The Parties further acknowledge that the Survival Periods are the results of arms' length negotiations and are intended to be enforced as agreed among the Parties. For the avoidance of doubt, if a Claim Notice has been duly given in good faith prior to the expiration of the applicable Survival Period, then the relevant claim as set out in such Claim Notice shall survive until it has been finally resolved in accordance with the terms of this Agreement.

#### 8.4 Exclusive remedy

From and after the Closing of any Investor and notwithstanding anything to the contrary in this Agreement or any other Transaction Documents (but without prejudice to Clause 11.3 ( *Specific Performance* )), the indemnification provisions set forth in this Clause 8 shall be the sole and exclusive remedy of an Investor for any claims by such Investor against the Company in respect of the matters set forth in Clause 8.1 ( *Indemnification by the Company* ).

#### 8.5 Procedure

- (a) Any Indemnified Party seeking indemnification under this Clause 8 shall give written notice (a “ Claim Notice ”) to the Company.
- (b) The Claim Notice shall be delivered to the Company within sixty (60) days of the Indemnified Party becoming aware of the facts giving rise to the Indemnifiable Losses and shall include a description in reasonable detail of (to the extent that the Indemnified Party has actual knowledge):
- (i) the basis for, and nature of, such claim, including the facts constituting the basis for such claim; and
  - (ii) the estimated amount of Indemnifiable Losses that have been or reasonably will be sustained by the Indemnified Party in connection with such claim.
- (c) In the event of any Proceeding against any Indemnified Party by a third party with respect to which such Indemnified Party may claim indemnification under Clause 8.1 ( *Indemnification by the Company* ) (a “ Third Party Claim ”), the Indemnified Party shall give the Company written notice within twenty

(20) Business Days of receiving written notice of such Third Party Claim. If the Indemnified Party fails to provide each such notice within such time period, the Company will not be obligated to indemnify the Company with respect to such Third Party Claim to the extent that the Company is prejudiced by such failure of the Indemnified Party.

- (d) The Company shall notify the Indemnified Party within thirty (30) Business Days after receipt of such notice as to whether the Company will assume the defense of such Third Party Claim. If the Company assumes the defense:
- (i) the Indemnified Party shall have the right to participate in such defense and to engage separate counsel of its own choosing at its own cost and expense; and
  - (ii) the Company shall not agree to any compromise, settlement or discharge to which the Indemnified Party has not consented to in writing (which consent shall not be unreasonably withheld, conditioned or delayed) unless such settlement, compromise or discharge includes only the payment of monetary damages which shall be paid by the Company and includes a release of the Indemnified Party from all liability in respect of such Third Party Claim.
- (e) If requested by the Company, the Indemnified Party will provide reasonable cooperation to the Company in defending such Third Party Claim. If the Company elects not to assume the defense of such Third Party Claim, the Indemnified Party may assume the defense at the expense of the Company, provided that the Indemnified Party shall not agree to any compromise, settlement or discharge to which the Company has not consented in writing (which consent shall not be unreasonably withheld, conditioned or delayed).

#### 8.6 Right to Cure

The Company shall not be liable for any claim made by an Indemnified Party pursuant to this Clause 8 ( *Indemnification* ) to the extent any breach or circumstances underlying such claim is capable of being remedied or otherwise cured and the Company shall have remedied or otherwise cured the same within sixty (60) days after being given notice of such breach by such Indemnified Party without such Indemnified Party having actually suffered or incurred any Indemnifiable Losses in connection with or attributable to the matters giving rise to such claim.

#### 8.7 Other Limitations

- (a) Notwithstanding anything in this Agreement to the contrary, the Company shall not be liable under this Agreement to any Indemnified Party for any matter:
- (i) to the extent such Indemnified Party actually recovers an amount in respect of such matter, or from the circumstances out of which such matter arises, from any third party (including under any insurance policy) and only to the extent of such recovered amount;
  - (ii) to the extent has arisen as a result of an act, omission, transaction or arrangement carried out at the written request or with the written

approval of such Indemnified Party or its directors, officers, employees, agents and other persons acting on its behalf (collectively, the “Representatives”);

- (iii) that is a contingent liability, unless and until such liability is actually due and payable, provided that in respect of such contingent liability, if such Indemnified Party has become aware of such claim and has duly provided a Claim Notice in accordance with Clause 8.5 ( *Procedure* ) prior to the expiration of any applicable Survival Periods, then such Indemnified Party shall be deemed to have preserved its right and entitlement to be indemnified for such claim by the Company if and when the contingent liability becomes actually due and payable;
  - (iv) the liabilities arising out of which have been specifically provided for or reserved against in the Financial Statements and only to the extent of the amount so provided for or reserved against; or
  - (v) that arises out of an action required to be taken under this Agreement.
- (b) No Indemnified Party shall be entitled to recover for any Indemnifiable Loss based on substantially the same set of facts more than once.
  - (c) To the extent required by the Laws of the State of New York and available to an Indemnified Party, such Indemnified Party shall procure that all reasonable steps are taken to avoid or mitigate any Indemnifiable Losses which it may suffer in consequence of any breach of or inaccuracy in, any representation or warranty given by the Company in this Agreement; provided that, such Indemnified Party shall not be required to mitigate any Indemnifiable Losses in connection with or attributable to any breach of, or inaccuracy in, any Tax Warranty.
  - (d) Each of the Investors acknowledges and agrees that the only representations and warranties given by the Company under Clause 4.1 in relation to Tax or any related claims, liabilities or other matters (“ Tax Matters ”) are set out in Clause 4.13 ( *Tax Matters* ) and no other representations and warranties are given in relation to Tax Matters by the Company.
  - (e) The Indemnified Party shall not be entitled to claim for, from the Company under this Clause 8 ( *Indemnification* ), any punitive, speculative or special loss or for any indirect or consequential loss.
  - (f) For the avoidance of doubt, the limitations set forth in this Clause 8.7 shall only apply to claims made by any Indemnified Party against the Company in respect of the matters set forth in Clause 8.1 ( *Indemnification by the Company* ).

## 9. NO USE OF NAME

Except as otherwise permitted under Clause 10.2 ( *Press Releases, etc* ) (and only to the extent so permitted), without the prior written consent of the Company, AGH, ANT or their respective Affiliates, as applicable, each of the Investors (other than Ali KB) shall not, and shall cause its Affiliates to not:

- (a) use in advertising, publicity, announcements or otherwise the name of the Company, AGH, ANT or any of their respective Affiliates, either alone or in combination of, including:
- (i) “阿里巴巴” (Chinese equivalent for “Alibaba”), “淘宝” (Chinese equivalent for “Taobao”), “阿里” (Chinese equivalent for “Ali”), “全球速卖通” (Chinese brand for “AliExpress”), “淘” (Chinese equivalent for “Tao”), “天猫” (Chinese equivalent for “Tmall”), “聚划算” (Chinese equivalent for “Juhuasuan”), “飞猪” (Chinese equivalent for “Fliggy”), “阿里妈妈” (Chinese equivalent for “Alimama”), “阿里云” (Chinese equivalent for “Alibaba Cloud”), “口碑” (Chinese equivalent for “Koubei”), “虾米” (Chinese equivalent for “Xiami”), “蚂蚁金服” (Chinese brand for “Ant Financial”), “蚂蚁” (Chinese equivalent for “Ant”), “蚂蚁财富” (Chinese equivalent for “Ant Fortune”), “支付宝” (Chinese brand for “Alipay”), “1688”, “一达通” (Chinese brand for “OneTouch”), “友盟” (Chinese equivalent for “Umeng”), “盒马” (Chinese equivalent for “HeMa”), “闲鱼” (Chinese equivalent for “XianYu”), “优视” (Chinese equivalent for “UC/UCWeb”), “高德地图” (Chinese brand for “AMAP”), “钉钉” (Chinese brand for “DingTalk”), “余额宝” (Chinese equivalent for “Yu’e Bao”), “招财宝” (Chinese equivalent for “Zhaocaibao”), “芝麻信用” (Chinese equivalent for “Zhima Credit”), “网商银行” (Chinese brand for “MYbank”), “阿里通信” (Chinese equivalent for “AliTelecom”), “优酷” (Chinese equivalent for “YOUKU”), “花呗” (Chinese equivalent for “HUABEI”), “借呗” (Chinese equivalent for “JIEBEI”), “Alibaba”, “Taobao”, “Ali”, “AliExpress”, “Tao”, “Tmall”, “Juhuasuan”, “Fliggy”, “Alimama”, “Alibaba Cloud”, “AliOS”, “Koubei”, “Xiami”, “Ant Financial”, “Ant”, “Ant Fortune”, “Alipay”, “OneTouch”, “Umeng”, “UCWeb”, “UC”, “AMAP”, “DingTalk”, “Yu’e Bao”, “Zhaocaibao”, “Zhima Credit”, “MYbank”, “AliTelecom”, “YOUKU”, “HUABEI”, “JIEBEI”;
  - (ii) the associated devices and logos of the above brands (including but not limited to the smiling face device of Alibaba Group, the cow device of Alibaba.com, the Tao doll device of Taobao, the cat device of Tmall, the Ju doll device of Juhuasuan, the bracket device of Alibaba Cloud, the hippo device of HeMa, the fish device of XianYu, the pig device of Fliggy, the wing device of Dingtalk, the ant device of Ant Financial, the Zhi device of Alipay, the ingot device of Zhaocaibao, the sesame device of Zhima Credit together with the Gaoxiaode device and the paper aeroplane device of AutoNavi); and/or
  - (iii) any company name, trade name, trademark, service mark, domain name, device, design, symbol or any abbreviation, contraction or related simulation owned or used by the Company, AGH, ANT or any of their respective Affiliates; or

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- (b) represent, directly or indirectly, that any product or services provided by such Party or its Affiliates has been approved or endorsed by the Company, AGH, ANT or any of their respective Affiliates.

## 10. CONFIDENTIALITY AND NON-DISCLOSURE

### 10.1 Disclosure of Terms

- (a) The existence of the investment under this Agreement and the existence, terms and conditions of the Transaction Documents and any information or documents received by any Investor from AGH or the Company in relation to the transactions contemplated under this Agreement (collectively, the “Confidential Information”) shall be considered confidential information and shall not be disclosed by any Party to any third party except in accordance with the provisions set forth below; provided that such Confidential Information shall not include, with respect to any Party, any information that is:
- (i) in the public domain other than by reason of the breach of the confidentiality obligations under this Agreement by such Party;
  - (ii) already in the possession of such Party at the time the information was disclosed to such Party by other Parties;
  - (iii) acquired by such Party from a source other than the other Parties, which source, to the knowledge of the receiving Party, is not in breach of any obligation owed to any Party in respect of such disclosure;
  - (iv) independently developed by such Party without using or making reference to any Confidential Information; or
  - (v) agreed in writing by the Company and the other Parties not to be confidential.

### 10.2 Press Releases, etc

- (a) The Company and Ali KB may publicly announce, or cause their respective Affiliates or other representatives to publicly announce, the existence of the transactions contemplated under this Agreement, the total proceeds raised or proposed to be raised under this Agreement, the valuation of the Company as implied under this Agreement, and such other related information as it deems appropriate or desirable; provided that any press release or public announcement containing the name of any Investor or any of its Affiliates, shall require the prior written consent of such Investor.
- (b) Except as provided for in Clause 10.2(a) (*Press Releases, etc*), no Investor (other than Ali KB) may publicly announce, or permit its Affiliates or other representatives to publicly announce, the existence of the transactions contemplated under this Agreement or any Confidential Information, except:
- (i) by way of a press release in form and substance jointly approved by the Company and the Majority Investors (including the written consent of SoftBank); and/or

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- (ii) if a public announcement is made in accordance with Clause 10.2(a) ( *Press Releases, etc* ), a public announcement, in form and substance to be reasonably agreed between the Company and such Investor who has given its prior written consent pursuant to Clause 10.2(a) ( *Press Releases, etc* ), of:
  - (A) the matters disclosed in the public announcement made in accordance with Clause 10.2(a) ( *Press Releases, etc* ); and
  - (B) the fact that such Investor or its Affiliates have participated in the transactions contemplated under this Agreement.

### 10.3 Permitted Disclosures

- (a) In the event that any Party is requested by any Governmental Authority or becomes legally compelled (including pursuant to securities or Tax Laws and regulations and in connection with any legal, judicial, arbitration or administrative Proceedings) to disclose the existence of this Agreement, any other Transaction Documents, any of the exhibits and schedules attached to such agreements, or any Confidential Information in contravention of the provisions of this Clause 10, such Party (the “ Disclosing Party ”) shall to the extent practicable and permitted by Laws, provide the other Parties (the “ Non-Disclosing Parties ”) with prompt written notice of that fact and use all commercially reasonable efforts to seek (with the cooperation and reasonable efforts of the other Parties) a protective order, confidential treatment or other appropriate remedy with respect to the information which is requested or legally required to be disclosed. In such event, the Disclosing Party shall furnish only that portion of the information which is requested or legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party.
- (b) Each of the Company and Ali KB may disclose the existence of the transactions contemplated under this Agreement by the Investors and the terms and conditions of such transactions and the Confidential Information solely to its current or bona fide prospective investors, directors, officers, employees, shareholders, investment bankers, lenders, accountants, auditors, insurers, business or financial advisors, and legal advisors, provided that each such recipient shall either be subject to professional obligations to keep such information confidential or confidentiality obligations that are as restrictive as this Clause 10 and that each of the Company and Ali KB shall be liable for any breach of confidentiality obligations by any of its recipient.
- (c) Each Investor may disclose the existence of such Investor’s investment in the Company including the terms and conditions of such investment and the Confidential Information to its Representatives (as such term is defined in the nondisclosure agreement between AGH and such Investor (or the applicable Affiliate of such Investor) in connection with such investment), its Affiliates, or the directors, officers, employees, current or bona fide prospective investors, lenders, shareholders or partners of such Investor or its Affiliates (in the case of SoftBank, including any general partner, fund manager or advisor,

investment committee member or observer or existing or bona fide prospective limited partner of SoftBank Vision Fund L.P. or any of its affiliated funds) on a need to know basis, provided that each such recipient shall either be subject to professional obligations to keep such information confidential or confidentiality obligations that are as restrictive as this Clause 10 and that each Investor shall be liable for any breach of confidentiality obligations by any of its recipient.

- (d) Notwithstanding anything in this Clause 10 to the contrary, nothing in this Clause 10 shall prevent or restrict Ali KB from disclosing to AGH and its Affiliates, directors and officers, and disclosing in the AGH's filings with the applicable Governmental Authorities, any information that is required to be disclosed by AGH under applicable securities Laws (including the Securities Act and/or the U.S. Securities Exchange Act of 1934 (as amended, and including the rules and regulations promulgated under such Laws)) and according to AGH's written internal requirements.
- (e) Notwithstanding anything in this Clause 10 to the contrary, nothing in this Clause 10 shall prevent or restrict SoftBank from disclosing to SoftBank Group Corp. and its Affiliates, directors and officers, and disclosing in the filings of SoftBank Group Corp. with the applicable Governmental Authorities, any information that is required to be disclosed by SoftBank Group Corp. under applicable securities Laws and according to the written internal requirements of SoftBank Group Corp.

#### 10.4 Other Information

The provisions of this Clause 10 shall be in addition to, and not in substitution for, the provisions of any separate non-disclosure agreement executed by any of the Parties or their respective Affiliates with respect to the transactions contemplated under this Agreement.

### 11. **MISCELLANEOUS**

#### 11.1 Governing Law

This Agreement shall be governed by and construed exclusively in accordance with the Laws of the State of New York.

#### 11.2 Dispute Resolution

- (a) The Parties agree to use reasonable efforts to resolve any disputes arising out of or relating to this Agreement through consultation. Any Party may commence consultation by sending the other Parties a written notice, which shall include a description of the dispute in reasonable details and a request for consultation. In the event that the Parties are unable to resolve the dispute arising under this Agreement within thirty (30) days of the date of such notice, such dispute (including any dispute relating to the existence, validity, interpretation, performance, breach or termination of this Agreement or any dispute regarding non-contractual obligations arising out of or relating to this Agreement) shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“HKIAC”)

under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted, as may be modified by this Clause 11.2.

- (b) The arbitration shall be conducted by an arbitral tribunal of three (3) arbitrators.
- (c) The arbitral award shall be final and binding upon all Parties.
- (d) The seat of arbitration shall be in Hong Kong.
- (e) The language of arbitration shall be English.
- (f) The governing law of this arbitration clause shall be the Laws of Hong Kong.
- (g) The Parties agree that any award rendered by the arbitral tribunal may be enforced by any court having jurisdiction over the Parties or over the Parties' assets wherever the same may be located.
- (h) All fees, costs and expenses (including attorney's fees and expenses) incurred by any party in connection with the arbitration shall be borne by the losing party.
- (i) To the extent that any Party has or hereafter may acquire any immunity (sovereign or otherwise) from any Proceeding, from any jurisdiction or any court or from set-off or any legal process (whether service or notice, attachment prior to judgement, execution of judgement or otherwise) with respect to itself or any of its assets, whether or not held for its own account, such Party hereby irrevocably and unconditionally waives and agrees not to plead or claim such immunity in any disputes arising out of or relating to this Agreement.
- (j) Nothing in this Clause 11.2 shall be construed as preventing any Party from seeking an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction pursuant to Clause 11.3 ( *Specific Performance* ) pending final determination of the dispute by the arbitral tribunal.

#### 11.3 Specific Performance

Each Party acknowledges that money damages are not an adequate remedy in the event that any of the covenants or agreements in this Agreement is not performed in accordance with its terms. It is therefore agreed that in addition to and without limitation to any other remedy or right it may have, the non-breaching Party will have the right to seek (without the requirement to post bond) an interim injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions of this Agreement pending final determination of the dispute by the arbitral tribunal.

#### 11.4 Entire Agreement

This Agreement, the other Transaction Documents and the schedules and exhibits to such documents, which are hereby expressly incorporated in this Agreement by this reference, constitute the entire understanding and agreement between all the Parties

with respect to the subject matter of such documents and supersede all prior agreements, understandings, representatives and warranties, whether written or oral, among all the Parties with respect to the subject matter of this Agreement; provided, that nothing in this Agreement shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements (relating to the Transaction Documents) executed by any Investor or any of its Affiliates prior to the date of this Agreement.

#### 11.5 Successors and Assigns

- (a) Except as otherwise expressly provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the Parties whose rights or obligations under this Agreement are affected by such amendments.
- (b) SoftBank may assign its rights and obligations under this Agreement at any time, without the consent of any other Party, to any Person in which either SoftBank Vision Fund L.P. or SoftBank Group Corp. directly or indirectly holds 100% of the voting shares; provided that written notice containing reasonable details of such assignment (including the identity of the assignee), is given by SoftBank to the Company prior to such assignment.
- (c) \*\*\* † may assign its rights and obligations under this Agreement at any time, without the consent of any other Party, to any investment fund or limited partnership entity which is established, managed or advised by \*\*\* † or any Person directly or indirectly wholly-owned by any such investment fund or limited partnership entity; provided that written notice containing reasonable details of such assignment (including the identity of the assignee) is given by \*\*\* † to the Company prior to such assignment.
- (d) This Agreement and the rights and obligations under this Agreement, as between the Company and each Investor (other than SoftBank and \*\*\* †), may not be assigned by any Party without the prior written consent of the Company (in the case of an assignment by such Investor) or the prior written consent of such Investor (in the case of an assignment by the Company), provided that an Investor may assign its rights and obligations under this Agreement to any transferee of such Investor's Investor Subscription Shares in connection with a transfer permitted under, and conducted in accordance with, the terms of the Shareholders Agreement.
- (e) Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

#### 11.6 No Third Party Beneficiaries: No Partnership

- (a) A Person who is not a Party to this Agreement shall not have any right under, nor shall any such Person be entitled to enforce any provision of, this Agreement, provided, however, that:

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† Confidential treatment requested.

- (i) accounting, financial and legal advisors and other representatives acting on behalf of each Investor, and advisors to the foregoing, are expressly made third party beneficiaries to this Agreement for the purposes of Clause 4.24 ( *No Other Representations or Warranties* );
- (ii) accounting, financial and legal advisors and other representatives acting on behalf of the Company, and advisors to the foregoing, are expressly made third party beneficiaries to this Agreement for the purposes of Clause 5.16 ( *No Other Representations or Warranties* ); and
- (iii) the Affiliates and the directors, officers and employees of each Investor and its Affiliates, are expressly made third party beneficiaries to this Agreement for the purpose of Clause 8 ( *Indemnification* ).

(b) Nothing in this Agreement shall be deemed to constitute a partnership among any of the Parties.

#### 11.7 Notices

- (a) Except as may be otherwise provided in this Agreement, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing to the number or address set forth in Schedule 6 ( *Address for Notices* ) and shall be conclusively deemed to have been duly given:
  - (i) when hand-delivered to the other Parties, upon delivery;
  - (ii) when sent by facsimile or electronic mail at the number or address upon receipt of confirmation of error-free transmission or, in the case of electronic mail, upon such mail being sent unless the sending Party subsequently learns that such electronic mail was not successfully delivered;
  - (iii) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid; or
  - (iv) three (3) Business Days after deposit with an overnight delivery service, postage prepaid with next-business-day delivery guaranteed, provided that the sending Party receives a confirmation of delivery from the delivery service provider.
- (b) A Party may change or supplement the addresses given above, or designate additional addresses, for the purposes of this Clause 11.7, by giving the other Parties written notice of the new address in the manner set forth above.

#### 11.8 Amendments; Waivers

Any term of this Agreement may be amended only with the written consent of each Party. Any term of this Agreement may be waived only with the written consent of the Party against whom such waiver is effective.

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#### 11.9 Delays or Omissions

- (a) No delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such Party, nor shall it be construed to be a waiver of any such breach or default, or of an acquiescence of such breach or default, or of any similar breach or default subsequently occurring; nor shall it be construed to be any waiver of any other breach or default whenever occurring.
- (b) Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.
- (c) All remedies, either under this Agreement or by Law or otherwise afforded to any Party to this Agreement, shall be cumulative and not alternative.

#### 11.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Facsimile and e-mailed copies of signatures in portable document format (PDF) shall be deemed to be originals for the purposes of the effectiveness of this Agreement.

#### 11.11 Severability

If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth in this Agreement, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall use their best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly reflects the Parties' intent in entering into this Agreement.

#### 11.12 Expenses

Each Party will bear its own Tax, legal, accounting and other costs and expenses incurred by such Party in connection with the negotiation, execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated by such documents.

11.13 Disclosure Schedule

The mere inclusion of an item in the Disclosure Schedule or the Investor Disclosure Letter as an exception to a representation, warranty or covenant shall not be deemed an acknowledgement that such matter or item is required to be disclosed in such Disclosure Schedule or Investor Disclosure Letter or is material to a representation or warranty set forth in this Agreement, and shall not be an admission by any Party that

such item represents a material exception or material fact, event or circumstance or that such item, along or together with any other item, has had or would reasonably be expected to have a Material Adverse Effect.

#### 11.14 Termination of this Agreement

- (a) **Right to Terminate Prior to the Closing** . This Agreement may be terminated as between the Company on the one hand and any Investor on the other hand, at any time prior to the Closing of such Investor:
- (i) by the mutual written consent of the Company and such Investor; or
  - (ii) by either the Company or such Investor if the Closing shall not have occurred by 5:00 p.m. on the Long Stop Date; provided, however, that neither the Company nor such Investor will be entitled to terminate this Agreement pursuant to this Clause 11.14(a)(ii) if the Company's (in case of termination by the Company) or such Investor's (in case of termination by the Investor) action or inaction has prevented the consummation of the Closing at or before such time.
- (b) **Right to terminate prior to each Tranching Investor Funding** . The provisions of this Agreement with respect to each Tranching Investor Funding may be terminated as between the Company on the one hand, and any Tranching Investor on the other hand, at any time prior to the completion of such Tranching Investor Funding:
- (i) by the mutual written consent of the Company and such Tranching Investor; or
  - (ii) by the Company in accordance with Clause 3.7 ( *Failure by a Tranching Investor to comply with its Tranching Investor Funding obligations* ).
- (c) Any termination of this Agreement as between the Company on the one hand and any Investor on the other hand shall not impact the continuing validity of this Agreement being in full force and effect as between the Company on the one hand and any other Investor on the other hand. Upon any termination of this Agreement under Clauses 11.14(a) and 11.14(b) above, this Agreement shall immediately from the date of such termination become wholly void and of no effect with respect to the applicable Parties and the applicable Parties shall be released from all future obligations under this Agreement, provided that:
- (i) if this Agreement is terminated in accordance with Clause 11.14(b) above:
    - (A) only the provisions relating to the relevant Tranching Investor Funding and each subsequent Tranching Investor Funding shall become wholly void and of no effect with respect to the Company and such Tranching Investor, and the remaining provisions of this Agreement shall remain effective and enforceable; and

- (B) all unpaid Series A Preferred Shares of such Tranching Investor shall immediately be forfeited in accordance with the terms of the Articles;
- (ii) nothing in this Agreement shall relieve any such Party from liability for any breach of this Agreement occurring prior to such termination or prevent any such Party from exercising any accrued rights or entitlements under this Agreement; and
- (iii) the provisions of Clause 9 ( *No Use of Name* ), Clause 10 ( *Confidentiality and Non-Disclosure* ) and this Clause 11 shall survive such termination of this Agreement.

\*\* REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK \*\*

IN WITNESS WHEREOF, the Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first above written.

[ *Signature pages to follow* ]

[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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For and on behalf of  
**Local Services Holding Limited**

By: /s/ Guangjie Hopton Yang  
Name: Guangjie Hopton Yang  
Title: Authorized Signatory

[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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For and on behalf of  
**Rajax Holding**

By: /s/ Guangjie Hopton Yang  
Name: Guangjie Hopton Yang  
Title: Authorized Signatory

[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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For and on behalf of  
**Koubei Holding Limited**

By: /s/ Joseph Chung Tsai  
Name: Joseph Chung Tsai  
Title: Director

*[ Project Ruby — Signature Page to Share Subscription Agreement ]*

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For and on behalf of  
**Ali KB Investment Holding Limited**

By: /s/ Guangjie Hopton Yang  
Name: Guangjie Hopton Yang  
Title: Authorized Signatory

[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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For and on behalf of  
**SVF Ruby (Singapore) Pte. Ltd.**

By: /s/ Mariko Tran \_\_\_\_\_  
Name: Mariko Tran  
Title: Alternate Director to Ayako Adachi

[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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† Confidential treatment requested.

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† Confidential treatment requested.

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† Confidential treatment requested.

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[ *Project Ruby — Signature Page to Share Subscription Agreement* ]

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† Confidential treatment requested.

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**Schedule 1**  
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**Exhibit 2**  
**Form of Articles**

**Exhibit 3**  
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**Exhibit 4**  
**Form of PRC Legal Opinion**

**Exhibit 5**  
**Form of Investor Disclosure Letter**

**Exhibit 6**  
**Form of Reorganization Agreement**

Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises

**Asset Management Contract  
of  
Huatai Securities Asset Management Single Asset Management Plan No. 6  
as Part of the Securities Industry's Support for the Development of Private-owned Enterprises**

**(Contract No.) CMBSZTGF2019019**

**Client: Alibaba (China) Technology Co., Ltd.**

**Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd.**

**Custodian: China Merchants Bank Co., Ltd. Suzhou Branch**

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## I. Preamble

In order to regulate the operation of the single asset management business, clarify the rights and obligations of the parties to a single asset management contract, this Contract is made by the client (the “Client”), the asset manager (the “Manager”) and the asset custodian (the “Custodian”) based on the principles of equality, voluntariness and good faith in accordance with the *Contract Law of the People’s Republic of China*, the *Securities Investment Fund Law of the People’s Republic of China*, the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* (the “Guiding Opinions”), the *Measures for the Administration of the Privately Offered Asset Management Business of Securities and Futures Operators* (the “Administrative Measures”), the *Provisions on the Administration of Operation of Privately Offered Asset Management Plans of Securities and Futures Operators* (the “Administrative Provisions”), the *Interim Provisions on the Administration of Operation of the Privately Offered Asset Management Business of Securities and Futures Operators* (the “Interim Provisions”) as well as other laws, administrative regulations and relevant rules of the China Securities Regulatory Commission (the “CSRC”).

This Asset Management Contract is entered into based on the principles of equality, voluntariness, good faith, and adequate protection of the legitimate rights and interests of the Parties hereto.

**The Client undertakes to participate in this Asset Management Plan in its real capacity and with its own legitimate funds, and warrants that the client funds come from sources in compliance with laws, administrative regulations and regulatory requirements, that the information and materials disclosed or provided by it are true, accurate and complete, that it does not participate in this Plan by pooling any funds from others in violation of laws or using non-owned funds raised through loans or issuance of bonds, and that it has fully read this Contract and the Instructions, and it understands relevant rights, obligations**

**and risks, and will bear investment risks and losses.**

The Client undertakes that it is aware of the provisions of the *Anti-money Laundering Law of the People's Republic of China*, the *Administrative Measures for Financial Institutions' Reporting of Suspicious Transactions Involving Terrorist Financing*, the *Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions*, the *Notice of the People's Bank of China on Strengthening Client Identification for Anti-money Laundering Purposes*, as well as other anti-money laundering laws and regulations, and it will strictly comply with such provisions, and not violate any of them; that the funds to be used for investment purposes are not from any income from illegal or criminal activities and the gains thereof; that it will produce true and valid identity card or other identification documents, actively perform anti-money laundering duties and provide cooperation for the identification of beneficial owners and investigation of tax-related information of financial accounts, and will not engage in money laundering or other illegal or criminal activities by way of the asset management business hereunder.

The Manager undertakes to manage and use the Client Assets by adhering to the principles of good faith, prudence and due diligence, but does not guarantee that the Client Assets will definitely generate profit, nor will it guarantee any minimum return.

The Custodian undertakes to perform custody responsibilities by adhering to the principles of good faith, prudence and due diligence and protect the safety of the Client Assets, but does not guarantee that there will be no loss of principal of the Client Assets or the Client Assets will generate any minimum return.

The Manager of this Asset Management Plan shall file with the Asset Management Association of China the establishment, change, renewal, termination and liquidation of this Asset Management Plan in accordance with laws and regulations, and report the same to the relevant local counterpart of the CSRC in accordance with relevant rules. The acceptance by the Asset Management Association of China of the filing of this Asset Management Plan will not release the Manager from its legal liabilities to truthfully, accurately, completely and promptly

disclose the product information of this Asset Management Plan in accordance with relevant rules, nor represent the Asset Management Association of China's guarantee and judgment as to the compliance, investment value and investment risks of this Asset Management Plan or indicate that investing in this Asset Management Plan involves no risks. Investors shall evaluate by themselves the investment risks associated with the products of this Asset Management Plan and bear possible losses arising from their investment activities.

## II. Definitions

Unless otherwise required in the context, the following terms in this Contract shall have meanings as below:

1. Client: Alibaba (China) Technology Co., Ltd.
2. Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd.
3. Custodian: China Merchants Bank Co., Ltd. Suzhou Branch
4. This Contract: the Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises (No.: CMBSZTGF2019019) and its appendices entered into by the Client, the Manager and the Custodian (hereinafter collectively referred to as the "Single Asset Management Contract"), as well as any valid amendments to such contract and its appendices.
5. Client Assets: the RMB-denominated cash assets and the gains and losses thereof as the subject matter of this Contract, of which the Client has ownership or legal right of disposition, and which are managed by the Manager as mandated by the Client and held in custody by the Custodian.
6. Custody Account: the bank account opened by the Custodian for the Client Assets in accordance with relevant rules for the exclusive purpose of safekeeping of the Client Assets and clearing and settlement, which shall

serve as the sole account corresponding to the ledgers of the Securities Fund Account of the Client, with the corresponding relationship to be established with the Securities Fund Account in relation to third-party depository services by executing a tripartite agreement on third-party depository services.

7. Current Laws: the laws, regulations and rules of the PRC, as well as mandatory rules of any governmental authority, judicial authority or stock exchange of competent jurisdiction, in each case currently in effect.
8. Day: any calendar day during the term of this Plan.
9. Working Day: any trading day at the Shanghai Stock Exchange or Shenzhen Stock Exchange.
10. Share of Client Assets: RMB1.00 as a share of the Client Assets, with the unit of share to be accurate to 0.01 share.
11. Net Value of Client Assets: the total value of the Client Assets minus liabilities.
12. Unit Net Value of Client Assets: the ratio of the Net Value of the Client Assets to the Shares of the Client Assets. The Unit Net Value of Client Assets shall be accurate to RMB0.0001 and rounded to five decimal places.
13. Special Securities Account: the special securities account opened by the Manager for the Client Assets with the Shanghai or Shenzhen branch of China Securities Depository and Clearing Corporation Limited (“CSDC”) in accordance with the Administrative Measures and the Implementation Rules.
14. Securities Transaction Settlement Fund Account (the “Securities Fund Account”): the securities fund account opened by the Manager with the securities company for the exclusive purpose of securities transactions by using the Client Assets, with any fund transfer from or to such account to be made by way of bank-securities account transfer as instructed by the Manager.
15. Securities Company Settlement Mode: the completion of fund settlement for all securities transactions of the Client, including the single asset

management of the securities company, through the client settlement reserve account opened by the securities company with CSDC.

### III. Representations and Undertakings

#### (I) Representations and Warranties of the Client

1. The Client has the legal qualification for participating in the single asset management business, and is not prohibited or restricted from participating in the single asset management business under laws, administrative regulations and relevant rules of the CSRC;
2. The Client warrants that it will participate in the single asset management business in its real capacity, that all information and materials provided by it to the Manager and the Custodian are true, accurate, complete and lawful, and that in the case of any material change of such information and materials, it will promptly inform the Manager and the Custodian thereof in writing;
3. The Client warrants that the Client Assets are its self-owned funds, from legitimate sources and used for legitimate purposes;
4. The Client undertakes that it will comply with the *Anti-money Laundering Law of the People's Republic of China* and other anti-money laundering laws and regulations, and that the funds to be used for the purpose of its participation in the single asset management business are not from any income from illegal or criminal activities and the gains thereof. In order to carry out such business, the Client undertakes to produce true and valid identity card or other identification documents, actively cooperate with the Custodian to perform anti-money laundering duties, and provide cooperation for the identification of information of beneficial owners, and not to engage in money laundering or other illegal or criminal activities by way of such business;
5. The Client's execution and performance of this Contract represent its true intentions, have been legally and validly authorized in accordance with its articles of

association or other internal governance documents, and will not violate any contract or other legal document binding upon it; the Client has obtained all relevant approvals, licenses, filings or registrations necessary for the execution and performance of this Contract;

6. The Client has carefully listened to the detailed explanations given by the special personnel designated by the Manager of relevant business rules and this Contract, fully understood this Contract, clearly knows the market risks, management risks, liquidity risks and other risks involved in any investment of the Client Assets as well as the characteristics of portfolio risks and returns, executed the risk disclosure prepared by the Manager and undertaken to bear risks and losses on its own;

7. The Client acknowledges that the Manager and the Custodian do not make any undertaking or provide any guarantee as to the returns on the Client Assets;

8. The Client is not a director, supervisor or practitioner of the Manager or the spouse thereof;

9. The Client designates the Securities Company Settlement Mode to be adopted for the conduct of the single asset management business with the Manager and the Custodian. Upon receipt of sufficient reminder from the Custodian, the Client has been informed and acknowledged that:

In the case of adoption of the Securities Company Settlement Mode for the conduct of the special asset management business, the fund settlement in respect of investment of the Client Assets in securities market shall be handled by the Manager by means of the Securities Company Settlement Mode, the securities transaction settlement fund (security deposit) of the Client shall not be kept in the Custody Account, and its securities assets in custody shall be deposited in the Special Securities Account of the Client and used by the Manager. The Custodian shall only be responsible for safekeeping of the cash assets in the Custody Account and fund settlement in the name of the Custody Account. The safekeeping responsibilities of the Custodian shall not include the safekeeping of the securities transaction settlement funds and securities assets of the Client. The Custodian shall not be liable for any loss of the Client Assets arising from improper safekeeping by the Manager of the

securities transaction settlement funds or securities assets of the Client.

Since the securities transaction settlement funds of the Client is under the control of the Manager, and the Manager is responsible for safekeeping of the same by means of the Securities Company Settlement Mode, the Custodian shall not be liable for any misappropriation by the Manager of the securities transaction settlement funds of the Client.

Except for the Securities Transaction Settlement Fund Account, the Manager shall not open any separate securities transaction settlement fund account for this Asset Management Plan, and the sole third-party depository relationship shall be established between such account and the Custodian Account.

Under the Securities Company Settlement Mode, in the case of investment in securities transactions and collection and payment of securities transaction settlement funds by the Manager, the Custodian may only check such investment, collection and payment through the data sent by the Manager to the Custodian after the completion thereof, therefore the Custodian's supervision of investment activities of the Manager is ex-post in nature. If the data sent by the Manager to the Custodian is not consistent with that of the real transactions, the Custodian will not identify any investment by the Manager in violation of regulations during its ex-post supervision. The Custodian shall be released from any liability for the non-fulfilment of its ex-post supervision responsibilities as a result of the untruthfulness of the data sent by the Manager.

10. The Client acknowledges that in the case of termination of this Plan (including expiration or early termination), the Client Assets might be unable to be realized in full, in which case the Client shall have the right to request the Manager to refund the Client Assets on an "as is" basis after deduction of costs and liabilities required to be borne by the Client Assets; the Client may also opt to extend the management period until the completion of liquidation of all assets, and the Manager will realize the Client Assets immediately after the non-cash assets are realizable.

If the Client requests the Manager to refund the Client Assets on an "as is" basis, the Manager shall refund the Client Assets to the Client on an "as is" basis, i.e.

delivering the non-cash assets to the Client, or assist the Client to issue a written notice of transfer of contractual rights or property rights and interests, and the Manager shall assist with the relevant property transfer formalities upon the request of the Client.

If the Manager conducts a secondary round or more rounds of clearing of the securities which fail to be liquidated, relevant clearing plan shall be formulated and submitted to the Client and the Custodian for approval. The Manager shall, pursuant to the plan, conduct a secondary round of clearing of such securities after they become liquidated, and distribute the realized assets to the Client in a monetary form after deduction of relevant taxes and fees.

#### (II) Representations and Undertakings of the Manager

1. The Manager is a securities business operator duly established and approved by the CSRC, with the qualification for engaging in the client asset management business;
2. The Manager warrants that it will comply with laws, administrative regulations and relevant rules of the CSRC, and abide by the principles of equality and fairness; that it will adhere to fair trading practices, avoid conflict of interest, prohibit tunneling of interests and protect the legitimate rights and interests of the Client;
3. The Manager has been aware of the identity of the Client and sources of the Client Assets in accordance with relevant rules, designated special personnel to disclose its business qualifications and explain relevant business rules and the content of this Contract to the Client, reminded the Client to read and execute the risk disclosure, and fully assessed the financial conditions of the Client by understanding the Client's risk appetite, risk awareness and tolerance;
4. The Manager warrants that the materials and information provided by it are true, accurate, complete and lawful;
5. The Manager represents that it does not make any undertaking in any manner that the Client will not suffer principal loss, or will receive minimum return;
6. If any of the Manager's shareholders or other natural person, legal person or

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organization affiliated with the Manager becomes a client of the single asset management business of the Manager, the Manager shall monitor the accounts of such client in accordance with its relevant internal rules, and keep its identity, contract number, net value of client assets, management period, cumulative rate of return and other information on a centralized basis;

7. The Manager's execution and performance of this Contract represent its true intentions, have been legally and validly authorized in accordance with its articles of association or other internal governance documents, and will not violate any contract or other legal document binding upon it; the Manager has obtained all relevant approvals, licenses, filings or registrations necessary for the execution and performance of this Contract;

8. The Manager represents that it will not engage in any illegal or unfair transactions or tunneling of interests, use of nonpublic information for trading purpose, insider trading, market manipulation, money laundering, commercial bribery or impairment of legitimate rights and interests of any third party by way of this Plan, and will not invest the funds under this Plan, directly or indirectly, in any project in violation of national industry policies or environmental protection policies (other than investment in securities market), including, without limitation: (a) any investment project listed in the catalogue of eliminated industries newly issued by the National Development and Reform Commission; (b) any investment project in violation of the requirements of national environmental protection policies; (c) upon looking-through inspection, any of the foregoing investment projects becoming the ultimate investment target of this Plan.

#### (III) Representations and Warranties of the Custodian

1. The Custodian has the legal qualification for engaging in the asset custody business;
2. The Custodian undertakes to perform responsibilities such as safekeeping of the Client Assets of the Client, handling of collection and payment of funds and supervision of investments by the Manager in good faith, prudently and diligently;
3. The Custodian warrants that the financial data and reports provided by it

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hereunder are true, accurate, complete and lawful. If such data or report is prepared in reliance upon any data from the Manager, the Client or a third party, the Custodian warrants that such preparation is complete, true and lawful, without any material omission or misleading information.

#### **IV. Parties and Their Rights and Obligations**

##### **(I) Client**

Company Name: Alibaba (China) Technology Co., Ltd.  
Domicile: 5/F, Building 3, 969 West Wen Yi Road, Yu Hang District, Hangzhou, Zhejiang  
Postal Code: 311121  
Legal Representative: DAI Shan  
Telephone: \*

##### **1. Rights of the Client**

- (1) To deliver the Client Assets and receive the returns on the Client Assets and any assets remaining after liquidation, including, without limitation, interest and investment returns, in accordance with this Contract;
- (2) To make inquiries about the asset allocation, risk conditions, risk management, value change, trading records and other information relating to the Client Assets, and supervise the management and custody of the Client Assets;
- (3) To receive business reports from the Manager relating to single asset management and business reports from the Custodian relating to asset custody at such time and in such manner as specified in this Contract;
- (4) The Client hereby acknowledges that the Manager shall have the right to exercise the rights in the securities held under the Asset Management Plan;
- (5) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

##### **2. Obligations of the Client**

- (1) To promptly inform the Manager and the Custodian in the case of any change to any material or information provided by it to the Manager or the Custodian;
- (2) To deliver the Client Assets to the Manager and the Custodian promptly and in full;
- (3) To assist the Manager with the completion of opening, use, conversion and cancellation of the Special Securities Account, and not to lease, lend, transfer or otherwise offer for use by others the Special Securities Account;
- (4) To authorize and assist the Custodian to complete the opening, use, conversion and cancellation of the Custody Account, and not to transfer or pledge, lease, lend or otherwise offer for use by others such account and the Client Assets; not to change the specimen seal for the Custody Account, cancel the account, transfer the funds in, or withdraw cash from, the account or change the password for bank-securities account transfer without authorization;
- (5) To bear relevant taxes and fees, pay carried interest (if any) and other costs payable as a result of the operation of the Client Assets in accordance with laws, administrative regulations, rules of the CSRC and this Contract;
- (6) To promptly, completely and accurately inform the Manager of its investment objectives, investment appetite, investment restrictions, risk tolerance and other basic information, keep trade secrets, and not to divulge the investment plans and investment focus of the Client Assets;
- (7) In the case of any investment by the Manager approved by the Client, if the results of investment operation of the Client Assets cannot meet the expected objectives, the Client undertakes to bear the loss from non-recoverability of the Client Assets upon maturity;
- (8) To bear the investment risks of the Client Assets on its own; if any investment-related obligor, including payment obligor or guarantor, fails to make prompt payment as agreed, commit any other breach or any risk event occurs on its part, the Manager may submit to the Client a proposal for handling of such failure, breach or risk event, and the Client shall provide explicit feedback to the Manager in writing. After the Client has given its feedback and confirmed a specific plan for

handling of the same, the Manager shall act in accordance with such plan. All risks, costs, losses and consequences arising from such handling shall be borne by the Client Assets and the Client. If the Client Assets are insufficient to cover the costs of such handling, the Manager shall have the right to implement the plan after the Client delivers additional Client Assets or the Client Assets become sufficient to cover relevant costs;

(9) To facilitate prompt transfer, the Client shall transfer to the Custody Account the full amount of the Client Assets by 12:00 on the date of transfer, otherwise any loss resulting from delayed transfer shall be borne by the Client, and the Manager shall not be liable therefor;

(10) To promptly perform announcement, reporting, tender offer or other obligations provided for in laws, administrative regulations and the rules of the CSRC if it falls under any circumstances requiring the performance of such obligations;

(11) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

(II) Manager

Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Domicile: 21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone

Business Address: Huatai Securities Building, 228 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu

Postal Code: 210000

Legal Representative: CUI Chun

Corporate Form: Limited liability company

Registered Capital: RMB2,600,000,000

Term of Operation: Continuous operation

Contact Person: \*

Telephone: \*

1. Rights of the Manager

(1) To carry out investment operation and management of the Client Assets in accordance with this Contract as of the date of effectiveness of this Contract;

- (2) To receive carried interest (if any) and other fees in accordance with this Contract;
- (3) To request the Client to provide information and materials relating to its identity, financial and income conditions, securities investment experience, and risk awareness and tolerance and investment appetite;
- (4) To supervise the Custodian in accordance with this Contract and other relevant rules, take prompt measures to halt any violation by the Custodian of this Contract, laws or regulations which has resulted in material loss to the Client Assets and the interests of other relevant parties, and also notify the Client and report to the CSRC and the Asset Management Association of China;
- (5) The Client has acknowledged herein that the Manager shall have the right to exercise the rights in the securities held under the Asset Management Plan;
- (6) If the Manager identifies any funds of the Client from a source in violation of relevant anti-money laundering rules of the People's Bank of China, the Manager shall have the right to refuse to provide services to the Client and opt to terminate this Contract;
- (7) If the Client loses its qualification or is otherwise unable to exercise its rights and perform its obligations hereunder due to suspension of business, dissolution, cancellation, bankruptcy or otherwise, the Client hereby irrevocably authorizes the Manager to manage and dispose of the Client Assets pursuant to the principle of due diligence;
- (8) In the case of termination upon maturity or early termination of all assets invested in under this Plan, the Client shall have the right to request the Manager to terminate this Plan early;
- (9) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

## 2. Obligations of the Manager

- (1) To be responsible for safekeeping the securities assets in the Client Assets and the funds in the Securities Fund Account;
- (2) To ensure that this Asset Management Plan complies with laws, regulations

and regulatory rules, and be responsible for completing the filing of this Contract and other formalities required by regulatory authorities;

- (3) To open, use, cancel and convert the Special Securities Account for the Client Assets and open, use and cancel any account for trading of non-stock-exchange traded products on behalf of the Client in accordance with relevant rules;
- (4) To manage and utilize the Client Assets on its own initiative in good faith, prudently and diligently as of the date of effectiveness of this Contract; the Manager shall be responsible for careful selection of investment targets, formulation of investment strategies, and due diligence on investment targets;
- (5) To put in place sufficient personnel with professional capabilities to carry out investment analysis and decision making, and manage and operate the Client Assets in a professional operation manner;
- (6) To complete the clearing of the Client Assets on the stock exchange, and deliver to the Custodian the data and fund reconciliation statement relating to the Client Assets;
- (7) To establish business ledgers for each client, conduct accounting in accordance with the *Guidelines on the Accounting of Securities Investment Funds* , conduct regular reconciliation with the Custodian, and promptly and accurately complete the clearing and settlement of the Client Assets;
- (8) To provide the Client with reconciliation statements, management reports and other materials at such time and in such manner as specified in this Contract, specifying the allocation, risk exposure, risk management, value change, trading record and other information of the Client Assets during the reporting period;
- (9) To inform the Client ahead of, or as soon as practicable after, the occurrence of any material matter that may affect the interests of the Client;
- (10) To provide the Client with the service of inquiry about the operation of the Client Assets at such time and in such manner as specified in this Contract;
- (11) To establish sound internal risk control, supervision and audit, financial management, personnel management and other systems, ensure the segregation of the Client Assets managed by it and its own assets and the segregation of the client assets

of different clients, and carry out separate management, book keeping and investment for different property managed by it;

(12) Not to use the Client Assets for the purpose of seeking benefits for the Manager and any third party except in compliance with laws, this Contract and other relevant rules, and not to engage a third person to operate the Client Assets without the prior written consent of the Client;

(13) To be subject to the supervision by the Client and the Custodian in accordance with laws, regulations and this Contract;

(14) To prepare investment reports in accordance with the Guiding Opinions, the Administrative Measures, the Administrative Provisions and this Contract to specify the investment operation of the Client Assets during the reporting period;

(15) To keep trade secrets, and not to divulge the investment plans and investment focus of the Client Assets;

(16) To keep all accounting materials relating to the management of the Client Assets, contracts for single asset management activities, information of the Client, trading records and other documents, materials and data in accordance with laws and regulations;

(17) To fairly treat different properties managed by it and not to engage in any activities detrimental to the Client Assets and the interests of other relevant parties;

(18) To promptly refund to the Client the assets remaining after the liquidation of the Client Assets or the Client Assets on an “as is” basis upon termination of this Contract;

(19) To provide the information and materials of the Client upon the request of the Custodian, including, without limitation, information on sources and purposes of the funds and materials supporting that the Client is a qualified investor, and ensure that the information and materials so provided are true, accurate, complete and lawful, without any material omission or misleading information, and ensure that the information and materials of the Client satisfy the requirements of the Custodian;

(20) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

(III) Custodian

Name: China Merchants Bank Co., Ltd. Suzhou Branch

Business Address: China Merchants Bank Building, 36 Wansheng Street, Suzhou Industrial Park

Person-in-charge:

Telephone:

1. Rights of the Custodian

- (1) To conduct custody of the cash in the Custody Account of the Client;
- (2) To receive asset custody fees in time and in full as agreed in this Contract, provide services and receive custody fees in accordance with this Contract and supplementary agreements;
- (3) To supervise the operation of investment of the Client Assets by the Manager in accordance with this Contract, laws and regulations, and request the Manager to rectify any investment by the Manager in violation of this Contract or relevant laws and regulations immediately after it becomes aware of the same; if the Manager fails to make rectification or such investment results in the loss of the Client Assets of the Client, the Custodian shall promptly report to relevant regulatory authorities;
- (4) To promptly obtain data and fund reconciliation statements relating to the Client Assets from the Manager;
- (5) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

2. Obligations of the Custodian

- (1) To conduct custody of the cash of the Client in the Custody Account, safe-keep the Client Assets and complete the collection and payment of funds in accordance with this Contract, and not to use or dispose of the Client Assets without authorization except in compliance with laws, administrative regulations, relevant rules of the CSRC or this Contract, provided that the Custodian shall not be responsible for safekeeping other assets in any account beyond the actual control of the Custodian;
- (2) To take appropriate and reasonable measures to supervise the investment

activities of the Manager in accordance with laws, regulations and this Contract, and request the Manager to rectify any violation by the Manager of laws, administrative regulations, other relevant rules and this Contract immediately after it becomes aware of such violation; if the Manager fails to make rectification or such violation results in the loss of the Client Assets of the Client, the Manager shall have the right to report to regulatory authorities;

(3) To establish a special asset custody department with premises satisfying relevant requirements and sufficient, qualified and dedicated personnel familiar with the asset custody business to be responsible for the custody of the Client Assets;

(4) To open the Custody Account for the Client Assets in accordance with relevant rules, set up separate accounts for different properties held in custody by it and ensure the integrity and independence of the Custody Account;

(5) To promptly complete the transfer of funds pursuant to the fund transfer instructions of the Manager in accordance with this Contract; regularly check the assets of the asset management business; establish the mechanism of reconciliation with the Manager; review and examine the net value of the assets under the Asset Management Plan and participation or exit price of the Asset Management Plan as calculated by the Manager;

(6) To properly keep contracts, agreements, trading records, accounting books and other documents, materials and data relating to the custody business for this Plan for at least twenty years from the date of termination of the Asset Management Plan;

(7) To provide the Client with service of inquiry about the operation of the Client Assets at such time and in such manner as specified in this Contract;

(8) To prepare the annual custody report for the Client Assets and review information disclosure relating to the custody business for the Asset Management Plan upon the request of the Manager;

(9) Not to use the Client Assets for the purpose of seeking benefits for the Custodian and any third person except in compliance with laws, this Contract and other relevant rules, and not to engage a third person to conduct custody of the Client Assets without the prior written consent of the Client;

(10) To fairly treat different properties held in custody by it and not to engage in any activities detrimental to the Client Assets and the interests of other relevant parties;

(11) To issue review opinions on the annual report of the Asset Management Plan;

(12) To assume confidentiality responsibilities in respect of the investment information and relevant materials of the Asset Management Plan and not to provide relevant information and materials to any entity or person except in accordance with laws, administrative regulations, rules, audit requirements or contracts;

(13) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

## V. Client Assets

(I) Types, Amount, Date of Delivery, Method of Delivery, Management Period, Risk and Return Characteristics and Suitable Target Buyers of the Client Assets

### 1. Client Assets of the Client

This Plan shall be operated in a closed-end mode as of the date of start of operation of the Client Assets, and the Client shall pay the Client Assets in a lump sum, i.e. at least RMB2,200,000,000, by March 22, 2019. The specific amount to be paid shall be set forth in the Notice of Payment of Initial Client Assets in the form attached hereto as Appendix 1.

### 2. Time and Method of Delivery

The Client shall promptly transfer the initial Client Assets (cash) in full to the Custody Account opened by the Custodian for the Client Assets.

### 3. Management Period

After the Client has transferred the initial Client Assets to the Custody Account, the Manager shall send the Notice of Payment of Initial Client Assets by fax or email to the Client (email: \_\_\_\_\_; fax: \_\_\_\_\_; telephone: \_\_\_\_\_) and the Custodian (email: \_\_\_\_\_; fax: \_\_\_\_\_).

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). The Client and the Custodian shall send to the Manager an acknowledgement of receipt on the same day of their receipt of such notice. The date of establishment of this Plan shall be specified in the Notice of Payment of Initial Client Assets and confirmed in such receipts.

Management Period: The management period of this Plan shall be ten years commencing from the date of establishment of this Plan. This Plan may be terminated early upon the request of the Client; this Plan may be extended by mutual agreement of the Parties.

Upon maturity or early termination of all assets invested in under this Plan, the Client shall have the right to request the Manager to terminate this Plan. If this Contract shall be terminated upon occurrence of any circumstance provided for in laws, regulations or this Contract, the Client, the Manager and the Custodian may also terminate this Contract through consultation in writing.

### 4. Risk and Return Characteristics and Suitable Target Buyers of this Plan

This Plan involves a high level of risks, suitable for aggressive ordinary investors and professional investors as indicated in risk assessment results.

Except as stated above, the Client may not invest non-owned funds raised through loans or issuance of bonds in asset management products.

In the case of issuance of any new provisions of laws, regulations or regulatory authorities regarding qualified investors in future, such new provisions shall apply to this Plan.

(II) Safekeeping, Management and Disposition of the Client Assets

1. The Client Assets shall be independent of the owned property and other client property of the Manager and the Custodian, and kept by the Custodian. The Manager and the Custodian shall not include the Client Assets into their own property or co-mingle them with other client property. The Manager and the Custodian shall ensure the integrity and independence of the Client Assets within the scope of their respective responsibilities.

2. Any property and gains obtained by the Manager as a result from the management, use or other disposition of the Client Assets shall be included in the

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Client Assets.

3. The Manager and the Custodian may charge management fees, carried interest (if any), custody fees and other fees specified herein in accordance with this Contract.
4. If the Manager or the Custodian is liquidated due to dissolution, cancellation or declaration of its bankruptcy in accordance with law, the Client Assets shall not be included as part of its liquidation property.
5. In the case of pledge of the Client Assets, the Custodian shall notify the Manager immediately and no later than the same day when it becomes aware of creation of such pledge.
6. If a competent authority freezes, forces the transfer of or take other compulsory measures against the Client Assets, the Custodian shall inform the Manager and the Client promptly after it becomes aware thereof, subject to compliance with laws, regulations or confidentiality requirements of the competent authority.
7. The original evidence of trading records resulting from the Manager's operation of the Client Assets through an account shall be kept by the Manager, and the Custodian shall keep the photocopies of such record evidence provided by the Manager or other relevant entities.

(III) Opening and Management of Accounts Relating to the Custody Accounts

1. The account from which the Client transfers the Client Assets or additional Client Assets and the account into which the Client withdraws and transfers the Client Assets must be the same account opened in the name of the Client (the "Client Account"). If such accounts are not the same account under any special circumstance, the Client shall issue a written statement in compliance with relevant laws and regulations. The details of the Client Account are as follows:

Account Name: Alibaba (China) Technology Co., Ltd.

Account No.:

Bank:

CNAPS Code:

2. Other Accounts:

(1) Custody Account

The Custody Account shall be the bank account opened by the Custodian for the Client Assets for the exclusive purpose of clearing and settlement. The Client and the Manager shall provide necessary cooperation and required materials during the opening of the account. The name of the Custody Account shall be “Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry’s Support for the Development of Private-owned Enterprises”, with the specific name to be the same as that of the account actually opened and the specimen seal to be the seal of the Custodian. The date of payment to be made from the Custody Account shall be determined by the bank with which such account is opened in accordance with the specific requirements of the *Measures for the Administration of RMB Bank Settlement Accounts of the People’s Republic of China*. The Client and the Manager shall warrant the truthfulness and validity of materials provided for the purpose of account opening, and in the case of any modification of relevant materials, provide the modified materials to the Custodian. The interest accrued on the Custody Account shall belong to this Plan.

During the management period, the funds in the Custody Account of the Client Assets shall only be transferred and used in accordance with this Contract. Except with the written consent of the Manager and the Custodian, or unless provided for in this Contract, the Client shall not change the specimen seal for the Custody Account, cancel the Custody Account, or transfer the funds in or withdraw cash from the Custody Account without authorization and in violation of this Contract. The Manager and the Custodian shall not be liable for any loss arising from any violation by the Client of the foregoing provisions.

The Client agrees that the Custodian shall be solely responsible for managing and using this account, and that, after the establishment of the bank-securities account transfer relationship with the Securities Fund Account as required by the Custodian, the Client shall inform the Custodian in writing of the password for bank-securities account transfer in order for the Custodian to complete, pursuant to the instructions of

the Manager, fund transfer between this account and the Securities Fund Account, delivery of the Client Assets, transfer of funds of over-the-counter trading, payment of management fees, custody fees, carried interest of the Manager and other reasonable fees, payment of the Client Assets remaining upon maturity and other compliant fund transfers. The Custodian shall be responsible for safekeeping the written authorizations and documentary evidence necessary for account management, and using such documents within the scope of management of the Client Assets.

Upon the opening of the Custody Account of the Client Assets and the Securities Fund Account, the sole corresponding third-party depository relationship shall be established based on the Securities Company Settlement Mode. Such relationship may not be changed once established, and if required to be changed, a new corresponding relationship shall be established based on the Securities Company Settlement Mode upon initiation by the Client and written confirmation by the Manager and the Custodian. The Client and the Manager undertake that the Securities Fund Account shall be the master fund account, and no ancillary fund account shall be opened; no bank accounts other than the Custody Account shall be separately opened for the Securities Fund Account. The details of the Custody Account are as follows:

Account Name: Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises

Account No.:

Bank:

CNAPS Code:

(2) Securities Transaction Fund Account

The Manager shall be responsible for opening the Securities Transaction Fund Account, which account shall be solely used for clearing of funds for the trading of the Client Assets on the Shanghai Stock Exchange and the Shenzhen Stock Exchange; an exclusive corresponding relationship shall be established between this account and the Custody Account, with the latter to be the payee account, and shall not be changed

unless with the written consent of the Custodian; the password for withdrawal of funds from the Securities Transaction Fund Account shall be handed over by the Manager to the Custodian for use by the latter; any fund transfer between the Securities Transaction Fund Account and the Custody Account shall only be completed through a third-party depository platform.

(3) Opening and Management of Time Deposit (Including Negotiated Deposit) Account (if any)

The specimen seal for the account of time deposit (including negotiated deposit) shall be the same as that for the Custody Account. The negotiated deposit or time deposit agreement shall explicitly set forth that the deposit principal and interest shall be transferred back to the Custody Account when they fall due, and the negotiated deposit or time deposit agreement shall be reviewed by the Custodian. The original deposit certificate shall be kept by the Custodian. The procedures for handling time deposit (including negotiated deposit) shall be as set forth in the negotiated deposit or time deposit agreement. Such agreement must contain the following express terms: 'deposit certificate shall not be pledged, or mortgaged in any way, nor shall it be transferred or endorsed; all amounts repaid at maturity of principal and interest or withdrawn early must be transferred to the special custody account (account name, bank and account number shall be specified), and not be transferred to any other account'. If no such terms are reflected in the time deposit agreement, the Custodian shall have the right to refuse to execute any transfer instruction relating to investment of time deposit.

(4) Opening of Inter-bank Market Account (if any)

If the Client Assets are directly used for trading and settlement of bonds, the Manager and the Custodian shall apply to National Interbank Funding Center ("NIBFC") and China Central Depository & Clearing Co., Ltd. ("CCDC") or Inter-bank Market Clearing House Co., Ltd. ("Shanghai Clearing House") respectively for completion of bond trading networking formalities and opening of a bond custody account on behalf of the Client Assets. The Manager shall be responsible for bond trading on inter-bank markets, and the Custodian shall be

responsible for inter-bank bond delivery and fund transfer.

The Client Assets may also be used for trading and settlement of bonds through a settlement agent. The Manager shall enter into a bond settlement agent agreement with the Custodian and the settlement agent, whereby the settlement agent shall apply to CCDC for opening of a bond custody account and be responsible for trading of the Client Assets and delivery of bonds as mandated by the Manager, and the Custodian shall be responsible for fund transfer.

(5) Special Fund Account (if any)

If the Client Assets are used to subscribe for monetary funds or bond funds, the Manager shall open a special fund account to carry out investment of the Client Assets in funds. If the Manager opens a special fund account for the Client Assets, it shall designate the Custody Account to be the account designated for collection and payment of trading funds in the subscription and redemption of monetary funds and bond funds. Unless there is any change to the Custody Account and the prior consent of the Custodian is obtained, the Manager shall not change the designated account for collection and payment of transaction funds for the purpose of fund investment.

(6) Special Securities Account (if any)

The Manager shall be responsible for opening the Special Securities Account within five Working Days from the establishment of the Single Asset Management Plan for the purpose of buying or selling the trading products of a stock exchange. The name of the securities account or futures account of the Single Asset Management Plan shall be “manager name-investor name-name of asset management plan” (with the specific account name to be the same as the actual name).

The Special Securities Account shall only be used for the purpose of the single asset management business and by the Manager, and no transfer or re-designation of custody shall be carried out in respect of such account, unless otherwise required by the CSRC. The Client and the Manager shall not lease, lend or transfer the Special Securities Account or otherwise offer it for use by others.

The Manager shall file the Special Securities Account with the appropriate stock

exchange within three Working Days from the opening of such account.

(9) Other Accounts Required for Asset Transaction, Settlement and Custody

Any other account required for the trading, settlement and custody of the Client Assets shall be opened in accordance with relevant laws and regulations, this Contract or market practices.

(10) Filing and Management of Accounts

The Manager and the Custodian shall file with the Client the photocopies of return receipts for the opening of all accounts opened for the purpose of implementation of this Asset Management Plan, including, without limitation, the securities account, the Custody Account, and the fund account, within three Working Days from the opening of such accounts.

The names of all accounts opened for the purpose of implementation of this Asset Management Plan shall at least include the name of the Client. If the system of the account opening institution does not support the use of such name or any latest rules are released by regulatory authorities, the account name supported by such system or approved in accordance with such latest rules shall prevail.

For all transactions carried out for the purpose of implementation of this Asset Management Plan, the account from which funds are transferred shall be the same account into which inbound payments are transferred.

The Client shall have the right to request to inspect the original trading information of all accounts (including, without limitation, the securities account, the Custody Account and the fund account), except for trading passwords, such as return receipts for account opening, trading logs and original evidence of trading records, and the Manager and the Custodian shall provide cooperation in order for such requests of the Client to be satisfied.

(IV) Payment of the Client Assets in Installments

The Client Assets under this Single Asset Management Plan shall be paid in a lump sum, instead of in installments.

(V) Withdrawal of Shares of the Client Assets

This Single Asset Management Plan shall be operated in a closed-end mode, and

no application for withdrawal of any share of the Client Assets shall be accepted except in the case of liquidation distribution as a result of termination or other circumstances.

(VI) Period and Method of Liquidation and Refund of Assets upon Expiration of the Management Period

1. The Manager shall begin to organize the liquidation of the Client Assets under this Plan, and prepare and submit to the Client and the Custodian a report of liquidation of the Client Assets within five Working Days from the date of occurrence of termination event of this Plan. The Client and the Custodian shall give a written confirmation within five Working Days from receipt of the report of liquidation of the Client Assets if they have no objection thereto. If they have any objection, they shall raise such objection in writing within five Working Days from receipt of the report of liquidation of the Client Assets. If both the Client and the Custodian have no objection to the report of liquidation of the Client Assets, the Custodian and the Manager shall be released from their responsibilities with respect to the matters listed in the liquidation report. The Manager shall file the liquidation results with the Asset Management Association of China and report to the local counterpart of the CSRC within five Working Days from the completion of liquidation of this Plan.

2. The Manager shall realize the Client Assets in whole by the date of liquidation, and complete the handover of the Client Assets within three Working Days upon confirmation by the Client and the Custodian of the liquidation report by handing over the Client Assets to the Client after deduction of single asset management fees as agreed hereunder. If there are any unrealizable non-cash assets in the Client Assets, the Client shall have the right to request the Manager to refund such assets on an “as is” basis after deduction of costs and liabilities required to be borne by the Client Assets; the Client may also opt to extend the management period until the completion of realization of all the assets, and the Manager will realize all the non-cash assets immediately after they become realizable.

3. From the date of liquidation of the Client Assets to the date of handover of such assets, the Custodian shall continue to perform the custody responsibilities

specified in this Contract. During such custody period, no Party shall use such property. Any gains generated during the custody period shall belong to the Client Assets, and custody fees incurred shall be borne by the Client Assets held in custody. The collection of custody fees during such custody period shall be separately determined by the Custodian and the Client through consultation. If the Client Assets cannot be transferred due to any reason attributable to the Client, the Custodian and the Manager may handle the issue in accordance with relevant laws and regulations after consultation.

(VII) Liquidation of Part of Assets upon Expiration

If during the term of this Asset Management Plan, part of any non-standard assets invested in by such plan become mature or terminated or the Client exits from part of any such assets, the Manager may, upon the request of the Client, liquidate such part of non-standard assets, and distribute them to the Client in the form of monetary fund, provided that no early exit or disguised early exit by the Client from this Asset Management Plan is allowed. The Manager shall distribute to the Client the realized assets under the Asset Management Plan remaining after liquidation, net of relevant liquidation fees, taxes and other liabilities. During the liquidation period, the Manager may conduct liquidation for several times according to liquidation arrangement and investor service requirements.

If it is otherwise provided for in relevant laws, regulations or required by the regulatory authorities, such laws, regulations or requirements shall prevail.

**VI. Investment Policies and Changes**

(I) Product Type and Investment Objectives

This Product is a fixed-income single asset management plan.

This Plan is specially used to help promising listed companies to solve the difficulty of financing, better serve the real economy and support the high-quality development of the private-owned economy.

## (II) Investment Scope and Proportion

### 1. Investment Scope

(1) Stock-pledged repurchase transactions (as the lender), in which the underlying securities of the borrower are those of STO Express (002468.SZ). The Custodian shall not monitor the matters relating to the lender and the borrower.

The Client agrees and authorizes the Manager to participate in repurchase transactions in which the stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are pledged. When the Client agrees and authorizes the Manager to participate in repurchase transactions in which the stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are pledged: the Manager shall examine the qualifications of the borrower and execute the Stock-pledged Repurchase Transaction Business Agreement and relevant transaction agreements and documents (collectively, the "Transaction Documents") with the borrower and Huatai Securities Co., Ltd. on behalf this Plan; the Manager shall perform all provisions under relevant Transaction Documents entered into in connection with the stock-pledged repurchase business on behalf of the Client; the Manager shall be registered as the pledgee, and the Manager shall entrust Huatai Securities Co., Ltd. to handle, supplement and release stock pledge, collect fruits, preserve the collateral, report transactions, conduct mark-to-market management, take action against the breaching pledgor or the borrower and deal with other matters in accordance with the Transaction Documents and manage the Client Assets pursuant to the business agreement. The maturity date of the stock-pledged repurchase transaction invested by this Single Plan shall be no later than the expiration date of the management period of this Single Plan.

The borrower of the stock-pledged repurchase project invested by this Single Plan may use the funds borrowed by it to repay its stock-pledged financing liabilities owed to the parent company of the Manager.

### 2. Investment Proportion

The market value of fixed-income assets (stock-pledged repurchase transactions (as the lender), in which the underlying securities of the borrower are STO Express

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(002468.SZ)) represents 80%-100% of the total value of the assets under this Plan.

Subject to laws and regulations or requirements of regulatory authorities, the Client, the Manager and the Custodian may adjust the investment scope of this Plan through consultation after the performance of appropriate procedures. The Client, the Manager and the Custodian shall enter into a supplementary agreement in advance if the Client Assets are invested in the products other than those set forth herein.

The position opening period shall commence from the establishment date of this Plan and shall not exceed 6 months. Investment activities during the position opening period shall conform to the investment direction set forth herein and risk and income characteristics of the Asset Management Plan, except for investment in bank demand deposits, treasury bonds, central bank bills, policy financial bonds, local government bonds, money market funds and other investment products approved by the CSRC for the purpose of cash management. The Custodian shall not monitor the position opening period.

After the end of the position opening period, the investment portfolio proportion of this Plan shall comply with the foregoing provisions. If any investment under the Asset Management Plan fails to reach the investment proportion stipulated by laws, administrative regulations and the CSRC or the investment proportion set forth herein due to fluctuations in the securities or futures market, mergers of securities issuers, changes in the scale of the Asset Management Plan and other factors not attributable to the Manager, the Manager shall adjust the investment proportion to meet relevant requirements within fifteen trading days from the Day when illiquid assets are available for sale or transferable or the trading thereof is resumed. If the Manager fails to complete adjustment during the specified period for special reasons, it shall report to the relevant local counterpart of the CSRC and the Asset Management Association in a timely manner.

The Client hereby agrees and authorizes the Manager to invest the assets under the Asset Management Plan in the securities issued, or underwritten during the underwriting period, by the Manager, the Custodian and their controlling shareholders, actual controllers or other affiliates and the public securities investment funds

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managed by them. After the consummation of a transaction, the Manager shall promptly notify the Custodian and the Client, take effective measures to prevent conflicts of interest, protect the legitimate rights and interests of investors and complete reporting or filing procedures in accordance with relevant provisions. The Client hereby agrees that the funds lent under this Asset Management Plan may be used by the borrower for the repurchase under the self-owned fund repurchase transaction with Huatai Securities Co., Ltd.

(III) Investment Restrictions

The Client Assets hereunder shall be subject to the following investment restrictions:

- (1) the total amount of the funds invested in the same non-standard credit asset by all asset management plans managed by the Manager shall not exceed RMB30 billion;
- (2) the stocks issued by a single listed company jointly held by all asset management plans managed by the Manager shall not exceed 30% of the tradable stocks of such listed company;
- (3) the Client Assets shall not be used for investment possibly bearing unlimited liabilities, nor shall they be used for the purpose of loans or external guarantees;
- (4) the Client Assets shall not be invested, directly or indirectly, in the projects that fail to comply with national industry policies and environmental protection policies (other than investment in the securities market), including, without limitation:
  - (a) investment projects that have been listed in the catalogue of eliminated industries newly issued by the National Development and Reform Commission;
  - (b) investment projects that violate the requirements of national environment protection policies;
  - (c) upon looking-through inspection, any of the foregoing investment projects becoming the ultimate investment target of this Plan;
- (5) this Asset Management Plan shall not violate the provisions hereof regarding investment scope, strategies and proportion;
- (6) investment shall be made prudently in the areas where the government fails

to acknowledge or cancels relevant letters issued, economic capability and credibility are poor, and the government fails to actively maintain its local reputation;

(7) other investment restrictions or prohibitive requirements imposed by laws and regulations or the CSRC, the China Banking and Insurance Regulatory Commission (the “CBIRC”) and other regulatory authorities shall be complied with;

(8) this Plan shall not reinvest in asset management products other than public securities investment funds.

If a national regulatory authority promulgates the latest regulatory provisions, this Contract shall be implemented in compliance with the latest regulatory provisions.

The Custodian shall only conduct supervision of the investment scope, while the investment proportion and restrictions shall be supervised by the Manager on its own.

#### (IV) Changes in Investment Policies

The Client and the Manager may change the aforesaid investment policies through consultation, and changes in investment policies shall be made in writing and sent to the Custodian. In the case of changes in investment policies, necessary time shall be reserved for the Manager and the Custodian to make adjustment.

(V) The Parties acknowledge that all notices, instructions, explanations and return receipts shall be valid if sent by facsimile or email with attached scanned copies to the other Parties during the process of investment transaction, provided that originals shall be exchanged for record within five Working Days after the consummation of the transaction. If any original is inconsistent with the facsimile (or the scanned copy) or any Party fails to deliver any original in accordance with this Contract, the Parties unanimously agree that the facsimile (or the scanned copy) received previously shall prevail and all losses caused to the Client Assets shall be borne by the Party that has sent the facsimile (or the scanned copy).

## **VII. Appointment and Change of Investment Manager**

1. The investment manager of the Client Assets shall be appointed by the Manager.
2. The Manager may change the investment manager according to the need, provided that it shall notify the Client of the change by email or in writing on the date of change.

## **VIII. Issuance, Confirmation and Implementation of Fund Transfer Instructions**

The Manager shall issue fund transfer and other payment instructions to the Custodian when it utilizes the assets under this Plan, and the Custodian shall implement the instructions of the Manager and handle relevant matters such as fund transfer under the name of the fund.

The instructions issued by the Manager include electronic instructions and paper instructions.

Electronic instructions include the electronic instructions issued by the Manager (including the electronic instructions transmitted by electronic messages and the electronic instructions entered on the Manager's client side of the online custodian banking) and automatically generated electronic instructions (including the electronic instructions automatically generated on the Custodian's client side of the online custodian banking in accordance with the predetermined business rules). Paper instructions include faxed instructions.

Before the operation of the fund, the Manager shall provide the Custodian with the written Instruction Activation Letter (Appendix 8) in advance. The Instruction Activation Letter shall specify the business type with respect to which the Manager issues electronic instructions, the activation date, the numbers to send and receive faxed instructions under emergency conditions, the telephone numbers for

confirmation of instructions, etc. The Instruction Activation Letter shall be affixed with the specimen seal of the Manager as specified in the written notice of authorization.

(I) Written Authorization Granted by the Manager to Instruction Issuers

The Manager shall notify the Custodian in advance of a written list of the persons who have the right to issue fund transfer instructions and prepare the fund transfer instruction authorization notice regarding Huatai Securities Asset Management Single Asset Management Plan No. 6 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises (Appendix 5, the "Fund Transfer Authorization Notice"). The Authorization Notice shall specify the authority granted to the authorized persons and their specimen seals and signatures, the effective date of authorization and the specimen seal and shall be affixed with the common seal of the Manager and signed by the legal representative or authorized signatory of the Manager (if signed by the authorized signatory, the power of attorney signed by the legal representative shall also be attached thereto). The Manager shall give the Authorization Notice to the Custodian by facsimile or by other means agreed upon with the Custodian and notify the Custodian by telephone at the same time. After the Manager confirms the Authorization Notice with the Custodian by telephone or by other means approved by the Manager and the Custodian, the Authorization Notice shall become effective at the effective time set forth therein. The Manager shall deliver the original of the Authorization Notice to the Custodian within three Working Days thereafter. If the original of the Authorization Notice is inconsistent with the faxed copy received by the Custodian, the faxed copy received by the Custodian shall prevail.

The Manager, the Client and the Custodian shall be obligated to keep the Fund Transfer Authorization Notice confidential and the contents thereof shall not be disclosed to any person other than the authorized persons and relevant operators, unless stipulated by laws and regulations or otherwise required by competent authorities.

(II) Contents of Fund Transfer Instructions

The fund transfer instructions are the fund transfer and other payment instructions issued by the Manager to the Custodian when the Manager utilizes the Client Assets. The fund transfer instructions issued by the Manager to the Custodian shall specify the cause for payment, time for payment, amount, the beneficiary account and the payment account and shall be signed and sealed by the authorized signatory specified in the Fund Transfer Authorization Notice and affixed with the specimen seal.

(III) Issuance, Confirmation and Implementation Procedures of Fund Transfer Instructions

1. Issuance of Instructions: The Manager shall issue electronic fund transfer instructions or investment instructions to the Custodian by entering such instructions in the online custodian banking system of the Custodian or by means of electronic direct connection.

(1) Online Custodian Banking (including electronic direct connection)

The online custodian banking means the customer service software provided by the Custodian to the Manager on the basis of the Internet so as to realize instruction processing, data transmission, business inquiry, delivery of materials, information service and other straight-through processing between the Manager and the Custodian.

The Manager and the Custodian shall otherwise enter into the Online Custodian Banking Service Agreement of China Merchants Bank, and specific matters shall be governed by such agreement.

The Manager shall not deny the validity of the instructions issued by it through online custodian banking.

(2) Under emergency conditions, the Manager shall issue fund transfer instructions by facsimile as emergency measures after it gives a prior notice to the Custodian and explains reasons therefor.

The Manager shall not deny the validity of the instructions issued by it from the specified fax numbers.

With respect to the faxed instructions issued by the Manager from the fax

number other than the specified fax numbers, the Custodian shall use a recording telephone to dial the telephone numbers for confirmation of instructions as specified in the Instruction Activation Letter to verify with the Manager the date, number and type of instructions, name of payment product, name of the payee, amount, purpose, etc.

If any of the numbers to receive faxed instructions is changed or added, the Manager shall provide the updated Instruction Activation Letter to the Custodian in advance.

### (3) Transmission of Fund Transfer Instruction Attachments

Simultaneously with the issuance of instructions to the Custodian, the Manager shall provide relevant contracts, transaction vouchers or other supporting materials through online custodian banking or from the specified fax numbers or the specified email addresses to send instruction attachments as set forth in the Instruction Activation Letter. The Manager shall be responsible for the truthfulness, validity, completeness and legality of such materials.

The Manager shall not deny the validity of instruction attachments sent through online custodian banking or from the specified fax numbers or the specified email addresses.

When the Manager issues instructions, it shall ensure that there is sufficient balance of funds in the relevant payment account and necessary time shall be reserved for the Custodian to implement instructions.

With respect to subscription of new shares and new bonds and other offline public issuance, the Manager shall issue instructions to the Custodian prior to 10:00 on the offline subscription payment date.

With respect to the deposit and withdrawal of funds in futures trading, the Manager shall issue instructions to the Custodian two hours prior to the deadline for the deposit and withdrawal of funds on the trading Day.

With respect to trading on exchange, before the first trading on exchange, the Manager shall confirm the completion of setup of participant business unit and shareholder code with the Custodian.

With respect to the interbank business, the Manager shall send interbank trade tickets and relevant fund transfer instructions to the Custodian prior to 15:00 on the trading Day. The Manager shall conduct interbank transactions of the fund only after it confirms the completion of setup of certificate and authority with the Custodian.

With respect to the exercise of call warrants on the Shanghai Stock Exchange, the Manager shall notify the Custodian in writing of the exercise price and fees required to be paid prior to 15:00 on the exercise date and the Custodian shall pay the same to the account designated by the China Securities Depository and Clearing Corporation Limited prior to 16:00.

With respect to the trading instructions for payment at the specified time, the Manager shall issue such instructions to the Custodian two hours in advance; with respect to the instructions issued by the Manager to the Custodian after 15:00, the Custodian shall not guarantee the payment on the same Day.

2. Confirmation of Instructions: The Manager shall have the obligation to confirm instructions with the Custodian by telephone after it issues the instructions. Instructions shall be deemed to be served on the Custodian when the Custodian confirms the successful receipt of the instructions. The Manager shall not deny the validity of the instructions issued in accordance with the Authorization Notice.

3. Implementation of Instructions: After the Custodian confirms the receipt of the instructions issued by the Manager, the Custodian shall carry out formality examination of the instructions, verify the completeness of instruction elements, examine the consistency of the seals and signatures affixed to the faxed instructions with the specimen seals and signatures and promptly implement the instructions during the specified period after the instructions are found accurate upon examination.

Under normal circumstances, the Custodian shall carry out the deposit and withdrawal of funds through the bank-futures account transfer system of the futures clearing bank according to the instructions for the deposit and withdrawal of funds issued by the Manager.

In the case of failure of the bank-futures account transfer system of the futures

clearing bank and other emergencies, the Manager may manually carry out the deposit and withdrawal of funds.

With respect to the manual implementation of the non-bank-futures account deposit and withdrawal of funds, the Manager shall notify the futures company of the deposit of funds after the Custodian transfers funds to the account designated by the futures company through the online banking system of the clearing bank according to the fund transfer instructions provided by the Manager, and the Manager shall notify the futures company of the withdrawal of funds and then issue instructions to the Custodian and the Custodian shall transfer funds to the Custody Account through the online banking system of the clearing bank according to the fund transfer instructions provided by the Manager.

After the completion of the withdrawal or deposit of funds in futures trading, the Manager shall inquire the withdrawal or deposit of funds through its trading system or terminal system.

In the event of the non-implementation of instructions, if the Manager cancels the instructions, it shall specify “invalid” on the original instructions and affix with the specimen seal, send such instructions as signed and sealed by the authorized persons to the Custodian by facsimile and notify the Custodian by telephone.

#### (IV) Circumstances under which the Manager Issues False Instructions and Handling Procedures

The circumstances under which the Manager issues false instructions include the situations where an instruction issuer has no right to issue instructions or issues instructions beyond the scope of authority, the closing information is false or important information in the instructions is unclear or incomplete.

When the Custodian finds that the instructions issued by the Manager are false in the performance of its supervision function, it shall refuse to implement such instructions and promptly notify the Manager of rectification.

#### (V) Changes in the Authorization Notice

If the Manager changes the Authorization Notice (including, without limitation, change of instruction issuers, contact information, specimen seals and signatures, etc.),

it shall notify the Custodian at least one Working Day in advance; the document evidencing the changes in the Authorization Notice shall be affixed with the common seal of the Manager and signed by the legal representative or authorized signatory of the Manager (if signed by the authorized signatory, the power of attorney signed by the legal representative shall also be attached thereto). The Manager shall send the document evidencing the changes in the Authorization Notice to the Custodian by facsimile or by other means approved by the Manager and the Custodian and notify the Custodian by telephone at the same time. After the Manager confirms the notice on change of authorized persons with the Custodian by telephone or by other means approved by the Manager and the Custodian, the notice shall become effective at the effective time set forth therein and the original Authorization Notice shall become invalid at the same time. The Manager shall deliver the original of the notice to the Custodian within three Working Days thereafter, and if the original is inconsistent with the facsimile, the facsimile shall prevail.

(VI) Custody of Instructions

If instructions are sent by facsimile, the Manager shall keep the original while the Custodian shall keep the faxed copy. In the case of any inconsistency, the faxed copy received by the Custodian shall prevail.

(VII) Relevant Liabilities

If clearing of funds fails to be promptly completed due to the reason that the Manager issues instructions to the Custodian when the Manager fails to have sufficient funds, the losses caused thereby shall be borne by the Manager. If clearing of funds fails to be promptly completed or the trading fails because of delayed transmission, failure to reserve adequate time for implementation or failure to promptly confirm instructions with the Custodian due to reasons attributable to the Manager, the losses caused thereby shall be borne by the Manager. If the Custodian correctly implements the valid instructions issued by the Manager but the assets under a collective plan suffer from losses, the Custodian shall not bear any form of liabilities. If, in the normal business acceptance channel and within the time limit specified in the instructions, the assets under a collective plan suffer from losses because of failure

to promptly or correctly implement lawful instructions due to reasons attributable to the Custodian, the Custodian shall bear corresponding liabilities, except for force majeure.

The Custodian shall perform formality examination duties in accordance with relevant provisions of this Contract. If the instructions issued by the Manager are unauthorized, fraudulent or falsified in fact or the Manager fails to provide the Authorization Notice in a timely manner, the Custodian shall not bear the losses caused to the Manager or assets of the fund or any third party by its implementation of relevant instructions or refusal to implement relevant instructions and all liabilities shall be borne by the Manager, except for the losses caused by the Custodian's implementation of instructions without performing formality examination obligation in accordance with this Contract.

**IX. Trading, Clearing and Settlement and Fund Reconciliation**

(I) Clearing and Settlement of Non-exchange Trading Funds

If clearing is conducted for the funds involved in the over-the-counter investment, the Custodian shall transfer funds in accordance with the instructions of the Manager and relevant investment documents.

(II) Clearing of Exchange Market Funds

The Custodian and the Manager shall establish a third party depository business relationship for the Custody Account and the Securities Transaction Fund Account, and the Client shall give necessary cooperation. During the term of this Contract, fund clearing relating to the exchange market can be conducted between the Custody Account and the Securities Transaction Fund Account through a third party depository business platform.

1. Transfer from the Custody Account to the Securities Transaction Fund Account

The Manager shall issue instructions to the Custodian prior to the instruction

issuance time requested by the Custodian, the instructions shall specify the time and amount of the bank—securities account transfer, and the Custodian shall make preparation accordingly.

The Custodian shall promptly transfer the corresponding amount from the Custody Account to the Securities Transaction Fund Account according to the fund transfer instructions issued by the Manager.

## 2. Transfer from the Securities Transaction Fund Account to the Custody Account

The Manager shall issue instructions to the Custodian prior to the instruction issuance time requested by the Custodian, and the instructions shall specify the time and amount of the bank—securities account transfer, as well as the reservation number, if necessary; the Custodian shall complete withdrawal formalities through the bank—securities account transfer system according to the instructions and the reservation number (if any) provided by the Manager and shall transfer the requested amount from the Securities Transaction Fund Account to the Custody Account prior to the payment time required by the fund transfer instructions.

### (III) Clearing and Settlement of Other Funds

If clearing of funds is conducted for the payment of taxes, the Custodian shall transfer funds in accordance with the instructions of the Manager and relevant documents (if any) after the Custodian verifies the consistency of the payment purpose with this Contract.

### (IV) Implementation of Fund Transfer Instructions

The Custodian shall implement the fund transfer instructions of the Manager without undue delay during the specified period after the instructions are found accurate upon examination. If the Custodian finds that the fund transfer instructions issued by the Manager violate laws or regulations or exceed the positions available, it shall refuse to implement such instructions and immediately notify the Manager in writing and request the Manager to change or cancel relevant instructions; if the Manager fails to change or cancel relevant instructions after the Custodian gives the aforesaid notice, the Custodian shall refuse to implement such instructions and report

to the CSRC.

Fund transfer instructions shall be issued in accordance with the procedures set forth in Article IX of this Contract.

(V) Reconciliation of Fund Accounts

The Manager and the Custodian shall make reconciliation of the funds involved in the Client Assets on a daily basis and verify the balance of funds, trading amount and clearing amount for the T Day on the T+1 Day to ensure the consistency of their accounts.

(VI) Confirmation of Balance of Available Funds

The Manager may apply to the Custodian for the availability of online custodian banking function of the Custody Account so as to inquire the cash flow of the Custody Account.

**X. Valuation of Client Assets**

(I) Total Value of Client Assets

Total Value of Client Assets means the total value of all assets generated as a result of investment by the Client Assets.

(II) Net Value of Client Assets

Net Value of Client Assets means the net asset value after liabilities are deducted from the Total Value of Client Assets. The Net Value of Client Assets shall be kept to two decimal places and rounded to three decimal places.

(III) Valuation Methods

The Client Assets shall be priced as follows:

(1) Valuation Method for Monetary Funds

① With respect to the domestic over-the-counter money market funds invested, the valuation shall be calculated according to the income per 10,000 fund shares published by relevant fund management company for the trading Day immediately before the valuation date.

② With respect to the domestic exchange traded money market funds invested, the valuation shall be carried out according to the net value of fund share on the valuation date as disclosed by the funds invested; if any of the funds invested discloses the income per 10,000 (100) fund shares, the valuation shall be calculated according to the income per 10,000 fund shares published by relevant fund management company for the trading Day immediately before the valuation date.

(2) In the event that the funds invested fails to publish the net value of fund share, carries out conversion or split, is not traded on the valuation date or falls under other special circumstances, the Manager shall carry out valuation in accordance with the following principles:

① With respect to valuation carried out according to the net value of fund share, if the valuation frequency of the fund invested is consistent with that of this Product but the net value of fund share fails to be published for the valuation date, the newly published net value of fund share shall serve as the basic valuation.

② With respect to valuation carried out according to the closing price of the fund invested, if there is no trading on the valuation date and no material change occurs in the market environment after the latest trading Day, the valuation shall be carried out according to the closing price on the latest trading Day; if there are material changes in the market environment after the latest trading Day, the latest net value of fund share may be used as the basis or reference may be made to the prevailing market price of similar investment products and factors of the material change to adjust the latest trading market price and determine the fair value.

③ If the fund invested distributes dividends, excludes rights or carries out conversion or split during the period from the previous valuation date to the current valuation date, the fair value shall be reasonably determined according to the net value of fund share or the closing price, the dividend amount of each fund share, the proportion of conversion or split, positions and other factors.

④ When the Manager deems that the valuation carried out in accordance with items ① to ③ above is unfair, it shall negotiate with the Custodian to adopt reasonable valuation techniques or valuation standards to determine the fair value.

(3) Bank deposits shall be carried at cost, and interest shall accrue at the agreed deposit rate on a daily basis during the actual holding period by taking the balance of deposits by the close of business of the bank on the same Day as the base.

#### (4) Valuation of Fixed-income Assets

① With respect to fixed-income products listed for trading or quoted for transfer on a stock exchange market, unless otherwise stipulated, the valuation shall be calculated according to the valuation price of corresponding product as published by a third party valuation firm (CSI Bond Valuation) in principle. Detailed provisions are as follows:

With respect to fixed-income products that are traded at net price, the valuation shall be carried out according to the net price of corresponding product as provided by a third party valuation firm on the valuation date for the same Day;

With respect to fixed-income products that are not traded at net price, the valuation shall be carried out according to the full price provided by a third party valuation firm on the valuation date minus the interest accrued on the bonds on the valuation date;

With respect to listed and traded convertible bonds, the valuation shall be carried out according to the closing price on the valuation date minus the interest accrued on the bonds as included in the closing price.

② With respect to the fixed-income products that are initially issued and unlisted, valuation techniques shall be adopted to determine the fair value; where it is hard to reliably measure the fair value by using valuation techniques, they shall be valued at cost.

③ The valuation of fixed-income products on the interbank market shall be calculated according to the price of corresponding product as provided by the China Central Depository & Clearing Co., Ltd. for the same Day.

④ Where the same securities are simultaneously traded on two or more markets, they shall be valued respectively according to the market where they are traded.

The valuation method for asset-backed securities is as follows:

1) With respect to asset-backed securities quoted for transfer on a stock exchange market, valuation techniques shall be adopted to determine the fair value; where it is

hard to reliably measure the fair value by using valuation techniques, if cost can approximately reflect the fair value, they shall be valued at cost, the appropriateness of the above practice shall be appraised continuously and proper adjustment shall be made in the case of changes in circumstances;

2) The valuation of asset-backed securities that are traded on the interbank market shall be calculated according to the price of corresponding product as provided by the China Central Depository & Clearing Co., Ltd. for the same Day.

3) In the case of the latest national provisions, the valuation shall be carried out in accordance with such provisions.

(5) Valuation Method for Stock-pledged Repurchase Transactions

① Investment of stock-pledged repurchase transactions shall be carried at cost in the absence of abnormal conditions, repurchase expenses shall not be included in cost, and interest shall accrue at the agreed interest rate for repurchase on a daily basis during the actual holding period.

② Handling of Abnormal Conditions

A. Early Repurchase in Stock-pledged Repurchase Transactions

The agreed interest rate for early repurchase is consistent with that for repurchase at maturity, and the valuation of the Asset Management Plan shall not be affected.

B. Delayed Repurchase in Stock-pledged Repurchase Transactions

If the interest rate for delayed repurchase is inconsistent with that for repurchase at maturity, the Manager and the Custodian shall take overall consideration of effect on the valuation and jointly determine the valuation method. In principle, the valuation shall be carried out as follows: interest shall accrue at the interest rate for delayed repurchase during the period from the date of delayed repurchase to the maturity date of delayed repurchase.

During the period from the issuance of initial transaction instructions to the issuance of delayed repurchase instructions by the borrower, with respect to the differences in the funds payable as a result of the inconsistency between the agreed interest rate in the original stock-pledged repurchase transactions and the interest rate for delayed repurchase, the valuation shall be amortized according to the straight-line

method on a daily basis during the delayed repurchase period from the date of issuance of delayed repurchase instructions.

#### C. Valuation Method for the Portion in Breach in Stock-pledged Repurchase Transactions

If conclusive evidence shows that the borrower commits a breach and the regular valuation cannot objectively reflect the fair value of the assets, the Manager may, according to the specific circumstances, carry out the valuation by adopting the method that can best reflect the fair value of the assets after the consultation with the Custodian on the basis of a comprehensive consideration of various factors such as the market trading price, market quotes, liquidity and yield curve.

(6) If the value of the assets invested is affected by additional relevant agreements or documents executed in connection with investment activities under this Plan, the valuation of such assets shall be adjusted in accordance with relevant provisions of such agreements or documents.

#### (7) Valuation Method for Stocks

① Listed tradable stocks shall be valued at the closing price on the valuation date on the stock exchange where they are listed and traded; if there is no trading on the valuation date, and no material event that affects the measurement of the fair value takes place after the latest trading Day, the valuation shall be carried out according to the closing price on the latest trading Day; if there is no trading on the valuation date, and a material event that affects the measurement of the fair value takes place after the latest trading Day, reference shall be made to relevant provisions of regulatory authorities or industry associations to adjust the closing price on the latest trading Day and determine the fair value.

#### ② Valuation of Unlisted Stocks

A. With respect to the stocks that are initially issued and unlisted, valuation techniques shall be adopted to determine the fair value; where it is hard to reliably measure the fair value by using valuation techniques, they shall be valued at cost;

B. With respect to the unlisted stocks issued as a result of bonus issue,

conversion of capital reserves into share capital, allotment and public issuance of additional new shares, the fair value shall be determined at the closing price of the same stock listed on the stock exchange on the valuation date or the closing price on the latest trading Day;

C. With respect to the stocks issued with a definite lock-up period, including, without limitation, the privately placed stocks, shares issued to the shareholders of a company in initial public offering and stocks obtained through block trading with a lock-up period, the fair value shall be determined in accordance with relevant provisions of regulatory authorities or industry associations;

After the same stocks are listed and traded on a stock exchange, the fair value shall be determined by making reference to the valuation method for listed tradable stocks on the stock exchange.

③ In any circumstances, if the Manager adopts the methods set forth in items ①–② above to carry out valuation of the Client Assets, it shall be deemed to have adopted the appropriate valuation method. However, if the Manager deems that the valuation of the Client Assets carried out by adopting the methods set forth in items ①–② above cannot objectively reflect the fair value of the Client Assets, the Manager may, according to the specific circumstances, carry out the valuation according to the price that can best reflect the fair value of the Client Assets after the consultation with the Custodian.

(8) If conclusive evidence shows that the valuation carried out by adopting the foregoing methods cannot objectively reflect the fair value of the Client Assets, the Manager may, according to the specific circumstances, carry out the valuation according to the price that can best reflect the fair value of the Client Assets after the consultation with the Custodian.

(9) Valuation techniques means the methods that are agreed upon by the Manager and the Custodian, generally accepted by market participants and proved to be reliable to determine the fair value by prior actual trading prices on the market. If conclusive evidence shows that the fair value of the assets under this Plan cannot be objectively reflected in accordance with the foregoing provisions, the Manager may, according to

the specific circumstances, carry out the valuation by adopting the method that can best reflect the fair value of the assets under this Plan after the consultation with the Custodian on the basis of a comprehensive consideration of various factors such as the market trading price, market quotes, liquidity and yield curve. The Manager shall post a notice to the Client on its website or the designated promotion website no later than the implementation date of the new valuation method.

If new items are added or existing items are changed, the valuation shall be carried out in accordance with the latest national provisions. The Manager shall promptly post a notice to the Client on its website or the designated promotion website after the implementation of new provisions.

(10) If mandatorily required by relevant laws and regulations or regulatory authorities, such mandatory requirements shall prevail. If new items are added, the valuation shall be carried out in accordance with the latest national provisions.

(IV) Valuation Objects

All assets held as a result of investment by the Client Assets.

(V) Valuation Procedures

The daily valuation of the assets under this Plan shall be carried out by the Manager. After the Manager completes the valuation on the Working Day immediately after each Working Day, it shall verify the consistency with the Custodian through electronic reconciliation. Review of valuation at the end of a month, in the middle of a year and at the end of a year shall be conducted simultaneously with the verification of accounting records, unless the Manager suspends valuation in accordance with laws and regulations or the contract of this product. The Manager shall be responsible for disclosure on the designated media.

If there are errors in the valuation carried out by the Manager or the review conducted by the Custodian due to the false data transmitted by the stock exchange or the CSDC, neither the Manager nor the Custodian shall be liable for such errors.

(VI) Suspension of Valuation: The Manager may suspend valuation if it cannot accurately appraise the value of the Client Assets due to any force majeure, provided that the Manager must complete the valuation in accordance with relevant provisions

after the conditions to valuation are resumed.

If required by relevant laws and regulations or regulatory authorities, such requirements shall prevail; if there are the latest provisions, the valuation shall be carried out in accordance with the latest provisions.

(VII) Handling of Errors in Valuation

If the Manager or the Custodian finds that the valuation of the assets violates the valuation methods or procedures set forth herein or relevant laws and regulations or fails to fully maintain the interests of the Client, it shall immediately notify the other party, jointly find out the cause and solve it through consultation.

In accordance with relevant laws and regulations, the accountability for the Client Assets shall borne by the Manager. Therefore, if relevant parties fail to reach an agreement on accounting problems related to the Client Assets after the full discussions on the basis of equality, the opinions given by the Manager shall control.

In the case of an error in the valuation of the Client Assets, the Manager and the Custodian shall immediately correct such error and take reasonable measures to prevent further losses. When any calculation error accounts to 0.5% of the net value of portfolio assets, the Manager and the Custodian shall immediately report to the Client, specify the measures taken and immediately correct such error after the approval by the Client.

(VIII) Establishment of Asset Books

After the effectiveness of this Contract, the Manager and the Custodian shall establish, enter and keep a whole set of books for the Client Assets separately and independently according to the same bookkeeping methods and accounting treatment principles agreed upon by relevant parties, regularly verify the books of relevant parties and conduct mutual supervision to ensure the security of the Client Assets. If the Manager and the Custodian have different opinions on accounting treatment methods, the treatment method of the Manager shall control.

If the accounts of relevant parties are found to be inconsistent through reconciliation, the Manager and the Custodian must promptly find out the cause and make correction to ensure that the books and records entered by relevant parties in

parallel are fully consistent.

**XI. Income Accrual and Distribution of Client Assets**

(I) Composition of Profits

Profits means the balance of interest income, investment returns, income from changes in fair value and other income under a plan after the deduction of relevant expenses. The realized income under a collective plan means the balance of the profits under the collective plan after the deduction of income from changes in fair value.

(II) Distributable Profits

Distributable profits means the undistributed profits under a collective plan as of the income distribution reference date and the realized income in the undistributed profits, whichever is lower.

(III) Income Distribution

The laws and regulations involved in the income distribution under this Plan stipulate that relevant taxes payable by the Client in accordance with law shall be borne by the Client by using the Client Assets, and neither the Manager nor the Custodian shall bear withholding and other tax payment obligations. The income distribution amount shall be calculated by the Manager, while the Custodian does not review the income distribution scheme. If otherwise required by laws, regulations or regulatory authorities, such requirements shall prevail. The specific income distribution scheme shall be subject to the actual distribution opinions of the Client and the Manager.

**XII. Increase and Withdrawal of Client Assets**

(I) Time for Increase of Client Assets

**In principle, this Product shall be operated in a closed-end mode as of the**

**date of start of operation of the Client Assets, and the Client shall pay the Client Assets in a lump sum, i.e. at least RMB2,200,000,000, by March 22, 2019.**

(II) Withdrawal Procedures for the Client Assets

No withdrawal application shall be accepted for this Product.

**XIII. Accounting of Client Assets**

(I) Accounting Policies

1. The accounting year for the Client Assets shall be January 1 to December 31 of each year.
2. Renminbi shall be adopted as bookkeeping base currency and yuan as the bookkeeping unit.
3. The accounting of the Client Assets shall be conducted in accordance with the Guidelines for Accounting Business of Securities Investment Funds.

(II) Accounting Method

1. The Manager and the Custodian shall establish separate accounts and conduct separate accounting for the Client Assets in accordance with relevant laws and regulations.
2. The Manager and the Custodian shall keep complete accounts and vouchers, conduct daily accounting and prepare financial statements.
3. The Custodian shall regularly verify the accounting of and statement preparation for the Client Assets with the Manager.

**XIV. Expenses and Taxes of Asset Management Business**

(I) Types of Expenses of Asset Management Business

1. Custody fees to the Custodian;
2. Management fees to the Manager;
3. Carried interest to the Manager;

4. Bank charges for transfer and payment of the Client Assets and Custody Account maintenance fees;
5. Other expenses permitted to be charged to the Client Assets by laws, regulations and this Contract.

(II) Expense Accrual Methods, Accrual Standards and Payment Methods

1. Custody Fees to the Custodian

No custody fee shall be charged under this Plan.

2. Management Fees to the Manager

The Manager shall charge management fees for the Asset Management Plan at the annual rate of 0.12% of the net value of the assets under the Asset Management Plan on the preceding day.

$K = E \times \text{annual management fee rate} \div \text{actual number of days of the year}$

K refers to the management fees accrued for the Asset Management Plan on a daily basis;

E refers to the net value of the assets under the Plan on the preceding day.

The management fees shall accrue on a daily basis and shall be paid on a quarterly basis. Upon verification by the Manager and the Custodian, the Custodian shall pay the management fees out of the assets under this Plan within five Working Days from the first Day of the month following the end of each quarter according to the fund transfer instructions of the Manager. If the cash assets under the Asset Management Plan are insufficient to pay the current management fees, the payment may be postponed to the Day when there are sufficient cash assets. No interest shall accrue on overdue management fees, and the management fees shall be paid at the original price.

The bank account designated by the Manager to receive the management fees is:

Account Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Opening Bank:

Account Number:

3. Carried Interest to the Manager

Under this Plan, the Manager shall not receive carried interest.

(III) Items Not Included in the Expenses of Asset Management Business

The expenses incurred or losses caused to the Client Assets due to the failure by the Manager and the Custodian to perform or fully perform their obligations and the expenses arising from the handling of matters irrelevant to the operation of the Client Assets shall not be included in the operation expenses of the Client Assets.

(IV) Adjustment to the Management Fees and the Custody Fees

The Manager and the Custodian may adjust the management fees and the custody fees downward through consultation and post a notice on the website designated by the Manager within three Working Days before the implementation of the new rate. With the consent of the Client, the Manager and the Custodian may adjust the management fees and the custody fees upward through consultation and post a notice on the website designated by the Manager within three Working Days before the implementation of the new rate. The Manager may adjust the time for the transfer and payment of the management fees and the custody fees according to the cash positions under the Asset Management Plan.

(V) Taxes

Each taxpayer involved in the operation of the Client Assets shall perform its obligation to pay taxes in accordance with national tax laws and regulations. The Parties agree and acknowledge that the value-added tax and additions to tax relating to the value-added tax involved in the investment, management and operation of this Product (including, without limitation, urban maintenance and construction tax, education surcharge and local education surcharge) shall be borne by the Client Assets and the Client and may be transferred and paid directly to the account of the Manager, and the Manager shall perform relevant tax filing obligation in accordance with the requirements of tax authorities. The amount of income actually received by the Client may be reduced accordingly.

The bank account used to pay the value-added tax for the asset management product is as follows:

Account Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Account Number:

Opening Bank:

(VI) Accrual Method of Other Expenses

Settlement fee and other bank charges incurred by the Custody Account of the Client Assets shall be deducted and transferred by the Custodian directly from the Custody Account without the instructions issued by the Manager.

Handling fee, stamp duty and other relevant securities transaction taxes and fees (if any) incurred in connection with investment made during the existence of the assets shall be deducted directly as transaction costs.

## **XV. Information Disclosure Obligation**

### **(I) Information Disclosure to the Client**

1. The Client shall provide the Manager with its email address (at [legalnotice@hk.alibaba-inc.com](mailto:legalnotice@hk.alibaba-inc.com)) so that the Manager can normally send position details. The Manager shall send position details to the email address provided by the Client and shall not be liable for failure by the Client to receive the position details due to its failure to normally provide its email address.

2. The Manager shall provide the Client with the annual management report in each calendar year and report the specific operation of the Single Asset Management Plan in the preceding year within four months after the end date of each year. If a single plan is established less than three months ago or its term is less than three months, the Manager/the Custodian may not prepare the current annual report.

3. The Manager shall provide the Client with the quarterly management report in each calendar quarter and report the specific operation of the Single Asset Management Plan in the preceding quarter within one month after the end date of each quarter. If a single plan is established less than three months ago or its term is less than three months, the Manager/the Custodian may not prepare the current quarterly report.

#### 4. Interim Reports

The Manager shall ensure that the Client can inquire the investment and operation of the Client Assets at the time and in the manner set forth herein.

When a material event that may affect the interests of the Client occurs, unless otherwise stipulated by this Contract or laws and regulations, the Manager and the Custodian shall promptly inform the Client in writing after the occurrence of the event. The circumstances covered by interim reports shall include, without limitation:

- (1) change of the investment manager;
- (2) adjustment to investment policies;
- (3) litigation involving the Client Assets;
- (4) the management of the Client Assets hereunder by the Manager is subject to investigation conducted by regulatory authorities;
- (5) the Manager and its general manager and other senior officers and the investment manager of the Client Assets hereunder are subject to severe administrative penalty imposed by the CSRC, or the persons responsible for the custody business or the custody business department of the Custodian are subject to severe administrative penalty;
- (6) other matters stipulated by laws, regulations and the CSRC.

The Custodian shall ensure that the Client can inquire the custody of the Client Assets at the time and in the manner set forth herein.

5. Upon request by the Client, the Manager shall provide or disclose the information of the plan hereunder within five Working Days, including, without limitation, the type of assets actually invested by each of the initial and additional funds of the Client, investment proportion, the custody fees (if any), the management fees (if any), income, etc., and shall provide detailed reports, financial statements (if any), market performance, relevant materials and bills (if any). The bills shall specify changes in the assets, income and expenses, valuation of the period-end assets and other information.

If the Client requests the provision of other materials, the Manager shall

provide or disclose other relevant information and materials of the plan hereunder within five Working Days.

(II) Reports Provided to the CSRC and the Asset Management Association of China

The Manager and the Custodian shall perform reporting obligation in accordance with the requirements of laws, regulations and regulatory authorities.

#### **XVI. Effectiveness, Alteration and Termination of Asset Management Contract**

(I) This Contract shall be formed upon seal by the Client, the Manager and the Custodian or signature and seal by their authorized representatives.

After the formation of this Contract and the transfer of the Client Assets to the Custody Account, the Manager shall notify the Client in writing of the establishment of this Plan by giving the Notice of Payment of Initial Client Assets (in the form of Appendix 1). The establishment date shall be set forth in the Notice of Payment of Initial Client Assets.

(II) Except for the occurrence of the circumstances described in (IV) below, with the consent of the Client, the Manager and the Custodian, this Contract may be terminated.

(III) The Client, the Manager and the Custodian may modify this Contract or enter into a supplementary agreement through consultation.

(IV) This Contract may be terminated in any of the following circumstances:

1. this Contract is not renewed upon expiration;
2. the Parties decide to terminate this Contract through consultation;
3. if all assets invested by this Plan are terminated upon expiration or early, the Client shall have the right to request the Manager to terminate this Plan;
4. the asset management business qualification of the Manager is cancelled in accordance with law, or the Manager is dissolved, cancelled or declared bankrupt in

accordance with law and no new manager assumes its responsibilities that cannot be performed due to its dissolution, bankruptcy or cancellation and other reasons and no new manager is appointed within six months;

5. the fund custody qualification of the Custodian is cancelled in accordance with law, or the Custodian is dissolved, cancelled or declared bankrupt in accordance with law and no new custodian assumes its responsibilities within six months;

6. if the CSRC determines that this Contract violates laws or fails to comply with regulations due to changes in laws or administrative regulations, the Client or the Manager shall have the right to unilaterally terminate this Contract;

7. the Client is dissolved or cancelled in accordance with law;

8. other circumstances stipulated by laws, regulations and this Contract.

(V) The Manager shall submit this Contract, the name of the Client and subscription amount, asset payment certificate and other materials to the Asset Management Association of China for filing and copy the local counterpart of the CSRC in its domicile within five Working Days from the establishment date of this Plan.

No investment activities shall be conducted before the filing of the Asset Management Plan is completed, except for investment in the investment products approved by the CSRC for the purpose of cash management.

The Manager shall submit any material change or supplement to this Contract to the Asset Management Association of China for filing and copy the local counterpart of the CSRC in its domicile within five Working Days from the date of such change or supplement.

(VI) If the securities asset management business license of the Manager is revoked by the CSRC in accordance with law or the Manager is ordered to stop business for rectification due to its violation of laws or administrative regulations, or the Manager fails to perform its duties due its suspension of business, dissolution, revocation or bankruptcy and other reasons, it shall properly handle relevant matters in accordance with relevant regulatory requirements.

(VII) If the business hereunder is stopped due to changes in regulatory policies

or written or oral requirements of regulatory authorities, the Manager shall have the right to stop investing in the stopped business or early terminate this Contract, and some Client Assets involved in the stopped business hereunder (including the rights and obligations stipulated by relevant contracts entered into in connection with investment) or all the Client Assets after the early termination of this Contract (including the rights and obligations stipulated by relevant contracts entered into in connection with investment) shall be assumed directly by the Client or the third party designated by the Client after the deduction of the management fees, the carried interest (if any), the custody fees and other relevant expenses.

#### **XVII. Confidentiality**

(I) The Manager and the Custodian shall bear confidentiality liability for the Client Assets and relevant information. Unless otherwise stipulated by laws, regulations and this Contract, neither the Manager nor the Custodian shall disclose or use such information in any manner without the prior written consent of the Client.

(II) If any Party has knowledge of data and information of the other Parties during the performance of this Contract, without the prior written consent of the other Parties, it shall not use such data and information for any purpose other than this Contract, disclose such data and information to a party other than the Parties hereto or allow a party other than the Parties hereto to use such data and information, unless otherwise stipulated by laws and regulations, regulatory and auditing requirements or this Contract.

(III) If a Party discloses relevant information to a party other than the Parties hereto or allows a party other than the Parties hereto to use relevant information with the prior written consent of the other Parties, the Party shall enter into a confidentiality contract with such party.

(IV) This confidentiality obligation shall survive the termination of this

Contract.

### **XVIII. Liabilities for Breach**

(I) Legal liabilities and consequences arising from the breach by any Party of its representations and undertakings/warranties contained herein shall be solely borne by it.

(II) If any Party fails to perform this Contract or its performance of this Contract fails to comply with the provisions hereof, such Party shall be deemed to commit a breach. The breaching Party shall be liable to indemnify the direct losses caused to the non-breaching Party thereby. If two or more Parties commit a breach, the breaching Party shall bear liabilities for breach respectively according to the actual situation, provided that the Parties shall be released from liability in the following circumstances:

1. force majeure: including, without limitation, fire, earthquake and other natural disasters, abnormal technical system accident due to reasons not attributable to the Manager or the Custodian, changes in policies or regulations and other circumstances;
2. losses are caused by act or omission committed by the Manager and/or the Custodian in accordance with valid laws and regulations or the requirements of the CSRC or the CBIRC;
3. losses are caused by exercise or non-exercise of the right to invest by the Manager in accordance with the investment principles set forth herein.

(III) If the performance of this Contract can be continued in the event of breach by one or more Parties, the performance of this Contract shall be continued.

(IV) After a Party hereto commits a breach, the other Parties shall take appropriate measures to prevent further losses. Reasonable expenses incurred by the non-breaching Party in connection with the prevention of further losses shall be borne by the breaching Party.

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### **XIX. Governing Law and Dispute Resolution**

This Contract shall be governed by the laws of the People's Republic of China.

Any dispute arising out of the formation, content, performance and interpretation of this Contract or relating to this Contract shall be settled by the Parties through consultation or mediation. If the Parties are unwilling or unable to settle such dispute through consultation or mediation, any Party shall have the right to institute legal proceedings in a court of competent jurisdiction in the domicile of the Client.

During the dispute resolution period, the Parties shall perform their obligations hereunder and maintain the legitimate rights and interests of the Client.

### **XX. Notices and Delivery**

(I) The Parties shall give and deliver notices in a reasonable manner according to the contact information set forth in Part IV hereof. The Parties unanimously acknowledge that the faxed copies or scanned copies sent by facsimile or email shall have the same legal effect as the originals.

(II) Notices shall be deemed to have been delivered to the Party to be notified:

1. Personal delivery: on the date shown by the receipt signed by the Party to be notified as obtained by the notifying Party;
2. SF Express: on the Day when the Party to be notified signs the receipt;
3. Facsimile: on the Day when the Party to be notified receives the facsimile successfully transmitted and confirms the receipt by telephone;
4. Email: at the time when the email leaves the system of the sender;
5. If a Party changes its mailing address or contact information, it shall notify the other Parties in writing of such change three Working Days in advance. If a change takes place within one month prior to the termination of this Contract, the other Parties shall be notified in writing of such change one Working Day in advance.

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(III) If the Party that has changed its mailing address or contact information (the “Changing Party”) fails to notify the other Parties of relevant change in a timely manner, the Changing Party shall be liable for the effect and losses caused thereby, unless otherwise stipulated by laws.

(IV) The contact addresses, email addresses, fax numbers and mobile phone numbers set forth herein shall also be considered as the addresses for service of notarial deeds and judicial documents (including, without limitation, complaint/request for arbitration, evidence, summons, notice of response to action, notice to produce evidence, notice of court session, notice of hearing, judgment/award, order, mediation document, notice on performance within a specified time limit and other legal documents during the hearing and enforcement). Relevant documents shall be deemed to have been validly served if sent by a court of competent jurisdiction or notary authority in writing as set forth herein to such addresses for service.

**XXI. Miscellaneous**

In the case of changes in relevant laws and regulations or provisions of regulatory authorities, this Contract shall be governed by such new provisions.

Matters not mentioned herein shall be settled by the Parties hereto through consultation in accordance with relevant laws, regulations and provisions. This Contract is made in six counterparts, with each of the Manager, the Client and the Custodian holding two copies. All counterparts shall have the same legal effect.

**The Manager and the Custodian acknowledge that they have explained the risks of the single asset management business to the Client and they have not made any undertaking in any manner that there will be no loss of principal of the Client Assets or the Client Assets will generate any minimum return; the Client acknowledges that it has fully understood the content of this Contract and will bear investment risks and losses on its own.**

**The Client, the Manager and the Custodian shall not agree that the Manager guarantees investment returns generated from the Client Assets or bears investment losses or exclude the Client from bearing investment risks and losses on its own by entering into a supplementary contract, amending this Contract or otherwise.**

Client: Alibaba (China) Technology Co., Ltd. (common seal)

Date:

Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd. (common seal)

Legal Representative or Authorized Signatory (signature/seal):

Date:

Custodian: China Merchants Bank Co., Ltd. Suzhou Branch (contract seal)

Legal Representative or Responsible Person (signature/seal):

Date :

**Appendix 1: Notice of Payment of Initial Client Assets (Template)**







**Appendix 5: Notice of Authorization for Custodian’s Business Seal**

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**Appendix 6: Risk Disclosure**

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**Appendix 7: Instruction Activation Letter**

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Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises

**Asset Management Contract  
of  
Huatai Securities Asset Management Single Asset Management Plan No. 7  
as Part of the Securities Industry's Support for the Development of Private-owned Enterprises**

**(Contract No.) CMBSZTGF2019020**

**Client: Alibaba (China) Technology Co., Ltd.  
Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd.  
Custodian: China Merchants Bank Co., Ltd. Suzhou Branch**

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## I. Preamble

In order to regulate the operation of the single asset management business, clarify the rights and obligations of the parties to a single asset management contract, this Contract is made by the client (the “Client”), the asset manager (the “Manager”) and the asset custodian (the “Custodian”) based on the principles of equality, voluntariness and good faith in accordance with the *Contract Law of the People’s Republic of China*, the *Securities Investment Fund Law of the People’s Republic of China*, the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* (the “Guiding Opinions”), the *Measures for the Administration of the Privately Offered Asset Management Business of Securities and Futures Operators* (the “Administrative Measures”), the *Provisions on the Administration of Operation of Privately Offered Asset Management Plans of Securities and Futures Operators* (the “Administrative Provisions”), the *Interim Provisions on the Administration of Operation of the Privately Offered Asset Management Business of Securities and Futures Operators* (the “Interim Provisions”) as well as other laws, administrative regulations and relevant rules of the China Securities Regulatory Commission (the “CSRC”).

This Asset Management Contract is entered into based on the principles of equality, voluntariness, good faith, and adequate protection of the legitimate rights and interests of the Parties hereto.

**The Client undertakes to participate in this Asset Management Plan in its real capacity and with its own legitimate funds, and warrants that the client funds come from sources in compliance with laws, administrative regulations and regulatory requirements, that the information and materials disclosed or provided by it are true, accurate and complete, that it does not participate in this Plan by pooling any funds from others in violation of laws or using non-owned funds raised through loans or issuance of bonds, and that it has fully read this Contract and the Instructions, and it understands relevant rights, obligations**

**and risks, and will bear investment risks and losses.**

The Client undertakes that it is aware of the provisions of the *Anti-money Laundering Law of the People's Republic of China*, the *Administrative Measures for Financial Institutions' Reporting of Suspicious Transactions Involving Terrorist Financing*, the *Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions*, the *Notice of the People's Bank of China on Strengthening Client Identification for Anti-money Laundering Purposes*, as well as other anti-money laundering laws and regulations, and it will strictly comply with such provisions, and not violate any of them; that the funds to be used for investment purposes are not from any income from illegal or criminal activities and the gains thereof; that it will produce true and valid identity card or other identification documents, actively perform anti-money laundering duties and provide cooperation for the identification of beneficial owners and investigation of tax-related information of financial accounts, and will not engage in money laundering or other illegal or criminal activities by way of the asset management business hereunder.

The Manager undertakes to manage and use the Client Assets by adhering to the principles of good faith, prudence and due diligence, but does not guarantee that the Client Assets will definitely generate profit, nor will it guarantee any minimum return.

The Custodian undertakes to perform custody responsibilities by adhering to the principles of good faith, prudence and due diligence and protect the safety of the Client Assets, but does not guarantee that there will be no loss of principal of the Client Assets or the Client Assets will generate any minimum return.

The Manager of this Asset Management Plan shall file with the Asset Management Association of China the establishment, change, renewal, termination and liquidation of this Asset Management Plan in accordance with laws and regulations, and report the same to the relevant local counterpart of the CSRC in accordance with relevant rules. The acceptance by the Asset Management Association of China of the filing of this Asset Management Plan will not release the Manager from its legal liabilities to truthfully, accurately, completely and promptly

disclose the product information of this Asset Management Plan in accordance with relevant rules, nor represent the Asset Management Association of China's guarantee and judgment as to the compliance, investment value and investment risks of this Asset Management Plan or indicate that investing in this Asset Management Plan involves no risks. Investors shall evaluate by themselves the investment risks associated with the products of this Asset Management Plan and bear possible losses arising from their investment activities.

## II. Definitions

Unless otherwise required in the context, the following terms in this Contract shall have meanings as below:

1. Client: Alibaba (China) Technology Co., Ltd.
2. Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd.
3. Custodian: China Merchants Bank Co., Ltd. Suzhou Branch
4. This Contract: the Asset Management Contract of Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises (No.: CMBSZTGF2019020) and its appendices entered into by the Client, the Manager and the Custodian (hereinafter collectively referred to as the "Single Asset Management Contract"), as well as any valid amendments to such contract and its appendices.
5. Client Assets: the RMB-denominated cash assets and the gains and losses thereof as the subject matter of this Contract, of which the Client has ownership or legal right of disposition, and which are managed by the Manager as mandated by the Client and held in custody by the Custodian.
6. Custody Account: the bank account opened by the Custodian for the Client Assets in accordance with relevant rules for the exclusive purpose of safekeeping of the Client Assets and clearing and settlement, which shall

serve as the sole account corresponding to the ledgers of the Securities Fund Account of the Client, with the corresponding relationship to be established with the Securities Fund Account in relation to third-party depository services by executing a tripartite agreement on third-party depository services.

7. Current Laws: the laws, regulations and rules of the PRC, as well as mandatory rules of any governmental authority, judicial authority or stock exchange of competent jurisdiction, in each case currently in effect.
8. Day: any calendar day during the term of this Plan.
9. Working Day: any trading day at the Shanghai Stock Exchange or Shenzhen Stock Exchange.
10. Share of Client Assets: RMB1.00 as a share of the Client Assets, with the unit of share to be accurate to 0.01 share.
11. Net Value of Client Assets: the total value of the Client Assets minus liabilities.
12. Unit Net Value of Client Assets: the ratio of the Net Value of the Client Assets to the Shares of the Client Assets. The Unit Net Value of Client Assets shall be accurate to RMB0.0001 and rounded to five decimal places.
13. Special Securities Account: the special securities account opened by the Manager for the Client Assets with the Shanghai or Shenzhen branch of China Securities Depository and Clearing Corporation Limited (“CSDC”) in accordance with the Administrative Measures and the Implementation Rules.
14. Securities Transaction Settlement Fund Account (the “Securities Fund Account”): the securities fund account opened by the Manager with the securities company for the exclusive purpose of securities transactions by using the Client Assets, with any fund transfer from or to such account to be made by way of bank-securities account transfer as instructed by the Manager.
15. Securities Company Settlement Mode: the completion of fund settlement for all securities transactions of the Client, including the single asset

management of the securities company, through the client settlement reserve account opened by the securities company with CSDC.

### III. Representations and Undertakings

#### (I) Representations and Warranties of the Client

1. The Client has the legal qualification for participating in the single asset management business, and is not prohibited or restricted from participating in the single asset management business under laws, administrative regulations and relevant rules of the CSRC;
2. The Client warrants that it will participate in the single asset management business in its real capacity, that all information and materials provided by it to the Manager and the Custodian are true, accurate, complete and lawful, and that in the case of any material change of such information and materials, it will promptly inform the Manager and the Custodian thereof in writing;
3. The Client warrants that the Client Assets are its self-owned funds, from legitimate sources and used for legitimate purposes;
4. The Client undertakes that it will comply with the *Anti-money Laundering Law of the People's Republic of China* and other anti-money laundering laws and regulations, and that the funds to be used for the purpose of its participation in the single asset management business are not from any income from illegal or criminal activities and the gains thereof. In order to carry out such business, the Client undertakes to produce true and valid identity card or other identification documents, actively cooperate with the Custodian to perform anti-money laundering duties, and provide cooperation for the identification of information of beneficial owners, and not to engage in money laundering or other illegal or criminal activities by way of such business;
5. The Client's execution and performance of this Contract represent its true intentions, have been legally and validly authorized in accordance with its articles of

association or other internal governance documents, and will not violate any contract or other legal document binding upon it; the Client has obtained all relevant approvals, licenses, filings or registrations necessary for the execution and performance of this Contract;

6. The Client has carefully listened to the detailed explanations given by the special personnel designated by the Manager of relevant business rules and this Contract, fully understood this Contract, clearly knows the market risks, management risks, liquidity risks and other risks involved in any investment of the Client Assets as well as the characteristics of portfolio risks and returns, executed the risk disclosure prepared by the Manager and undertaken to bear risks and losses on its own;

7. The Client acknowledges that the Manager and the Custodian do not make any undertaking or provide any guarantee as to the returns on the Client Assets;

8. The Client is not a director, supervisor or practitioner of the Manager or the spouse thereof;

9. The Client designates the Securities Company Settlement Mode to be adopted for the conduct of the single asset management business with the Manager and the Custodian. Upon receipt of sufficient reminder from the Custodian, the Client has been informed and acknowledged that:

In the case of adoption of the Securities Company Settlement Mode for the conduct of the special asset management business, the fund settlement in respect of investment of the Client Assets in securities market shall be handled by the Manager by means of the Securities Company Settlement Mode, the securities transaction settlement fund (security deposit) of the Client shall not be kept in the Custody Account, and its securities assets in custody shall be deposited in the Special Securities Account of the Client and used by the Manager. The Custodian shall only be responsible for safekeeping of the cash assets in the Custody Account and fund settlement in the name of the Custody Account. The safekeeping responsibilities of the Custodian shall not include the safekeeping of the securities transaction settlement funds and securities assets of the Client. The Custodian shall not be liable for any loss of the Client Assets arising from improper safekeeping by the Manager of the

securities transaction settlement funds or securities assets of the Client.

Since the securities transaction settlement funds of the Client is under the control of the Manager, and the Manager is responsible for safekeeping of the same by means of the Securities Company Settlement Mode, the Custodian shall not be liable for any misappropriation by the Manager of the securities transaction settlement funds of the Client.

Except for the Securities Transaction Settlement Fund Account, the Manager shall not open any separate securities transaction settlement fund account for this Asset Management Plan, and the sole third-party depository relationship shall be established between such account and the Custodian Account.

Under the Securities Company Settlement Mode, in the case of investment in securities transactions and collection and payment of securities transaction settlement funds by the Manager, the Custodian may only check such investment, collection and payment through the data sent by the Manager to the Custodian after the completion thereof, therefore the Custodian's supervision of investment activities of the Manager is ex-post in nature. If the data sent by the Manager to the Custodian is not consistent with that of the real transactions, the Custodian will not identify any investment by the Manager in violation of regulations during its ex-post supervision. The Custodian shall be released from any liability for the non-fulfilment of its ex-post supervision responsibilities as a result of the untruthfulness of the data sent by the Manager.

10. The Client acknowledges that in the case of termination of this Plan (including expiration or early termination), the Client Assets might be unable to be realized in full, in which case the Client shall have the right to request the Manager to refund the Client Assets on an "as is" basis after deduction of costs and liabilities required to be borne by the Client Assets; the Client may also opt to extend the management period until the completion of liquidation of all assets, and the Manager will realize the Client Assets immediately after the non-cash assets are realizable.

If the Client requests the Manager to refund the Client Assets on an "as is" basis, the Manager shall refund the Client Assets to the Client on an "as is" basis, i.e.

delivering the non-cash assets to the Client, or assist the Client to issue a written notice of transfer of contractual rights or property rights and interests, and the Manager shall assist with the relevant property transfer formalities upon the request of the Client.

If the Manager conducts a secondary round or more rounds of clearing of the securities which fail to be liquidated, relevant clearing plan shall be formulated and submitted to the Client and the Custodian for approval. The Manager shall, pursuant to the plan, conducts a secondary round of clearing of such securities after they become liquidated, and distribute the realized assets to the Client in a monetary form after deduction of relevant taxes and fees.

(II) Representations and Undertakings of the Manager

1. The Manager is a securities business operator duly established and approved by the CSRC, with the qualification for engaging in the client asset management business;
2. The Manager warrants that it will comply with laws, administrative regulations and relevant rules of the CSRC, and abide by the principles of equality and fairness; that it will adhere to fair trading practices, avoid conflict of interest, prohibit tunneling of interests and protect the legitimate rights and interests of the Client;
3. The Manager has been aware of the identity of the Client and sources of the Client Assets in accordance with relevant rules, designated special personnel to disclose its business qualifications and explain relevant business rules and the content of this Contract to the Client, reminded the Client to read and execute the risk disclosure, and fully assessed the financial conditions of the Client by understanding the Client's risk appetite, risk awareness and tolerance;
4. The Manager warrants that the materials and information provided by it are true, accurate, complete and lawful;
5. The Manager represents that it does not make any undertaking in any manner that the Client will not suffer principal loss, or will receive minimum return;
6. If any of the Manager's shareholders or other natural person, legal person or

organization affiliated with the Manager becomes a client of the single asset management business of the Manager, the Manager shall monitor the accounts of such client in accordance with its relevant internal rules, and keep its identity, contract number, net value of client assets, management period, cumulative rate of return and other information on a centralized basis;

7. The Manager's execution and performance of this Contract represent its true intentions, have been legally and validly authorized in accordance with its articles of association or other internal governance documents, and will not violate any contract or other legal document binding upon it; the Manager has obtained all relevant approvals, licenses, filings or registrations necessary for the execution and performance of this Contract;

8. The Manager represents that it will not engage in any illegal or unfair transactions or tunneling of interests, use of nonpublic information for trading purpose, insider trading, market manipulation, money laundering, commercial bribery or impairment of legitimate rights and interests of any third party by way of this Plan, and will not invest the funds under this Plan, directly or indirectly, in any project in violation of national industry policies or environmental protection policies (other than investment in securities market), including, without limitation: (a) any investment project listed in the catalogue of eliminated industries newly issued by the National Development and Reform Commission; (b) any investment project in violation of the requirements of national environmental protection policies; (c) upon looking-through inspection, any of the foregoing investment projects becoming the ultimate investment target of this Plan.

### (III) Representations and Warranties of the Custodian

1. The Custodian has the legal qualification for engaging in the asset custody business;
2. The Custodian undertakes to perform responsibilities such as safekeeping of the Client Assets of the Client, handling of collection and payment of funds and supervision of investments by the Manager in good faith, prudently and diligently;
3. The Custodian warrants that the financial data and reports provided by it

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hereunder are true, accurate, complete and lawful. If such data or report is prepared in reliance upon any data from the Manager, the Client or a third party, the Custodian warrants that such preparation is complete, true and lawful, without any material omission or misleading information.

## IV. Parties and Their Rights and Obligations

### (I) Client

Company Name: Alibaba (China) Technology Co., Ltd.  
Domicile: 5/F, Building 3, 969 West Wen Yi Road, Yu Hang District, Hangzhou, Zhejiang  
Postal Code: 311121  
Legal Representative: DAI Shan  
Telephone:

#### 1. Rights of the Client

- (1) To deliver the Client Assets and receive the returns on the Client Assets and any assets remaining after liquidation, including, without limitation, interest and investment returns, in accordance with this Contract;
- (2) To make inquiries about the asset allocation, risk conditions, risk management, value change, trading records and other information relating to the Client Assets, and supervise the management and custody of the Client Assets;
- (3) To receive business reports from the Manager relating to single asset management and business reports from the Custodian relating to asset custody at such time and in such manner as specified in this Contract;
- (4) The Client hereby acknowledges that the Manager shall have the right to exercise the rights in the securities held under the Asset Management Plan;
- (5) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

#### 2. Obligations of the Client

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- (1) To promptly inform the Manager and the Custodian in the case of any change to any material or information provided by it to the Manager or the Custodian;
- (2) To deliver the Client Assets to the Manager and the Custodian promptly and in full;
- (3) To assist the Manager with the completion of opening, use, conversion and cancellation of the Special Securities Account, and not to lease, lend, transfer or otherwise offer for use by others the Special Securities Account;
- (4) To authorize and assist the Custodian to complete the opening, use, conversion and cancellation of the Custody Account, and not to transfer or pledge, lease, lend or otherwise offer for use by others such account and the Client Assets; not to change the specimen seal for the Custody Account, cancel the account, transfer the funds in, or withdraw cash from, the account or change the password for bank-securities account transfer without authorization;
- (5) To bear relevant taxes and fees, pay carried interest (if any) and other costs payable as a result of the operation of the Client Assets in accordance with laws, administrative regulations, rules of the CSRC and this Contract;
- (6) To promptly, completely and accurately inform the Manager of its investment objectives, investment appetite, investment restrictions, risk tolerance and other basic information, keep trade secrets, and not to divulge the investment plans and investment focus of the Client Assets;
- (7) In the case of any investment by the Manager approved by the Client, if the results of investment operation of the Client Assets cannot meet the expected objectives, the Client undertakes to bear the loss from non-recoverability of the Client Assets upon maturity;
- (8) To bear the investment risks of the Client Assets on its own; if any investment-related obligor, including payment obligor or guarantor, fails to make prompt payment as agreed, commit any other breach or any risk event occurs on its part, the Manager may submit to the Client a proposal for handling of such failure, breach or risk event, and the Client shall provide explicit feedback to the Manager in writing. After the Client has given its feedback and confirmed a specific plan for

handling of the same, the Manager shall act in accordance with such plan. All risks, costs, losses and consequences arising from such handling shall be borne by the Client Assets and the Client. If the Client Assets are insufficient to cover the costs of such handling, the Manager shall have the right to implement the plan after the Client delivers additional Client Assets or the Client Assets become sufficient to cover relevant costs;

(9) To facilitate prompt transfer, the Client shall transfer to the Custody Account the full amount of the Client Assets by 12:00 on the date of transfer, otherwise any loss resulting from delayed transfer shall be borne by the Client, and the Manager shall not be liable therefor;

(10) To promptly perform announcement, reporting, tender offer or other obligations provided for in laws, administrative regulations and the rules of the CSRC if it falls under any circumstances requiring the performance of such obligations;

(11) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

(II) Manager

Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Domicile: 21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone

Business Address: Huatai Securities Building, 228 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu

Postal Code: 210000

Legal Representative: CUI Chun

Corporate Form: Limited liability company

Registered Capital: RMB2,600,000,000

Term of Operation: Continuous operation

Contact Person:

Telephone:

1. Rights of the Manager

(1) To carry out investment operation and management of the Client Assets in accordance with this Contract as of the date of effectiveness of this Contract;

- (2) To receive carried interest (if any) and other fees in accordance with this Contract;
- (3) To request the Client to provide information and materials relating to its identity, financial and income conditions, securities investment experience, and risk awareness and tolerance and investment appetite;
- (4) To supervise the Custodian in accordance with this Contract and other relevant rules, take prompt measures to halt any violation by the Custodian of this Contract, laws or regulations which has resulted in material loss to the Client Assets and the interests of other relevant parties, and also notify the Client and report to the CSRC and the Asset Management Association of China;
- (5) The Client has acknowledged herein that the Manager shall have the right to exercise the rights in the securities held under the Asset Management Plan;
- (6) If the Manager identifies any funds of the Client from a source in violation of relevant anti-money laundering rules of the People's Bank of China, the Manager shall have the right to refuse to provide services to the Client and opt to terminate this Contract;
- (7) If the Client loses its qualification or is otherwise unable to exercise its rights and perform its obligations hereunder due to suspension of business, dissolution, cancellation, bankruptcy or otherwise, the Client hereby irrevocably authorizes the Manager to manage and dispose of the Client Assets pursuant to the principle of due diligence;
- (8) In the case of termination upon maturity or early termination of all assets invested in under this Plan, the Client shall have the right to request the Manager to terminate this Plan early;
- (9) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

## 2. Obligations of the Manager

- (1) To be responsible for safekeeping the securities assets in the Client Assets and the funds in the Securities Fund Account;
- (2) To ensure that this Asset Management Plan complies with laws, regulations

and regulatory rules, and be responsible for completing the filing of this Contract and other formalities required by regulatory authorities;

- (3) To open, use, cancel and convert the Special Securities Account for the Client Assets and open, use and cancel any account for trading of non-stock-exchange traded products on behalf of the Client in accordance with relevant rules;
- (4) To manage and utilize the Client Assets on its own initiative in good faith, prudently and diligently as of the date of effectiveness of this Contract; the Manager shall be responsible for careful selection of investment targets, formulation of investment strategies, and due diligence on investment targets;
- (5) To put in place sufficient personnel with professional capabilities to carry out investment analysis and decision making, and manage and operate the Client Assets in a professional operation manner;
- (6) To complete the clearing of the Client Assets on the stock exchange, and deliver to the Custodian the data and fund reconciliation statement relating to the Client Assets;
- (7) To establish business ledgers for each client, conduct accounting in accordance with the *Guidelines on the Accounting of Securities Investment Funds* , conduct regular reconciliation with the Custodian, and promptly and accurately complete the clearing and settlement of the Client Assets;
- (8) To provide the Client with reconciliation statements, management reports and other materials at such time and in such manner as specified in this Contract, specifying the allocation, risk exposure, risk management, value change, trading record and other information of the Client Assets during the reporting period;
- (9) To inform the Client ahead of, or as soon as practicable after, the occurrence of any material matter that may affect the interests of the Client;
- (10) To provide the Client with the service of inquiry about the operation of the Client Assets at such time and in such manner as specified in this Contract;
- (11) To establish sound internal risk control, supervision and audit, financial management, personnel management and other systems, ensure the segregation of the Client Assets managed by it and its own assets and the segregation of the client assets

of different clients, and carry out separate management, book keeping and investment for different property managed by it;

(12) Not to use the Client Assets for the purpose of seeking benefits for the Manager and any third party except in compliance with laws, this Contract and other relevant rules, and not to engage a third person to operate the Client Assets without the prior written consent of the Client;

(13) To be subject to the supervision by the Client and the Custodian in accordance with laws, regulations and this Contract;

(14) To prepare investment reports in accordance with the Guiding Opinions, the Administrative Measures, the Administrative Provisions and this Contract to specify the investment operation of the Client Assets during the reporting period;

(15) To keep trade secrets, and not to divulge the investment plans and investment focus of the Client Assets;

(16) To keep all accounting materials relating to the management of the Client Assets, contracts for single asset management activities, information of the Client, trading records and other documents, materials and data in accordance with laws and regulations;

(17) To fairly treat different properties managed by it and not to engage in any activities detrimental to the Client Assets and the interests of other relevant parties;

(18) To promptly refund to the Client the assets remaining after the liquidation of the Client Assets or the Client Assets on an “as is” basis upon termination of this Contract;

(19) To provide the information and materials of the Client upon the request of the Custodian, including, without limitation, information on sources and purposes of the funds and materials supporting that the Client is a qualified investor, and ensure that the information and materials so provided are true, accurate, complete and lawful, without any material omission or misleading information, and ensure that the information and materials of the Client satisfy the requirements of the Custodian;

(20) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

(III) Custodian

Name: China Merchants Bank Co., Ltd. Suzhou Branch

Business Address: China Merchants Bank Building, 36 Wansheng Street, Suzhou Industrial Park

Person-in-charge:

Telephone:

1. Rights of the Custodian

- (1) To conduct custody of the cash in the Custody Account of the Client;
- (2) To receive asset custody fees in time and in full as agreed in this Contract, provide services and receive custody fees in accordance with this Contract and supplementary agreements;
- (3) To supervise the operation of investment of the Client Assets by the Manager in accordance with this Contract, laws and regulations, and request the Manager to rectify any investment by the Manager in violation of this Contract or relevant laws and regulations immediately after it becomes aware of the same; if the Manager fails to make rectification or such investment results in the loss of the Client Assets of the Client, the Custodian shall promptly report to relevant regulatory authorities;
- (4) To promptly obtain data and fund reconciliation statements relating to the Client Assets from the Manager;
- (5) Other rights stipulated in relevant laws, administrative regulations, by the CSRC and in this Contract.

2. Obligations of the Custodian

- (1) To conduct custody of the cash of the Client in the Custody Account, safe-keep the Client Assets and complete the collection and payment of funds in accordance with this Contract, and not to use or dispose of the Client Assets without authorization except in compliance with laws, administrative regulations, relevant rules of the CSRC or this Contract, provided that the Custodian shall not be responsible for safekeeping other assets in any account beyond the actual control of the Custodian;
- (2) To take appropriate and reasonable measures to supervise the investment

activities of the Manager in accordance with laws, regulations and this Contract, and request the Manager to rectify any violation by the Manager of laws, administrative regulations, other relevant rules and this Contract immediately after it becomes aware of such violation; if the Manager fails to make rectification or such violation results in the loss of the Client Assets of the Client, the Manager shall have the right to report to regulatory authorities;

(3) To establish a special asset custody department with premises satisfying relevant requirements and sufficient, qualified and dedicated personnel familiar with the asset custody business to be responsible for the custody of the Client Assets;

(4) To open the Custody Account for the Client Assets in accordance with relevant rules, set up separate accounts for different properties held in custody by it and ensure the integrity and independence of the Custody Account;

(5) To promptly complete the transfer of funds pursuant to the fund transfer instructions of the Manager in accordance with this Contract; regularly check the assets of the asset management business; establish the mechanism of reconciliation with the Manager; review and examine the net value of the assets under the Asset Management Plan and participation or exit price of the Asset Management Plan as calculated by the Manager;

(6) To properly keep contracts, agreements, trading records, accounting books and other documents, materials and data relating to the custody business for this Plan for at least twenty years from the date of termination of the Asset Management Plan;

(7) To provide the Client with service of inquiry about the operation of the Client Assets at such time and in such manner as specified in this Contract;

(8) To prepare the annual custody report for the Client Assets and review information disclosure relating to the custody business for the Asset Management Plan upon the request of the Manager;

(9) Not to use the Client Assets for the purpose of seeking benefits for the Custodian and any third person except in compliance with laws, this Contract and other relevant rules, and not to engage a third person to conduct custody of the Client Assets without the prior written consent of the Client;

(10) To fairly treat different properties held in custody by it and not to engage in any activities detrimental to the Client Assets and the interests of other relevant parties;

(11) To issue review opinions on the annual report of the Asset Management Plan;

(12) To assume confidentiality responsibilities in respect of the investment information and relevant materials of the Asset Management Plan and not to provide relevant information and materials to any entity or person except in accordance with laws, administrative regulations, rules, audit requirements or contracts;

(13) Other obligations stipulated in laws, administrative regulations, by the CSRC and in this Contract.

## V. Client Assets

(I) Types, Amount, Date of Delivery, Method of Delivery, Management Period, Risk and Return Characteristics and Suitable Target Buyers of the Client Assets

### 1. Client Assets of the Client

This Plan shall be operated in a closed-end mode as of the date of start of operation of the Client Assets, and the Client shall pay the Client Assets in a lump sum, i.e. at least RMB2,800,000,000, by March 22, 2019. The specific amount to be paid shall be set forth in the Notice of Payment of Initial Client Assets in the form attached hereto as Appendix 1.

### 2. Time and Method of Delivery

The Client shall promptly transfer the initial Client Assets (cash) in full to the Custody Account opened by the Custodian for the Client Assets.

### 3. Management Period

After the Client has transferred the initial Client Assets to the Custody Account, the Manager shall send the Notice of Payment of Initial Client Assets by fax or email to the Client (email: \_\_\_\_\_; fax: \_\_\_\_\_; telephone: \_\_\_\_\_) and the Custodian (email: \_\_\_\_\_; fax: \_\_\_\_\_).

). The Client and the Custodian shall send to the Manager an acknowledgement of receipt on the same day of their receipt of such notice. The date of establishment of this Plan shall be specified in the Notice of Payment of Initial Client Assets and confirmed in such receipts.

Management Period: The management period of this Plan shall be ten years commencing from the date of establishment of this Plan. This Plan may be terminated early upon the request of the Client; this Plan may be extended by mutual agreement of the Parties.

Upon maturity or early termination of all assets invested in under this Plan, the Client shall have the right to request the Manager to terminate this Plan. If this Contract shall be terminated upon occurrence of any circumstance provided for in laws, regulations or this Contract, the Client, the Manager and the Custodian may also terminate this Contract through consultation in writing.

#### 4. Risk and Return Characteristics and Suitable Target Buyers of this Plan

This Plan involves a high level of risks, suitable for aggressive ordinary investors and professional investors as indicated in risk assessment results.

Except as stated above, the Client may not invest non-owned funds raised through loans or issuance of bonds in asset management products.

In the case of issuance of any new provisions of laws, regulations or regulatory authorities regarding qualified investors in future, such new provisions shall apply to this Plan.

#### (II) Safekeeping, Management and Disposition of the Client Assets

1. The Client Assets shall be independent of the owned property and other client property of the Manager and the Custodian, and kept by the Custodian. The Manager and the Custodian shall not include the Client Assets into their own property or co-mingle them with other client property. The Manager and the Custodian shall ensure the integrity and independence of the Client Assets within the scope of their respective responsibilities.

2. Any property and gains obtained by the Manager as a result from the management, use or other disposition of the Client Assets shall be included in the

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Client Assets.

3. The Manager and the Custodian may charge management fees, carried interest (if any), custody fees and other fees specified herein in accordance with this Contract.

4. If the Manager or the Custodian is liquidated due to dissolution, cancellation or declaration of its bankruptcy in accordance with law, the Client Assets shall not be included as part of its liquidation property.

5. In the case of pledge of the Client Assets, the Custodian shall notify the Manager immediately and no later than the same day when it becomes aware of creation of such pledge.

6. If a competent authority freezes, forces the transfer of or take other compulsory measures against the Client Assets, the Custodian shall inform the Manager and the Client promptly after it becomes aware thereof, subject to compliance with laws, regulations or confidentiality requirements of the competent authority.

7. The original evidence of trading records resulting from the Manager's operation of the Client Assets through an account shall be kept by the Manager, and the Custodian shall keep the photocopies of such record evidence provided by the Manager or other relevant entities.

#### (III) Opening and Management of Accounts Relating to the Custody Accounts

1. The account from which the Client transfers the Client Assets or additional Client Assets and the account into which the Client withdraws and transfers the Client Assets must be the same account opened in the name of the Client (the "Client Account"). If such accounts are not the same account under any special circumstance, the Client shall issue a written statement in compliance with relevant laws and regulations. The details of the Client Account are as follows:

Account Name: Alibaba (China) Technology Co., Ltd.

Account No.:

Bank:

CNAPS Code:

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2. Other Accounts:

(1) Custody Account

The Custody Account shall be the bank account opened by the Custodian for the Client Assets for the exclusive purpose of clearing and settlement. The Client and the Manager shall provide necessary cooperation and required materials during the opening of the account. The name of the Custody Account shall be “Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry’s Support for the Development of Private-owned Enterprises”, with the specific name to be the same as that of the account actually opened and the specimen seal to be the seal of the Custodian. The date of payment to be made from the Custody Account shall be determined by the bank with which such account is opened in accordance with the specific requirements of the *Measures for the Administration of RMB Bank Settlement Accounts of the People’s Republic of China*. The Client and the Manager shall warrant the truthfulness and validity of materials provided for the purpose of account opening, and in the case of any modification of relevant materials, provide the modified materials to the Custodian. The interest accrued on the Custody Account shall belong to this Plan.

During the management period, the funds in the Custody Account of the Client Assets shall only be transferred and used in accordance with this Contract. Except with the written consent of the Manager and the Custodian, or unless provided for in this Contract, the Client shall not change the specimen seal for the Custody Account, cancel the Custody Account, or transfer the funds in or withdraw cash from the Custody Account without authorization and in violation of this Contract. The Manager and the Custodian shall not be liable for any loss arising from any violation by the Client of the foregoing provisions.

The Client agrees that the Custodian shall be solely responsible for managing and using this account, and that, after the establishment of the bank-securities account transfer relationship with the Securities Fund Account as required by the Custodian, the Client shall inform the Custodian in writing of the password for bank-securities account transfer in order for the Custodian to complete, pursuant to the instructions of

the Manager, fund transfer between this account and the Securities Fund Account, delivery of the Client Assets, transfer of funds of over-the-counter trading, payment of management fees, custody fees, carried interest of the Manager and other reasonable fees, payment of the Client Assets remaining upon maturity and other compliant fund transfers. The Custodian shall be responsible for safekeeping the written authorizations and documentary evidence necessary for account management, and using such documents within the scope of management of the Client Assets.

Upon the opening of the Custody Account of the Client Assets and the Securities Fund Account, the sole corresponding third-party depository relationship shall be established based on the Securities Company Settlement Mode. Such relationship may not be changed once established, and if required to be changed, a new corresponding relationship shall be established based on the Securities Company Settlement Mode upon initiation by the Client and written confirmation by the Manager and the Custodian. The Client and the Manager undertake that the Securities Fund Account shall be the master fund account, and no ancillary fund account shall be opened; no bank accounts other than the Custody Account shall be separately opened for the Securities Fund Account. The details of the Custody Account are as follows:

Account Name: Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises

Account No.:

Bank:

CNAPS Code:

(2) Securities Transaction Fund Account

The Manager shall be responsible for opening the Securities Transaction Fund Account, which account shall be solely used for clearing of funds for the trading of the Client Assets on the Shanghai Stock Exchange and the Shenzhen Stock Exchange; an exclusive corresponding relationship shall be established between this account and the Custody Account, with the latter to be the payee account, and shall not be changed

unless with the written consent of the Custodian; the password for withdrawal of funds from the Securities Transaction Fund Account shall be handed over by the Manager to the Custodian for use by the latter; any fund transfer between the Securities Transaction Fund Account and the Custody Account shall only be completed through a third-party depository platform.

(3) Opening and Management of Time Deposit (Including Negotiated Deposit) Account (if any)

The specimen seal for the account of time deposit (including negotiated deposit) shall be the same as that for the Custody Account. The negotiated deposit or time deposit agreement shall explicitly set forth that the deposit principal and interest shall be transferred back to the Custody Account when they fall due, and the negotiated deposit or time deposit agreement shall be reviewed by the Custodian. The original deposit certificate shall be kept by the Custodian. The procedures for handling time deposit (including negotiated deposit) shall be as set forth in the negotiated deposit or time deposit agreement. Such agreement must contain the following express terms: 'deposit certificate shall not be pledged, or mortgaged in any way, nor shall it be transferred or endorsed; all amounts repaid at maturity of principal and interest or withdrawn early must be transferred to the special custody account (account name, bank and account number shall be specified), and not be transferred to any other account'. If no such terms are reflected in the time deposit agreement, the Custodian shall have the right to refuse to execute any transfer instruction relating to investment of time deposit.

(4) Opening of Inter-bank Market Account (if any)

If the Client Assets are directly used for trading and settlement of bonds, the Manager and the Custodian shall apply to National Interbank Funding Center ("NIBFC") and China Central Depository & Clearing Co., Ltd. ("CCDC") or Inter-bank Market Clearing House Co., Ltd. ("Shanghai Clearing House") respectively for completion of bond trading networking formalities and opening of a bond custody account on behalf of the Client Assets. The Manager shall be responsible for bond trading on inter-bank markets, and the Custodian shall be

responsible for inter-bank bond delivery and fund transfer.

The Client Assets may also be used for trading and settlement of bonds through a settlement agent. The Manager shall enter into a bond settlement agent agreement with the Custodian and the settlement agent, whereby the settlement agent shall apply to CCDC for opening of a bond custody account and be responsible for trading of the Client Assets and delivery of bonds as mandated by the Manager, and the Custodian shall be responsible for fund transfer.

(5) Special Fund Account (if any)

If the Client Assets are used to subscribe for monetary funds or bond funds, the Manager shall open a special fund account to carry out investment of the Client Assets in funds. If the Manager opens a special fund account for the Client Assets, it shall designate the Custody Account to be the account designated for collection and payment of trading funds in the subscription and redemption of monetary funds and bond funds. Unless there is any change to the Custody Account and the prior consent of the Custodian is obtained, the Manager shall not change the designated account for collection and payment of transaction funds for the purpose of fund investment.

(6) Special Securities Account (if any)

The Manager shall be responsible for opening the Special Securities Account within five Working Days from the establishment of the Single Asset Management Plan for the purpose of buying or selling the trading products of a stock exchange. The name of the securities account or futures account of the Single Asset Management Plan shall be “manager name-investor name-name of asset management plan” (with the specific account name to be the same as the actual name).

The Special Securities Account shall only be used for the purpose of the single asset management business and by the Manager, and no transfer or re-designation of custody shall be carried out in respect of such account, unless otherwise required by the CSRC. The Client and the Manager shall not lease, lend or transfer the Special Securities Account or otherwise offer it for use by others.

The Manager shall file the Special Securities Account with the appropriate stock

exchange within three Working Days from the opening of such account.

(9) Other Accounts Required for Asset Transaction, Settlement and Custody

Any other account required for the trading, settlement and custody of the Client Assets shall be opened in accordance with relevant laws and regulations, this Contract or market practices.

(10) Filing and Management of Accounts

The Manager and the Custodian shall file with the Client the photocopies of return receipts for the opening of all accounts opened for the purpose of implementation of this Asset Management Plan, including, without limitation, the securities account, the Custody Account, and the fund account, within three Working Days from the opening of such accounts.

The names of all accounts opened for the purpose of implementation of this Asset Management Plan shall at least include the name of the Client. If the system of the account opening institution does not support the use of such name or any latest rules are released by regulatory authorities, the account name supported by such system or approved in accordance with such latest rules shall prevail.

For all transactions carried out for the purpose of implementation of this Asset Management Plan, the account from which funds are transferred shall be the same account into which inbound payments are transferred.

The Client shall have the right to request to inspect the original trading information of all accounts (including, without limitation, the securities account, the Custody Account and the fund account), except for trading passwords, such as return receipts for account opening, trading logs and original evidence of trading records, and the Manager and the Custodian shall provide cooperation in order for such requests of the Client to be satisfied.

(IV) Payment of the Client Assets in Installments

The Client Assets under this Single Asset Management Plan shall be paid in a lump sum, instead of in installments.

(V) Withdrawal of Shares of the Client Assets

This Single Asset Management Plan shall be operated in a closed-end mode, and

no application for withdrawal of any share of the Client Assets shall be accepted except in the case of liquidation distribution as a result of termination or other circumstances.

(VI) Period and Method of Liquidation and Refund of Assets upon Expiration of the Management Period

1. The Manager shall begin to organize the liquidation of the Client Assets under this Plan, and prepare and submit to the Client and the Custodian a report of liquidation of the Client Assets within five Working Days from the date of occurrence of termination event of this Plan. The Client and the Custodian shall give a written confirmation within five Working Days from receipt of the report of liquidation of the Client Assets if they have no objection thereto. If they have any objection, they shall raise such objection in writing within five Working Days from receipt of the report of liquidation of the Client Assets. If both the Client and the Custodian have no objection to the report of liquidation of the Client Assets, the Custodian and the Manager shall be released from their responsibilities with respect to the matters listed in the liquidation report. The Manager shall file the liquidation results with the Asset Management Association of China and report to the local counterpart of the CSRC within five Working Days from the completion of liquidation of this Plan.

2. The Manager shall realize the Client Assets in whole by the date of liquidation, and complete the handover of the Client Assets within three Working Days upon confirmation by the Client and the Custodian of the liquidation report by handing over the Client Assets to the Client after deduction of single asset management fees as agreed hereunder. If there are any unrealizable non-cash assets in the Client Assets, the Client shall have the right to request the Manager to refund such assets on an “as is” basis after deduction of costs and liabilities required to be borne by the Client Assets; the Client may also opt to extend the management period until the completion of realization of all the assets, and the Manager will realize all the non-cash assets immediately after they become realizable.

3. From the date of liquidation of the Client Assets to the date of handover of such assets, the Custodian shall continue to perform the custody responsibilities

specified in this Contract. During such custody period, no Party shall use such property. Any gains generated during the custody period shall belong to the Client Assets, and custody fees incurred shall be borne by the Client Assets held in custody. The collection of custody fees during such custody period shall be separately determined by the Custodian and the Client through consultation. If the Client Assets cannot be transferred due to any reason attributable to the Client, the Custodian and the Manager may handle the issue in accordance with relevant laws and regulations after consultation.

(VII) Liquidation of Part of Assets upon Expiration

If during the term of this Asset Management Plan, part of any non-standard assets invested in by such plan become mature or terminated or the Client exits from part of any such assets, the Manager may, upon the request of the Client, liquidate such part of non-standard assets, and distribute them to the Client in the form of monetary fund, provided that no early exit or disguised early exit by the Client from this Asset Management Plan is allowed. The Manager shall distribute to the Client the realized assets under the Asset Management Plan remaining after liquidation, net of relevant liquidation fees, taxes and other liabilities. During the liquidation period, the Manager may conduct liquidation for several times according to liquidation arrangement and investor service requirements.

If it is otherwise provided for in relevant laws, regulations or required by the regulatory authorities, such laws, regulations or requirements shall prevail.

**VI. Investment Policies and Changes**

(I) Product Type and Investment Objectives

This Product is a fixed-income single asset management plan.

This Plan is specially used to help promising listed companies to solve the difficulty of financing, better serve the real economy and support the high-quality development of the private-owned economy.

## (II) Investment Scope and Proportion

### 1. Investment Scope

(1) Stock-pledged repurchase transactions (as the lender), in which the underlying securities of the borrower are those of STO Express (002468.SZ). The Custodian shall not monitor the matters relating to the lender and the borrower.

The Client agrees and authorizes the Manager to participate in repurchase transactions in which the stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are pledged. When the Client agrees and authorizes the Manager to participate in repurchase transactions in which the stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are pledged: the Manager shall examine the qualifications of the borrower and execute the Stock-pledged Repurchase Transaction Business Agreement and relevant transaction agreements and documents (collectively, the “Transaction Documents”) with the borrower and Huatai Securities Co., Ltd. on behalf this Plan; the Manager shall perform all provisions under relevant Transaction Documents entered into in connection with the stock-pledged repurchase business on behalf of the Client; the Manager shall be registered as the pledgee, and the Manager shall entrust Huatai Securities Co., Ltd. to handle, supplement and release stock pledge, collect fruits, preserve the collateral, report transactions, conduct mark-to-market management, take action against the breaching pledgor or the borrower and deal with other matters in accordance with the Transaction Documents and manage the Client Assets pursuant to the business agreement. The maturity date of the stock-pledged repurchase transaction invested by this Single Plan shall be no later than the expiration date of the management period of this Single Plan.

The borrower of the stock-pledged repurchase project invested by this Single Plan may use the funds borrowed by it to repay its stock-pledged financing liabilities owed to the parent company of the Manager.

### 2. Investment Proportion

The market value of fixed-income assets (stock-pledged repurchase transactions (as the lender), in which the underlying securities of the borrower are STO Express

(002468.SZ)) represents 80%-100% of the total value of the assets under this Plan.

Subject to laws and regulations or requirements of regulatory authorities, the Client, the Manager and the Custodian may adjust the investment scope of this Plan through consultation after the performance of appropriate procedures. The Client, the Manager and the Custodian shall enter into a supplementary agreement in advance if the Client Assets are invested in the products other than those set forth herein.

The position opening period shall commence from the establishment date of this Plan and shall not exceed 6 months. Investment activities during the position opening period shall conform to the investment direction set forth herein and risk and income characteristics of the Asset Management Plan, except for investment in bank demand deposits, treasury bonds, central bank bills, policy financial bonds, local government bonds, money market funds and other investment products approved by the CSRC for the purpose of cash management. The Custodian shall not monitor the position opening period.

After the end of the position opening period, the investment portfolio proportion of this Plan shall comply with the foregoing provisions. If any investment under the Asset Management Plan fails to reach the investment proportion stipulated by laws, administrative regulations and the CSRC or the investment proportion set forth herein due to fluctuations in the securities or futures market, mergers of securities issuers, changes in the scale of the Asset Management Plan and other factors not attributable to the Manager, the Manager shall adjust the investment proportion to meet relevant requirements within fifteen trading days from the Day when illiquid assets are available for sale or transferable or the trading thereof is resumed. If the Manager fails to complete adjustment during the specified period for special reasons, it shall report to the relevant local counterpart of the CSRC and the Asset Management Association in a timely manner.

The Client hereby agrees and authorizes the Manager to invest the assets under the Asset Management Plan in the securities issued, or underwritten during the underwriting period, by the Manager, the Custodian and their controlling shareholders, actual controllers or other affiliates and the public securities investment funds

managed by them. After the consummation of a transaction, the Manager shall promptly notify the Custodian and the Client, take effective measures to prevent conflicts of interest, protect the legitimate rights and interests of investors and complete reporting or filing procedures in accordance with relevant provisions. The Client hereby agrees that the funds lent under this Asset Management Plan may be used by the borrower for the repurchase under the self-owned fund repurchase transaction with Huatai Securities Co., Ltd.

### (III) Investment Restrictions

The Client Assets hereunder shall be subject to the following investment restrictions:

- (1) the total amount of the funds invested in the same non-standard credit asset by all asset management plans managed by the Manager shall not exceed RMB30 billion;
- (2) the stocks issued by a single listed company jointly held by all asset management plans managed by the Manager shall not exceed 30% of the tradable stocks of such listed company;
- (3) the Client Assets shall not be used for investment possibly bearing unlimited liabilities, nor shall they be used for the purpose of loans or external guarantees;
- (4) the Client Assets shall not be invested, directly or indirectly, in the projects that fail to comply with national industry policies and environmental protection policies (other than investment in the securities market), including, without limitation:
  - (a) investment projects that have been listed in the catalogue of eliminated industries newly issued by the National Development and Reform Commission;
  - (b) investment projects that violate the requirements of national environment protection policies;
  - (c) upon looking-through inspection, any of the foregoing investment projects becoming the ultimate investment target of this Plan;
- (5) this Asset Management Plan shall not violate the provisions hereof regarding investment scope, strategies and proportion;
- (6) investment shall be made prudently in the areas where the government fails

to acknowledge or cancels relevant letters issued, economic capability and credibility are poor, and the government fails to actively maintain its local reputation;

(7) other investment restrictions or prohibitive requirements imposed by laws and regulations or the CSRC, the China Banking and Insurance Regulatory Commission (the “CBIRC”) and other regulatory authorities shall be complied with;

(8) this Plan shall not reinvest in asset management products other than public securities investment funds.

If a national regulatory authority promulgates the latest regulatory provisions, this Contract shall be implemented in compliance with the latest regulatory provisions.

The Custodian shall only conduct supervision of the investment scope, while the investment proportion and restrictions shall be supervised by the Manager on its own.

#### (IV) Changes in Investment Policies

The Client and the Manager may change the aforesaid investment policies through consultation, and changes in investment policies shall be made in writing and sent to the Custodian. In the case of changes in investment policies, necessary time shall be reserved for the Manager and the Custodian to make adjustment.

(V) The Parties acknowledge that all notices, instructions, explanations and return receipts shall be valid if sent by facsimile or email with attached scanned copies to the other Parties during the process of investment transaction, provided that originals shall be exchanged for record within five Working Days after the consummation of the transaction. If any original is inconsistent with the facsimile (or the scanned copy) or any Party fails to deliver any original in accordance with this Contract, the Parties unanimously agree that the facsimile (or the scanned copy) received previously shall prevail and all losses caused to the Client Assets shall be borne by the Party that has sent the facsimile (or the scanned copy).

## **VII. Appointment and Change of Investment Manager**

1. The investment manager of the Client Assets shall be appointed by the Manager.
2. The Manager may change the investment manager according to the need, provided that it shall notify the Client of the change by email or in writing on the date of change.

## **VIII. Issuance, Confirmation and Implementation of Fund Transfer Instructions**

The Manager shall issue fund transfer and other payment instructions to the Custodian when it utilizes the assets under this Plan, and the Custodian shall implement the instructions of the Manager and handle relevant matters such as fund transfer under the name of the fund.

The instructions issued by the Manager include electronic instructions and paper instructions.

Electronic instructions include the electronic instructions issued by the Manager (including the electronic instructions transmitted by electronic messages and the electronic instructions entered on the Manager's client side of the online custodian banking) and automatically generated electronic instructions (including the electronic instructions automatically generated on the Custodian's client side of the online custodian banking in accordance with the predetermined business rules). Paper instructions include faxed instructions.

Before the operation of the fund, the Manager shall provide the Custodian with the written Instruction Activation Letter (Appendix 8) in advance. The Instruction Activation Letter shall specify the business type with respect to which the Manager issues electronic instructions, the activation date, the numbers to send and receive faxed instructions under emergency conditions, the telephone numbers for

confirmation of instructions, etc. The Instruction Activation Letter shall be affixed with the specimen seal of the Manager as specified in the written notice of authorization.

(I) Written Authorization Granted by the Manager to Instruction Issuers

The Manager shall notify the Custodian in advance of a written list of the persons who have the right to issue fund transfer instructions and prepare the fund transfer instruction authorization notice regarding Huatai Securities Asset Management Single Asset Management Plan No. 7 as Part of the Securities Industry's Support for the Development of Private-owned Enterprises (Appendix 5, the "Fund Transfer Authorization Notice"). The Authorization Notice shall specify the authority granted to the authorized persons and their specimen seals and signatures, the effective date of authorization and the specimen seal and shall be affixed with the common seal of the Manager and signed by the legal representative or authorized signatory of the Manager (if signed by the authorized signatory, the power of attorney signed by the legal representative shall also be attached thereto). The Manager shall give the Authorization Notice to the Custodian by facsimile or by other means agreed upon with the Custodian and notify the Custodian by telephone at the same time. After the Manager confirms the Authorization Notice with the Custodian by telephone or by other means approved by the Manager and the Custodian, the Authorization Notice shall become effective at the effective time set forth therein. The Manager shall deliver the original of the Authorization Notice to the Custodian within three Working Days thereafter. If the original of the Authorization Notice is inconsistent with the faxed copy received by the Custodian, the faxed copy received by the Custodian shall prevail.

The Manager, the Client and the Custodian shall be obligated to keep the Fund Transfer Authorization Notice confidential and the contents thereof shall not be disclosed to any person other than the authorized persons and relevant operators, unless stipulated by laws and regulations or otherwise required by competent authorities.

(II) Contents of Fund Transfer Instructions

The fund transfer instructions are the fund transfer and other payment instructions issued by the Manager to the Custodian when the Manager utilizes the Client Assets. The fund transfer instructions issued by the Manager to the Custodian shall specify the cause for payment, time for payment, amount, the beneficiary account and the payment account and shall be signed and sealed by the authorized signatory specified in the Fund Transfer Authorization Notice and affixed with the specimen seal.

(III) Issuance, Confirmation and Implementation Procedures of Fund Transfer Instructions

1. Issuance of Instructions: The Manager shall issue electronic fund transfer instructions or investment instructions to the Custodian by entering such instructions in the online custodian banking system of the Custodian or by means of electronic direct connection.

(1) Online Custodian Banking (including electronic direct connection)

The online custodian banking means the customer service software provided by the Custodian to the Manager on the basis of the Internet so as to realize instruction processing, data transmission, business inquiry, delivery of materials, information service and other straight-through processing between the Manager and the Custodian.

The Manager and the Custodian shall otherwise enter into the Online Custodian Banking Service Agreement of China Merchants Bank, and specific matters shall be governed by such agreement.

The Manager shall not deny the validity of the instructions issued by it through online custodian banking.

(2) Under emergency conditions, the Manager shall issue fund transfer instructions by facsimile as emergency measures after it gives a prior notice to the Custodian and explains reasons therefor.

The Manager shall not deny the validity of the instructions issued by it from the specified fax numbers.

With respect to the faxed instructions issued by the Manager from the fax

number other than the specified fax numbers, the Custodian shall use a recording telephone to dial the telephone numbers for confirmation of instructions as specified in the Instruction Activation Letter to verify with the Manager the date, number and type of instructions, name of payment product, name of the payee, amount, purpose, etc.

If any of the numbers to receive faxed instructions is changed or added, the Manager shall provide the updated Instruction Activation Letter to the Custodian in advance.

### (3) Transmission of Fund Transfer Instruction Attachments

Simultaneously with the issuance of instructions to the Custodian, the Manager shall provide relevant contracts, transaction vouchers or other supporting materials through online custodian banking or from the specified fax numbers or the specified email addresses to send instruction attachments as set forth in the Instruction Activation Letter. The Manager shall be responsible for the truthfulness, validity, completeness and legality of such materials.

The Manager shall not deny the validity of instruction attachments sent through online custodian banking or from the specified fax numbers or the specified email addresses.

When the Manager issues instructions, it shall ensure that there is sufficient balance of funds in the relevant payment account and necessary time shall be reserved for the Custodian to implement instructions.

With respect to subscription of new shares and new bonds and other offline public issuance, the Manager shall issue instructions to the Custodian prior to 10:00 on the offline subscription payment date.

With respect to the deposit and withdrawal of funds in futures trading, the Manager shall issue instructions to the Custodian two hours prior to the deadline for the deposit and withdrawal of funds on the trading Day.

With respect to trading on exchange, before the first trading on exchange, the Manager shall confirm the completion of setup of participant business unit and shareholder code with the Custodian.

With respect to the interbank business, the Manager shall send interbank trade tickets and relevant fund transfer instructions to the Custodian prior to 15:00 on the trading Day. The Manager shall conduct interbank transactions of the fund only after it confirms the completion of setup of certificate and authority with the Custodian.

With respect to the exercise of call warrants on the Shanghai Stock Exchange, the Manager shall notify the Custodian in writing of the exercise price and fees required to be paid prior to 15:00 on the exercise date and the Custodian shall pay the same to the account designated by the China Securities Depository and Clearing Corporation Limited prior to 16:00.

With respect to the trading instructions for payment at the specified time, the Manager shall issue such instructions to the Custodian two hours in advance; with respect to the instructions issued by the Manager to the Custodian after 15:00, the Custodian shall not guarantee the payment on the same Day.

2. Confirmation of Instructions: The Manager shall have the obligation to confirm instructions with the Custodian by telephone after it issues the instructions. Instructions shall be deemed to be served on the Custodian when the Custodian confirms the successful receipt of the instructions. The Manager shall not deny the validity of the instructions issued in accordance with the Authorization Notice.

3. Implementation of Instructions: After the Custodian confirms the receipt of the instructions issued by the Manager, the Custodian shall carry out formality examination of the instructions, verify the completeness of instruction elements, examine the consistency of the seals and signatures affixed to the faxed instructions with the specimen seals and signatures and promptly implement the instructions during the specified period after the instructions are found accurate upon examination.

Under normal circumstances, the Custodian shall carry out the deposit and withdrawal of funds through the bank-futures account transfer system of the futures clearing bank according to the instructions for the deposit and withdrawal of funds issued by the Manager.

In the case of failure of the bank-futures account transfer system of the futures

clearing bank and other emergencies, the Manager may manually carry out the deposit and withdrawal of funds.

With respect to the manual implementation of the non-bank-futures account deposit and withdrawal of funds, the Manager shall notify the futures company of the deposit of funds after the Custodian transfers funds to the account designated by the futures company through the online banking system of the clearing bank according to the fund transfer instructions provided by the Manager, and the Manager shall notify the futures company of the withdrawal of funds and then issue instructions to the Custodian and the Custodian shall transfer funds to the Custody Account through the online banking system of the clearing bank according to the fund transfer instructions provided by the Manager.

After the completion of the withdrawal or deposit of funds in futures trading, the Manager shall inquire the withdrawal or deposit of funds through its trading system or terminal system.

In the event of the non-implementation of instructions, if the Manager cancels the instructions, it shall specify "invalid" on the original instructions and affix with the specimen seal, send such instructions as signed and sealed by the authorized persons to the Custodian by facsimile and notify the Custodian by telephone.

(IV) Circumstances under which the Manager Issues False Instructions and Handling Procedures

The circumstances under which the Manager issues false instructions include the situations where an instruction issuer has no right to issue instructions or issues instructions beyond the scope of authority, the closing information is false or important information in the instructions is unclear or incomplete.

When the Custodian finds that the instructions issued by the Manager are false in the performance of its supervision function, it shall refuse to implement such instructions and promptly notify the Manager of rectification.

(V) Changes in the Authorization Notice

If the Manager changes the Authorization Notice (including, without limitation, change of instruction issuers, contact information, specimen seals and signatures, etc.),

it shall notify the Custodian at least one Working Day in advance; the document evidencing the changes in the Authorization Notice shall be affixed with the common seal of the Manager and signed by the legal representative or authorized signatory of the Manager (if signed by the authorized signatory, the power of attorney signed by the legal representative shall also be attached thereto). The Manager shall send the document evidencing the changes in the Authorization Notice to the Custodian by facsimile or by other means approved by the Manager and the Custodian and notify the Custodian by telephone at the same time. After the Manager confirms the notice on change of authorized persons with the Custodian by telephone or by other means approved by the Manager and the Custodian, the notice shall become effective at the effective time set forth therein and the original Authorization Notice shall become invalid at the same time. The Manager shall deliver the original of the notice to the Custodian within three Working Days thereafter, and if the original is inconsistent with the facsimile, the facsimile shall prevail.

(VI) Custody of Instructions

If instructions are sent by facsimile, the Manager shall keep the original while the Custodian shall keep the faxed copy. In the case of any inconsistency, the faxed copy received by the Custodian shall prevail.

(VII) Relevant Liabilities

If clearing of funds fails to be promptly completed due to the reason that the Manager issues instructions to the Custodian when the Manager fails to have sufficient funds, the losses caused thereby shall be borne by the Manager. If clearing of funds fails to be promptly completed or the trading fails because of delayed transmission, failure to reserve adequate time for implementation or failure to promptly confirm instructions with the Custodian due to reasons attributable to the Manager, the losses caused thereby shall be borne by the Manager. If the Custodian correctly implements the valid instructions issued by the Manager but the assets under a collective plan suffer from losses, the Custodian shall not bear any form of liabilities. If, in the normal business acceptance channel and within the time limit specified in the instructions, the assets under a collective plan suffer from losses because of failure

to promptly or correctly implement lawful instructions due to reasons attributable to the Custodian, the Custodian shall bear corresponding liabilities, except for force majeure.

The Custodian shall perform formality examination duties in accordance with relevant provisions of this Contract. If the instructions issued by the Manager are unauthorized, fraudulent or falsified in fact or the Manager fails to provide the Authorization Notice in a timely manner, the Custodian shall not bear the losses caused to the Manager or assets of the fund or any third party by its implementation of relevant instructions or refusal to implement relevant instructions and all liabilities shall be borne by the Manager, except for the losses caused by the Custodian's implementation of instructions without performing formality examination obligation in accordance with this Contract.

## **IX. Trading, Clearing and Settlement and Fund Reconciliation**

### **(I) Clearing and Settlement of Non-exchange Trading Funds**

If clearing is conducted for the funds involved in the over-the-counter investment, the Custodian shall transfer funds in accordance with the instructions of the Manager and relevant investment documents.

### **(II) Clearing of Exchange Market Funds**

The Custodian and the Manager shall establish a third party depository business relationship for the Custody Account and the Securities Transaction Fund Account, and the Client shall give necessary cooperation. During the term of this Contract, fund clearing relating to the exchange market can be conducted between the Custody Account and the Securities Transaction Fund Account through a third party depository business platform.

#### **1. Transfer from the Custody Account to the Securities Transaction Fund Account**

The Manager shall issue instructions to the Custodian prior to the instruction

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issuance time requested by the Custodian, the instructions shall specify the time and amount of the bank—securities account transfer, and the Custodian shall make preparation accordingly.

The Custodian shall promptly transfer the corresponding amount from the Custody Account to the Securities Transaction Fund Account according to the fund transfer instructions issued by the Manager.

#### **2. Transfer from the Securities Transaction Fund Account to the Custody Account**

The Manager shall issue instructions to the Custodian prior to the instruction issuance time requested by the Custodian, and the instructions shall specify the time and amount of the bank—securities account transfer, as well as the reservation number, if necessary; the Custodian shall complete withdrawal formalities through the bank—securities account transfer system according to the instructions and the reservation number (if any) provided by the Manager and shall transfer the requested amount from the Securities Transaction Fund Account to the Custody Account prior to the payment time required by the fund transfer instructions.

### **(III) Clearing and Settlement of Other Funds**

If clearing of funds is conducted for the payment of taxes, the Custodian shall transfer funds in accordance with the instructions of the Manager and relevant documents (if any) after the Custodian verifies the consistency of the payment purpose with this Contract.

### **(IV) Implementation of Fund Transfer Instructions**

The Custodian shall implement the fund transfer instructions of the Manager without undue delay during the specified period after the instructions are found accurate upon examination. If the Custodian finds that the fund transfer instructions issued by the Manager violate laws or regulations or exceed the positions available, it shall refuse to implement such instructions and immediately notify the Manager in writing and request the Manager to change or cancel relevant instructions; if the Manager fails to change or cancel relevant instructions after the Custodian gives the aforesaid notice, the Custodian shall refuse to implement such instructions and report

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to the CSRC.

Fund transfer instructions shall be issued in accordance with the procedures set forth in Article IX of this Contract.

(V) Reconciliation of Fund Accounts

The Manager and the Custodian shall make reconciliation of the funds involved in the Client Assets on a daily basis and verify the balance of funds, trading amount and clearing amount for the T Day on the T+1 Day to ensure the consistency of their accounts.

(VI) Confirmation of Balance of Available Funds

The Manager may apply to the Custodian for the availability of online custodian banking function of the Custody Account so as to inquire the cash flow of the Custody Account.

**X. Valuation of Client Assets**

(I) Total Value of Client Assets

Total Value of Client Assets means the total value of all assets generated as a result of investment by the Client Assets.

(II) Net Value of Client Assets

Net Value of Client Assets means the net asset value after liabilities are deducted from the Total Value of Client Assets. The Net Value of Client Assets shall be kept to two decimal places and rounded to three decimal places.

(III) Valuation Methods

The Client Assets shall be priced as follows:

(1) Valuation Method for Monetary Funds

① With respect to the domestic over-the-counter money market funds invested, the valuation shall be calculated according to the income per 10,000 fund shares published by relevant fund management company for the trading Day immediately before the valuation date.

② With respect to the domestic exchange traded money market funds invested, the valuation shall be carried out according to the net value of fund share on the valuation date as disclosed by the funds invested; if any of the funds invested discloses the income per 10,000 (100) fund shares, the valuation shall be calculated according to the income per 10,000 fund shares published by relevant fund management company for the trading Day immediately before the valuation date.

(2) In the event that the funds invested fails to publish the net value of fund share, carries out conversion or split, is not traded on the valuation date or falls under other special circumstances, the Manager shall carry out valuation in accordance with the following principles:

① With respect to valuation carried out according to the net value of fund share, if the valuation frequency of the fund invested is consistent with that of this Product but the net value of fund share fails to be published for the valuation date, the newly published net value of fund share shall serve as the basic valuation.

② With respect to valuation carried out according to the closing price of the fund invested, if there is no trading on the valuation date and no material change occurs in the market environment after the latest trading Day, the valuation shall be carried out according to the closing price on the latest trading Day; if there are material changes in the market environment after the latest trading Day, the latest net value of fund share may be used as the basis or reference may be made to the prevailing market price of similar investment products and factors of the material change to adjust the latest trading market price and determine the fair value.

③ If the fund invested distributes dividends, excludes rights or carries out conversion or split during the period from the previous valuation date to the current valuation date, the fair value shall be reasonably determined according to the net value of fund share or the closing price, the dividend amount of each fund share, the proportion of conversion or split, positions and other factors.

④ When the Manager deems that the valuation carried out in accordance with items ① to ③ above is unfair, it shall negotiate with the Custodian to adopt reasonable valuation techniques or valuation standards to determine the fair value.

(3) Bank deposits shall be carried at cost, and interest shall accrue at the agreed deposit rate on a daily basis during the actual holding period by taking the balance of deposits by the close of business of the bank on the same Day as the base.

(4) Valuation of Fixed-income Assets

① With respect to fixed-income products listed for trading or quoted for transfer on a stock exchange market, unless otherwise stipulated, the valuation shall be calculated according to the valuation price of corresponding product as published by a third party valuation firm (CSI Bond Valuation) in principle. Detailed provisions are as follows:

With respect to fixed-income products that are traded at net price, the valuation shall be carried out according to the net price of corresponding product as provided by a third party valuation firm on the valuation date for the same Day;

With respect to fixed-income products that are not traded at net price, the valuation shall be carried out according to the full price provided by a third party valuation firm on the valuation date minus the interest accrued on the bonds on the valuation date;

With respect to listed and traded convertible bonds, the valuation shall be carried out according to the closing price on the valuation date minus the interest accrued on the bonds as included in the closing price.

② With respect to the fixed-income products that are initially issued and unlisted, valuation techniques shall be adopted to determine the fair value; where it is hard to reliably measure the fair value by using valuation techniques, they shall be valued at cost.

③ The valuation of fixed-income products on the interbank market shall be calculated according to the price of corresponding product as provided by the China Central Depository & Clearing Co., Ltd. for the same Day.

④ Where the same securities are simultaneously traded on two or more markets, they shall be valued respectively according to the market where they are traded.

The valuation method for asset-backed securities is as follows:

1) With respect to asset-backed securities quoted for transfer on a stock exchange market, valuation techniques shall be adopted to determine the fair value; where it is

hard to reliably measure the fair value by using valuation techniques, if cost can approximately reflect the fair value, they shall be valued at cost, the appropriateness of the above practice shall be appraised continuously and proper adjustment shall be made in the case of changes in circumstances;

2) The valuation of asset-backed securities that are traded on the interbank market shall be calculated according to the price of corresponding product as provided by the China Central Depository & Clearing Co., Ltd. for the same Day.

3) In the case of the latest national provisions, the valuation shall be carried out in accordance with such provisions.

(5) Valuation Method for Stock-pledged Repurchase Transactions

① Investment of stock-pledged repurchase transactions shall be carried at cost in the absence of abnormal conditions, repurchase expenses shall not be included in cost, and interest shall accrue at the agreed interest rate for repurchase on a daily basis during the actual holding period.

② Handling of Abnormal Conditions

A. Early Repurchase in Stock-pledged Repurchase Transactions

The agreed interest rate for early repurchase is consistent with that for repurchase at maturity, and the valuation of the Asset Management Plan shall not be affected.

B. Delayed Repurchase in Stock-pledged Repurchase Transactions

If the interest rate for delayed repurchase is inconsistent with that for repurchase at maturity, the Manager and the Custodian shall take overall consideration of effect on the valuation and jointly determine the valuation method. In principle, the valuation shall be carried out as follows: interest shall accrue at the interest rate for delayed repurchase during the period from the date of delayed repurchase to the maturity date of delayed repurchase.

During the period from the issuance of initial transaction instructions to the issuance of delayed repurchase instructions by the borrower, with respect to the differences in the funds payable as a result of the inconsistency between the agreed interest rate in the original stock-pledged repurchase transactions and the interest rate for delayed repurchase, the valuation shall be amortized according to the straight-line

method on a daily basis during the delayed repurchase period from the date of issuance of delayed repurchase instructions.

#### C. Valuation Method for the Portion in Breach in Stock-pledged Repurchase Transactions

If conclusive evidence shows that the borrower commits a breach and the regular valuation cannot objectively reflect the fair value of the assets, the Manager may, according to the specific circumstances, carry out the valuation by adopting the method that can best reflect the fair value of the assets after the consultation with the Custodian on the basis of a comprehensive consideration of various factors such as the market trading price, market quotes, liquidity and yield curve.

(6) If the value of the assets invested is affected by additional relevant agreements or documents executed in connection with investment activities under this Plan, the valuation of such assets shall be adjusted in accordance with relevant provisions of such agreements or documents.

#### (7) Valuation Method for Stocks

① Listed tradable stocks shall be valued at the closing price on the valuation date on the stock exchange where they are listed and traded; if there is no trading on the valuation date, and no material event that affects the measurement of the fair value takes place after the latest trading Day, the valuation shall be carried out according to the closing price on the latest trading Day; if there is no trading on the valuation date, and a material event that affects the measurement of the fair value takes place after the latest trading Day, reference shall be made to relevant provisions of regulatory authorities or industry associations to adjust the closing price on the latest trading Day and determine the fair value.

#### ② Valuation of Unlisted Stocks

A. With respect to the stocks that are initially issued and unlisted, valuation techniques shall be adopted to determine the fair value; where it is hard to reliably measure the fair value by using valuation techniques, they shall be valued at cost;

B. With respect to the unlisted stocks issued as a result of bonus issue,

conversion of capital reserves into share capital, allotment and public issuance of additional new shares, the fair value shall be determined at the closing price of the same stock listed on the stock exchange on the valuation date or the closing price on the latest trading Day;

C. With respect to the stocks issued with a definite lock-up period, including, without limitation, the privately placed stocks, shares issued to the shareholders of a company in initial public offering and stocks obtained through block trading with a lock-up period, the fair value shall be determined in accordance with relevant provisions of regulatory authorities or industry associations;

After the same stocks are listed and traded on a stock exchange, the fair value shall be determined by making reference to the valuation method for listed tradable stocks on the stock exchange.

③ In any circumstances, if the Manager adopts the methods set forth in items ① – ② above to carry out valuation of the Client Assets, it shall be deemed to have adopted the appropriate valuation method. However, if the Manager deems that the valuation of the Client Assets carried out by adopting the methods set forth in items ① – ② above cannot objectively reflect the fair value of the Client Assets, the Manager may, according to the specific circumstances, carry out the valuation according to the price that can best reflect the fair value of the Client Assets after the consultation with the Custodian.

(8) If conclusive evidence shows that the valuation carried out by adopting the foregoing methods cannot objectively reflect the fair value of the Client Assets, the Manager may, according to the specific circumstances, carry out the valuation according to the price that can best reflect the fair value of the Client Assets after the consultation with the Custodian.

(9) Valuation techniques means the methods that are agreed upon by the Manager and the Custodian, generally accepted by market participants and proved to be reliable to determine the fair value by prior actual trading prices on the market. If conclusive evidence shows that the fair value of the assets under this Plan cannot be objectively reflected in accordance with the foregoing provisions, the Manager may, according to

the specific circumstances, carry out the valuation by adopting the method that can best reflect the fair value of the assets under this Plan after the consultation with the Custodian on the basis of a comprehensive consideration of various factors such as the market trading price, market quotes, liquidity and yield curve. The Manager shall post a notice to the Client on its website or the designated promotion website no later than the implementation date of the new valuation method.

If new items are added or existing items are changed, the valuation shall be carried out in accordance with the latest national provisions. The Manager shall promptly post a notice to the Client on its website or the designated promotion website after the implementation of new provisions.

(10) If mandatorily required by relevant laws and regulations or regulatory authorities, such mandatory requirements shall prevail. If new items are added, the valuation shall be carried out in accordance with the latest national provisions.

(IV) Valuation Objects

All assets held as a result of investment by the Client Assets.

(V) Valuation Procedures

The daily valuation of the assets under this Plan shall be carried out by the Manager. After the Manager completes the valuation on the Working Day immediately after each Working Day, it shall verify the consistency with the Custodian through electronic reconciliation. Review of valuation at the end of a month, in the middle of a year and at the end of a year shall be conducted simultaneously with the verification of accounting records, unless the Manager suspends valuation in accordance with laws and regulations or the contract of this product. The Manager shall be responsible for disclosure on the designated media.

If there are errors in the valuation carried out by the Manager or the review conducted by the Custodian due to the false data transmitted by the stock exchange or the CSDC, neither the Manager nor the Custodian shall be liable for such errors.

(VI) Suspension of Valuation: The Manager may suspend valuation if it cannot accurately appraise the value of the Client Assets due to any force majeure, provided that the Manager must complete the valuation in accordance with relevant provisions

after the conditions to valuation are resumed.

If required by relevant laws and regulations or regulatory authorities, such requirements shall prevail; if there are the latest provisions, the valuation shall be carried out in accordance with the latest provisions.

(VII) Handling of Errors in Valuation

If the Manager or the Custodian finds that the valuation of the assets violates the valuation methods or procedures set forth herein or relevant laws and regulations or fails to fully maintain the interests of the Client, it shall immediately notify the other party, jointly find out the cause and solve it through consultation.

In accordance with relevant laws and regulations, the accountability for the Client Assets shall borne by the Manager. Therefore, if relevant parties fail to reach an agreement on accounting problems related to the Client Assets after the full discussions on the basis of equality, the opinions given by the Manager shall control.

In the case of an error in the valuation of the Client Assets, the Manager and the Custodian shall immediately correct such error and take reasonable measures to prevent further losses. When any calculation error accounts to 0.5% of the net value of portfolio assets, the Manager and the Custodian shall immediately report to the Client, specify the measures taken and immediately correct such error after the approval by the Client.

(VIII) Establishment of Asset Books

After the effectiveness of this Contract, the Manager and the Custodian shall establish, enter and keep a whole set of books for the Client Assets separately and independently according to the same bookkeeping methods and accounting treatment principles agreed upon by relevant parties, regularly verify the books of relevant parties and conduct mutual supervision to ensure the security of the Client Assets. If the Manager and the Custodian have different opinions on accounting treatment methods, the treatment method of the Manager shall control.

If the accounts of relevant parties are found to be inconsistent through reconciliation, the Manager and the Custodian must promptly find out the cause and make correction to ensure that the books and records entered by relevant parties in

parallel are fully consistent.

## **XI. Income Accrual and Distribution of Client Assets**

### **(I) Composition of Profits**

Profits means the balance of interest income, investment returns, income from changes in fair value and other income under a plan after the deduction of relevant expenses. The realized income under a collective plan means the balance of the profits under the collective plan after the deduction of income from changes in fair value.

### **(II) Distributable Profits**

Distributable profits means the undistributed profits under a collective plan as of the income distribution reference date and the realized income in the undistributed profits, whichever is lower.

### **(III) Income Distribution**

The laws and regulations involved in the income distribution under this Plan stipulate that relevant taxes payable by the Client in accordance with law shall be borne by the Client by using the Client Assets, and neither the Manager nor the Custodian shall bear withholding and other tax payment obligations. The income distribution amount shall be calculated by the Manager, while the Custodian does not review the income distribution scheme. If otherwise required by laws, regulations or regulatory authorities, such requirements shall prevail. The specific income distribution scheme shall be subject to the actual distribution opinions of the Client and the Manager.

## **XII. Increase and Withdrawal of Client Assets**

### **(I) Time for Increase of Client Assets**

**In principle, this Product shall be operated in a closed-end mode as of the**

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**date of start of operation of the Client Assets, and the Client shall pay the Client Assets in a lump sum, i.e. at least RMB2,800,000,000, by March 22, 2019.**

### **(II) Withdrawal Procedures for the Client Assets**

No withdrawal application shall be accepted for this Product.

## **XIII. Accounting of Client Assets**

### **(I) Accounting Policies**

1. The accounting year for the Client Assets shall be January 1 to December 31 of each year.
2. Renminbi shall be adopted as bookkeeping base currency and yuan as the bookkeeping unit.
3. The accounting of the Client Assets shall be conducted in accordance with the Guidelines for Accounting Business of Securities Investment Funds.

### **(II) Accounting Method**

1. The Manager and the Custodian shall establish separate accounts and conduct separate accounting for the Client Assets in accordance with relevant laws and regulations.
2. The Manager and the Custodian shall keep complete accounts and vouchers, conduct daily accounting and prepare financial statements.
3. The Custodian shall regularly verify the accounting of and statement preparation for the Client Assets with the Manager.

## **XIV. Expenses and Taxes of Asset Management Business**

### **(I) Types of Expenses of Asset Management Business**

1. Custody fees to the Custodian;
2. Management fees to the Manager;
3. Carried interest to the Manager;

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4. Bank charges for transfer and payment of the Client Assets and Custody Account maintenance fees;
5. Other expenses permitted to be charged to the Client Assets by laws, regulations and this Contract.

(II) Expense Accrual Methods, Accrual Standards and Payment Methods

1. Custody Fees to the Custodian

No custody fee shall be charged under this Plan.

2. Management Fees to the Manager

The Manager shall charge management fees for the Asset Management Plan at the annual rate of 0.12% of the net value of the assets under the Asset Management Plan on the preceding day.

$K = E \times \text{annual management fee rate} \div \text{actual number of days of the year}$

K refers to the management fees accrued for the Asset Management Plan on a daily basis;

E refers to the net value of the assets under the Plan on the preceding day.

The management fees shall accrue on a daily basis and shall be paid on a quarterly basis. Upon verification by the Manager and the Custodian, the Custodian shall pay the management fees out of the assets under this Plan within five Working Days from the first Day of the month following the end of each quarter according to the fund transfer instructions of the Manager. If the cash assets under the Asset Management Plan are insufficient to pay the current management fees, the payment may be postponed to the Day when there are sufficient cash assets. No interest shall accrue on overdue management fees, and the management fees shall be paid at the original price.

The bank account designated by the Manager to receive the management fees is:

Account Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Opening Bank:

Account Number:

3. Carried Interest to the Manager

Under this Plan, the Manager shall not receive carried interest.

(III) Items Not Included in the Expenses of Asset Management Business

The expenses incurred or losses caused to the Client Assets due to the failure by the Manager and the Custodian to perform or fully perform their obligations and the expenses arising from the handling of matters irrelevant to the operation of the Client Assets shall not be included in the operation expenses of the Client Assets.

(IV) Adjustment to the Management Fees and the Custody Fees

The Manager and the Custodian may adjust the management fees and the custody fees downward through consultation and post a notice on the website designated by the Manager within three Working Days before the implementation of the new rate. With the consent of the Client, the Manager and the Custodian may adjust the management fees and the custody fees upward through consultation and post a notice on the website designated by the Manager within three Working Days before the implementation of the new rate. The Manager may adjust the time for the transfer and payment of the management fees and the custody fees according to the cash positions under the Asset Management Plan.

(V) Taxes

Each taxpayer involved in the operation of the Client Assets shall perform its obligation to pay taxes in accordance with national tax laws and regulations. The Parties agree and acknowledge that the value-added tax and additions to tax relating to the value-added tax involved in the investment, management and operation of this Product (including, without limitation, urban maintenance and construction tax, education surcharge and local education surcharge) shall be borne by the Client Assets and the Client and may be transferred and paid directly to the account of the Manager, and the Manager shall perform relevant tax filing obligation in accordance with the requirements of tax authorities. The amount of income actually received by the Client may be reduced accordingly.

The bank account used to pay the value-added tax for the asset management product is as follows:

Account Name: Huatai Securities (Shanghai) Asset Management Co., Ltd.

Account Number:

Opening Bank:

(VI) Accrual Method of Other Expenses

Settlement fee and other bank charges incurred by the Custody Account of the Client Assets shall be deducted and transferred by the Custodian directly from the Custody Account without the instructions issued by the Manager.

Handling fee, stamp duty and other relevant securities transaction taxes and fees (if any) incurred in connection with investment made during the existence of the assets shall be deducted directly as transaction costs.

## **XV. Information Disclosure Obligation**

### **(I) Information Disclosure to the Client**

1. The Client shall provide the Manager with its email address (at [legalnotice@hk.alibaba-inc.com](mailto:legalnotice@hk.alibaba-inc.com)) so that the Manager can normally send position details. The Manager shall send position details to the email address provided by the Client and shall not be liable for failure by the Client to receive the position details due to its failure to normally provide its email address.

2. The Manager shall provide the Client with the annual management report in each calendar year and report the specific operation of the Single Asset Management Plan in the preceding year within four months after the end date of each year. If a single plan is established less than three months ago or its term is less than three months, the Manager/the Custodian may not prepare the current annual report.

3. The Manager shall provide the Client with the quarterly management report in each calendar quarter and report the specific operation of the Single Asset Management Plan in the preceding quarter within one month after the end date of each quarter. If a single plan is established less than three months ago or its term is less than three months, the Manager/the Custodian may not prepare the current quarterly report.

#### 4. Interim Reports

The Manager shall ensure that the Client can inquire the investment and operation of the Client Assets at the time and in the manner set forth herein.

When a material event that may affect the interests of the Client occurs, unless otherwise stipulated by this Contract or laws and regulations, the Manager and the Custodian shall promptly inform the Client in writing after the occurrence of the event. The circumstances covered by interim reports shall include, without limitation:

- (1) change of the investment manager;
- (2) adjustment to investment policies;
- (3) litigation involving the Client Assets;
- (4) the management of the Client Assets hereunder by the Manager is subject to investigation conducted by regulatory authorities;
- (5) the Manager and its general manager and other senior officers and the investment manager of the Client Assets hereunder are subject to severe administrative penalty imposed by the CSRC, or the persons responsible for the custody business or the custody business department of the Custodian are subject to severe administrative penalty;
- (6) other matters stipulated by laws, regulations and the CSRC.

The Custodian shall ensure that the Client can inquire the custody of the Client Assets at the time and in the manner set forth herein.

5. Upon request by the Client, the Manager shall provide or disclose the information of the plan hereunder within five Working Days, including, without limitation, the type of assets actually invested by each of the initial and additional funds of the Client, investment proportion, the custody fees (if any), the management fees (if any), income, etc., and shall provide detailed reports, financial statements (if any), market performance, relevant materials and bills (if any). The bills shall specify changes in the assets, income and expenses, valuation of the period-end assets and other information.

If the Client requests the provision of other materials, the Manager shall

provide or disclose other relevant information and materials of the plan hereunder within five Working Days.

(II) Reports Provided to the CSRC and the Asset Management Association of China

The Manager and the Custodian shall perform reporting obligation in accordance with the requirements of laws, regulations and regulatory authorities.

#### **XVI. Effectiveness, Alteration and Termination of Asset Management Contract**

(I) This Contract shall be formed upon seal by the Client, the Manager and the Custodian or signature and seal by their authorized representatives.

After the formation of this Contract and the transfer of the Client Assets to the Custody Account, the Manager shall notify the Client in writing of the establishment of this Plan by giving the Notice of Payment of Initial Client Assets (in the form of Appendix 1). The establishment date shall be set forth in the Notice of Payment of Initial Client Assets.

(II) Except for the occurrence of the circumstances described in (IV) below, with the consent of the Client, the Manager and the Custodian, this Contract may be terminated.

(III) The Client, the Manager and the Custodian may modify this Contract or enter into a supplementary agreement through consultation.

(IV) This Contract may be terminated in any of the following circumstances:

1. this Contract is not renewed upon expiration;
2. the Parties decide to terminate this Contract through consultation;
3. if all assets invested by this Plan are terminated upon expiration or early, the Client shall have the right to request the Manager to terminate this Plan;
4. the asset management business qualification of the Manager is cancelled in accordance with law, or the Manager is dissolved, cancelled or declared bankrupt in

accordance with law and no new manager assumes its responsibilities that cannot be performed due to its dissolution, bankruptcy or cancellation and other reasons and no new manager is appointed within six months;

5. the fund custody qualification of the Custodian is cancelled in accordance with law, or the Custodian is dissolved, cancelled or declared bankrupt in accordance with law and no new custodian assumes its responsibilities within six months;

6. if the CSRC determines that this Contract violates laws or fails to comply with regulations due to changes in laws or administrative regulations, the Client or the Manager shall have the right to unilaterally terminate this Contract;

7. the Client is dissolved or cancelled in accordance with law;

8. other circumstances stipulated by laws, regulations and this Contract.

(V) The Manager shall submit this Contract, the name of the Client and subscription amount, asset payment certificate and other materials to the Asset Management Association of China for filing and copy the local counterpart of the CSRC in its domicile within five Working Days from the establishment date of this Plan.

No investment activities shall be conducted before the filing of the Asset Management Plan is completed, except for investment in the investment products approved by the CSRC for the purpose of cash management.

The Manager shall submit any material change or supplement to this Contract to the Asset Management Association of China for filing and copy the local counterpart of the CSRC in its domicile within five Working Days from the date of such change or supplement.

(VI) If the securities asset management business license of the Manager is revoked by the CSRC in accordance with law or the Manager is ordered to stop business for rectification due to its violation of laws or administrative regulations, or the Manager fails to perform its duties due its suspension of business, dissolution, revocation or bankruptcy and other reasons, it shall properly handle relevant matters in accordance with relevant regulatory requirements.

(VII) If the business hereunder is stopped due to changes in regulatory policies

or written or oral requirements of regulatory authorities, the Manager shall have the right to stop investing in the stopped business or early terminate this Contract, and some Client Assets involved in the stopped business hereunder (including the rights and obligations stipulated by relevant contracts entered into in connection with investment) or all the Client Assets after the early termination of this Contract (including the rights and obligations stipulated by relevant contracts entered into in connection with investment) shall be assumed directly by the Client or the third party designated by the Client after the deduction of the management fees, the carried interest (if any), the custody fees and other relevant expenses.

#### **XVII. Confidentiality**

(I) The Manager and the Custodian shall bear confidentiality liability for the Client Assets and relevant information. Unless otherwise stipulated by laws, regulations and this Contract, neither the Manager nor the Custodian shall disclose or use such information in any manner without the prior written consent of the Client.

(II) If any Party has knowledge of data and information of the other Parties during the performance of this Contract, without the prior written consent of the other Parties, it shall not use such data and information for any purpose other than this Contract, disclose such data and information to a party other than the Parties hereto or allow a party other than the Parties hereto to use such data and information, unless otherwise stipulated by laws and regulations, regulatory and auditing requirements or this Contract.

(III) If a Party discloses relevant information to a party other than the Parties hereto or allows a party other than the Parties hereto to use relevant information with the prior written consent of the other Parties, the Party shall enter into a confidentiality contract with such party.

(IV) This confidentiality obligation shall survive the termination of this

Contract.

### **XVIII. Liabilities for Breach**

(I) Legal liabilities and consequences arising from the breach by any Party of its representations and undertakings/warranties contained herein shall be solely borne by it.

(II) If any Party fails to perform this Contract or its performance of this Contract fails to comply with the provisions hereof, such Party shall be deemed to commit a breach. The breaching Party shall be liable to indemnify the direct losses caused to the non-breaching Party thereby. If two or more Parties commit a breach, the breaching Party shall bear liabilities for breach respectively according to the actual situation, provided that the Parties shall be released from liability in the following circumstances:

1. force majeure: including, without limitation, fire, earthquake and other natural disasters, abnormal technical system accident due to reasons not attributable to the Manager or the Custodian, changes in policies or regulations and other circumstances;

2. losses are caused by act or omission committed by the Manager and/or the Custodian in accordance with valid laws and regulations or the requirements of the CSRC or the CBIRC;

3. losses are caused by exercise or non-exercise of the right to invest by the Manager in accordance with the investment principles set forth herein.

(III) If the performance of this Contract can be continued in the event of breach by one or more Parties, the performance of this Contract shall be continued.

(IV) After a Party hereto commits a breach, the other Parties shall take appropriate measures to prevent further losses. Reasonable expenses incurred by the non-breaching Party in connection with the prevention of further losses shall be borne by the breaching Party.

**XIX. Governing Law and Dispute Resolution**

This Contract shall be governed by the laws of the People's Republic of China.

Any dispute arising out of the formation, content, performance and interpretation of this Contract or relating to this Contract shall be settled by the Parties through consultation or mediation. If the Parties are unwilling or unable to settle such dispute through consultation or mediation, any Party shall have the right to institute legal proceedings in a court of competent jurisdiction in the domicile of the Client.

During the dispute resolution period, the Parties shall perform their obligations hereunder and maintain the legitimate rights and interests of the Client.

**XX. Notices and Delivery**

(I) The Parties shall give and deliver notices in a reasonable manner according to the contact information set forth in Part IV hereof. The Parties unanimously acknowledge that the faxed copies or scanned copies sent by facsimile or email shall have the same legal effect as the originals.

(II) Notices shall be deemed to have been delivered to the Party to be notified:

1. Personal delivery: on the date shown by the receipt signed by the Party to be notified as obtained by the notifying Party;
2. SF Express: on the Day when the Party to be notified signs the receipt;
3. Facsimile: on the Day when the Party to be notified receives the facsimile successfully transmitted and confirms the receipt by telephone;
4. Email: at the time when the email leaves the system of the sender;

5. If a Party changes its mailing address or contact information, it shall notify the other Parties in writing of such change three Working Days in advance. If a change takes place within one month prior to the termination of this Contract, the other Parties shall be notified in writing of such change one Working Day in advance.

(III) If the Party that has changed its mailing address or contact information (the “Changing Party”) fails to notify the other Parties of relevant change in a timely manner, the Changing Party shall be liable for the effect and losses caused thereby, unless otherwise stipulated by laws.

(IV) The contact addresses, email addresses, fax numbers and mobile phone numbers set forth herein shall also be considered as the addresses for service of notarial deeds and judicial documents (including, without limitation, complaint/request for arbitration, evidence, summons, notice of response to action, notice to produce evidence, notice of court session, notice of hearing, judgment/award, order, mediation document, notice on performance within a specified time limit and other legal documents during the hearing and enforcement). Relevant documents shall be deemed to have been validly served if sent by a court of competent jurisdiction or notary authority in writing as set forth herein to such addresses for service.

**XXI. Miscellaneous**

In the case of changes in relevant laws and regulations or provisions of regulatory authorities, this Contract shall be governed by such new provisions.

Matters not mentioned herein shall be settled by the Parties hereto through consultation in accordance with relevant laws, regulations and provisions. This Contract is made in six counterparts, with each of the Manager, the Client and the Custodian holding two copies. All counterparts shall have the same legal effect.

**The Manager and the Custodian acknowledge that they have explained the risks of the single asset management business to the Client and they have not made any undertaking in any manner that there will be no loss of principal of the Client Assets or the Client Assets will generate any minimum return; the Client acknowledges that it has fully understood the content of this Contract and will bear investment risks and losses on its own.**

**The Client, the Manager and the Custodian shall not agree that the Manager guarantees investment returns generated from the Client Assets or bears investment losses or exclude the Client from bearing investment risks and losses on its own by entering into a supplementary contract, amending this Contract or otherwise.**

Client: Alibaba (China) Technology Co., Ltd. (common seal)

Date:

Manager: Huatai Securities (Shanghai) Asset Management Co., Ltd. (common seal)

Legal Representative or Authorized Signatory (signature/seal):

Date:

Custodian: China Merchants Bank Co., Ltd. Suzhou Branch (contract seal)

Legal Representative or Responsible Person (signature/seal):

Date :

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**Appendix 1: Notice of Payment of Initial Client Assets (Template)**

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**Appendix 2: Transfer Instruction of Manager (Form)**

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**Appendix 3: Letter of Authorization for Client’s Transfer Instructions and Related Business**

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**Appendix 4: Letter of Authorization for Manager’s Transfer Instructions and Related Business**

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**Appendix 5: Notice of Authorization for Custodian’s Business Seal**

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**Appendix 6: Risk Disclosure**

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**Appendix 7: Instruction Activation Letter**

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**EQUITY TRANSFER AGREEMENT**

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**Regarding**

**Shanghai De Yin De Run Industry Development Co., Ltd. (the Proposed Name)**

**among**

**Shanghai De Yin Investment Holding Co., Ltd**

**and**

**Chen Dejun**

**and**

**Chen Xiaoying**

**and**

**Alibaba (China) Technology Co., Ltd.**

**Date: March 26, 2019**

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## EQUITY TRANSFER AGREEMENT

This Equity Transfer Agreement (this “**Agreement**”) is entered into on March 26, 2019 in Shanghai, the PRC by and among:

- (A) **Shanghai De Yin Investment Holding Co., Ltd (上海德殷投资控股有限公司)**, a company organized and existing under the PRC Laws (“**De Yin Investment**”);
- (B) **Chen Dejun**, a individual, with an ID number of \_\_\_\_\_ ;
- (C) **Chen Xiaoying**, a individual, with an ID number of \_\_\_\_\_ (together with Chen Dejun, the “**Actual Controllers**”); and
- (D) **Alibaba (China) Technology Co., Ltd.**, a company organized and existing under the PRC Laws (the “**Transferee**”).

The foregoing parties are referred to collectively in this Agreement as the “**Parties**” and each individually as a “**Party**”.

### RECITALS

WHEREAS, as of the date hereof, De Yin Investment holds a total of 822,884,966 shares of STO Express Co., Ltd (Stock Code: 002468) (the “**ListCo**”), representing 53.76% of the total share capital of the ListCo; De Yin Investment is wholly-owned by the Actual Controllers.

WHEREAS, the ListCo is mainly engaged in the business of express delivery and logistics (the “**Existing Business**”), and the Transferee intends to indirectly acquire shares of the ListCo (the “**Equity Transfer**”) by purchasing the equity interest in a Newco (as defined below), and both De Yin Investment and the Actual Controllers intend to conduct the Equity Transfer.

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter set forth, the Parties agree as follows:

### ARTICLE I DEFINITIONS

#### SECTION 1.01 Defined Terms

The meanings of the terms in this Agreement are set forth below in Exhibit 1.01.

#### SECTION 1.02 Interpretative Provisions

- (a) “Hereof”, “herein”, “hereunder” and similar terms shall mean the entirety of this Agreement rather than any specific provision of this Agreement; any reference to any section and sub-section shall mean the section and sub-section of this Agreement, unless otherwise indicated;

(b) The term “include” is not meant to be restrictive, and shall mean “include without limitation”;

(c) The title and headings used in this Agreement are inserted for convenience of reference only, and shall not in any way affect the interpretation of this Agreement.

(d) All terms defined in this Agreement have the defined meanings when used in any certificate or other document prepared pursuant to hereto, unless otherwise defined therein;

(e) Any Laws referred to herein or in any agreements, instruments or other documents that is referred to herein means such Laws, agreements, instruments or other documents as amended, supplemented or modified from time to time;

(f) “Writing”, “written” and comparable terms refer to printing, typing or other means of visible reproduction (including electronic media);  
and

(g) References to a Person are also to the successors and permitted assigns of such Person.

## ARTICLE II EQUITY TRANSFER

### SECTION 2.01 Equity Transfer

Pursuant to the terms and conditions of this Agreement, as of the Closing:

(a) De Yin Investment shall transfer 49% of the equity interest of the Newco to the Transferee (the “**Sale Equity**”).

(b) The Transferee becomes the sole owner of the Sale Equity.

### SECTION 2.02 Transfer Price

In consideration of the Sale Equity, the Transferee shall pay RMB4,664,978,770 (the “**Transfer Price**”) in total to De Yin Investment. For the avoidance of doubt, the Transfer Price shall be a tax inclusive price, including without limitation the enterprise income tax and stamp duty payable by De Yin Investment as a party to the transaction hereunder.

### SECTION 2.03 Payment of Transfer Price

Subject to Section 8.02(e) of this Agreement, the Transferee shall remit the Transfer Price in immediately available funds in RMB by wire transfer to the account designated by De Yin Investment on the Closing Date.

## ARTICLE III CLOSING

### SECTION 3.01 Conditions to Closing Obligations of De Yin Investment

The obligations of De Yin Investment to consummate the Closing under this Agreement shall be subject to the satisfaction or written waiver, as of or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Transferee in this Agreement shall have been true and accurate in all respects as of the date hereof and the Closing Date (for representations and warranties expressly stated to be made as of another specific date, as of such specific date), and the covenants and agreements required to be performed by the Transferee as of or prior to the Closing Date hereunder shall have been performed;

(b) Transaction Documents. The Transferee has executed all of the Transaction Documents to which it is a party and delivered the same to De Yin Investment; and

(c) No Certain Governmental Order. No Governmental Authority has formulated, issued, promulgated, implemented or adopted any Law or Governmental Order that would render the transaction contemplated under any Transaction Document unlawful, or restrict or prohibit the transaction contemplated under the Transaction Documents.

**SECTION 3.02 Conditions to Closing Obligations of Transferee**

The obligations of Transferee to consummate the Closing under this Agreement shall be subject to the satisfaction or written waiver, as of or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Warrantors under this Agreement shall have been true, accurate, complete and not misleading in all respects as of the date hereof and the Closing Date (for representations and warranties expressly stated to be made as of another specific date, as of such specific date), and the covenants and agreements required to be performed by the Warrantors as of or prior to the Closing Date hereunder shall have been performed;

(b) Transaction Documents. The Warrantors have executed all of the Transaction Documents to which they are a party and delivered the same to the Transferee;

(c) No Certain Governmental Order. No Governmental Authority has formulated, issued, promulgated, implemented or adopted any Law or Governmental Order that would render the transaction contemplated under any Transaction Document unlawful, or restrict or prohibit the transaction contemplated under the Transaction Documents.

(d) No Legal Proceeding or Litigation. No Claim shall have been commenced or threatened against the Group Members or any Warrantor or the Business, and such Claim seeks to restrict or materially alter the terms of the

transaction contemplated under the Transaction Documents, or which, in the reasonable and good faith determination of the Transferee, is likely to render it impossible or unlawful to consummate such transaction or inadvisable to proceed with such transaction or which could have a Material Adverse Effect on the Group Members, the Warrantors or the Business;

(e) **Due Diligence.** The Transferee has completed all business, financial, legal and tax due diligence in respect of the Business and the Group Members (including Supplemental Due Diligence) and has confirmed to the Warrantors that it is reasonably satisfied with the results thereof;

(f) **Approvals and Consents.** The Transferee and the Warrantors have received all authorizations, approvals and filings with Governmental Authorities and all relevant third parties consents necessary for the completion of the transactions contemplated under the Transaction Documents; and such consents and approvals have not substantially changed the commercial terms under the Transaction Documents and remain in full force and effect as of the Closing;

(g) **No Material Adverse Effect.** No event or events shall have occurred, or are reasonably expected to occur, which, individually or in the aggregate, may have a Material Adverse Effect;

(h) **Approval by the Shareholders' Meeting.** Shareholders' meeting of De Yin Investment has adopted the resolution approving the execution and performance of the Transaction Documents to which it is a party (including but not limited to the transfer of the 49% equity in the Newco to the Transferee at the Transfer Price);

(i) **Further Cooperation.** The relevant Parties have entered into written agreement on further cooperation arrangement;

(j) **Closing Certificate.** The Transferee shall have received a closing certificate duly executed by each Warrantor, in the form of Exhibit 3.02, evidencing the satisfaction of all items under this Section 3.02;

(k) **Capital Contribution/Share Transfer by Agreement.** De Yin Investment has established Shanghai De Yin De Run Industry Development Co., Ltd. ( 上海德殷德润实业发展有限公司 ) (the proposed name) (the “**Newco**”) and holds 100% of the equity in the Newco, and De Yin Investment has contributed 457,709,848 shares of the ListCo to the Newco as capital contribution, representing 29.9% of the total share capital of the ListCo (the “**Newco Shares**”), and each Newco Share will be valued at RMB20.8 as of contribution, or the Newco Shares will be transferred by De Yin Investment to the Newco by agreement. De Yin Investment, the Newco, the ListCo and the Actual Controllers have completed any approval, registration and disclosure procedures related to the capital contribution of the Newco or share transfer by agreement in accordance with the requirements of applicable Laws, the Newco Shares have been registered under the name of the Newco and the

Newco shall not need to pay any fund to De Yin Investment for the acquisition of Newco Shares; De Yin Investment shall have provided the Transferee with tax-related application documents and tax payment receipts (if any);

(l) Industry and Commercial Registration. After the completion of the paragraph (k) above, De Yin Investment and the Newco shall have completed the registration for the change of the Equity Transfer, and the filing of the updated articles of association and the list of the members of the board of the Newco, and obtained the business license of the Newco and the relevant approval and filing certificates newly issued by the Administration for Market Regulation.

### **SECTION 3.03 Closing**

Subject to the terms and conditions of this Agreement, the Closing hereunder shall take place at the date five (5) Business Days after the satisfaction or waiver of the conditions precedent for the Parties to perform the Closing obligations set forth in Sections 3.01 and 3.02, or any other time or date as the Transferee and De Yin Investment have mutually agreed in writing (the date of Closing referred to as “**Closing Date**”), at the Shanghai Office of Fangda Partners or at any other place as the Transferee and De Yin Investment have mutually agreed in writing (the “**Closing**”). De Yin Investment shall deliver a written notice to the Transferee within two (2) Business Days after the satisfaction of the Closing conditions set forth in Section 3.02, notifying the satisfaction of such conditions and providing all supporting documents (a form of closing payment notice is set forth in Exhibit 3.03).

### **SECTION 3.04 Closing Deliverables by the Warrantors as of the Closing**

At the Closing, the Warrantors shall deliver or cause the relevant parties to deliver the following to the Transferee:

- (a) The register of members of the Newco, on which the Transferee has been recorded as a holder of 49% equity interest in the Newco, in the form of Exhibit 3.04(a);
- (b) An original capital contribution certificate evidencing the Transferee as the shareholder holding 49% equity interest in the Newco, in the form of Exhibit 3.04(b);
- (c) A true and complete copy of the resolutions duly and validly adopted by the shareholders’ meeting of De Yin Investment, evidencing its approval and authorization of the entry into the Transaction Documents and the consummation of the transaction contemplated thereunder, which shall be executed and certified by the legal representative of De Yin Investment and affixed with the common seal of De Yin Investment;
- (d) A closing certificate duly executed by the Warrantors, evidencing the fully satisfaction of the items set forth in Section 3.02;
- (e) Other approvals, certificates and documents evidencing the satisfaction of Section 3.02.

**SECTION 3.05 Closing Deliverables by the Transferee as of the Closing**

At the Closing, the Transferee shall deliver or cause the relevant parties to deliver the following item to De Yin Investment:

- (a) Copy of the bank transfer certificate evidencing the payment of the Transfer Price by the Transferee in accordance with Section 2.03.

**SECTION 3.06 Post-Closing Covenants**

After the Closing, the Parties shall complete or cause the relevant parties to complete the following steps as soon as practicable:

(a) Subject to compliance with the provisions of Laws, upon request by the Transferee, De Yin Investment shall or shall cause its Affiliates and persons acting in concert to nominate one (1) director nominee designated by the Transferee to the ListCo and cause the board of directors of the ListCo to agree to submit the director nominee designated by the Transferee to the first shareholders' meeting held after the request by the Transferee for voting and, upon approval, to become a non-independent director of the ListCo; the Actual Controllers shall or shall cause its Affiliates to vote in favor of the election of the aforementioned director. After the director nominee designated by the Transferee becomes a director of the ListCo, he or she may not be removed without statutory reasons. If a director designated by the Transferee resigns or is removed for any reason, the Transferee shall have the right to nominate one (1) replacement, and De Yin Investment and its Affiliates and persons acting in concert shall or shall cause the replacement to be appointed as the director of the ListCo.

(b) If any tax-related application document and tax payment receipt with respect to the transaction set forth in Section 3.02(k) has not been obtained by De Yin Investment prior to the Closing, De Yin Investment shall make tax declarations and provide the Transferee with the tax-related application document and tax payment receipt with respect to such transaction within the period prescribed by applicable tax regulations after the Closing.

**ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS**

**SECTION 4.01 Representations and Warranties of the Warrantors**

The Warrantors jointly and severally make the representations and warranties to the Transferee in Exhibit IV on the date hereof and on the Closing Date.

**ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE TRANSFEREES**

**SECTION 5.01 Representations and Warranties of Transferees**

The Transferee makes the representations and warranties to the Warrantors in Exhibit V on the date hereof and on the Closing Date.

## ARTICLE VI COVENANTS

### SECTION 6.01 Conduct of Business

The Warrantors hereby jointly and severally covenant to the Transferee that, except as expressly provided herein or otherwise agreed by relevant parties, from the execution date hereof to the Closing Date, the Warrantors shall cause each Group Member to (a) conduct the Business in the ordinary course of business consistent with past practice; (b) use its best efforts to preserve the Business intact in all material respects; and (c) refrain from the following activities without the prior written consent of the Transferee:

- (i) merger, division, liquidation, dissolution, change of corporate form or entry into certain transaction which could be defined as a “ **Sale Event** ” (a Sale Event means a change in control of any Group Member, sale of all or most of its major assets, license of its material intellectual properties to a third party, being merged or acquired);
- (ii) to amend or delete any provision of the articles of association of the Group Members (including without limitation, amendment of the provisions on increase, decrease, election or remove of directors or supervisors) or any provision of the shareholders’ agreement (if any);
- (iii) to increase or decrease the share capital or registered capital of the Group Members;
- (iv) to distribute profits and recover losses of the Group Members (excluding distribution by ListCo of the profits in the year of 2018);
- (v) to change the equity structure of the Group Members;
- (vi) to create, authorize the creation or issuance of any equity securities, or any options, warrants or securities convertible into the equity interest in the Group Members; or accept any investment;
- (vii) to purchase, redeem any type of equity securities of Group Members or payment of any dividend on any such equity securities (excluding any repurchase of shares of ListCo held by former employees or consultants pursuant to employee stock option plans or other schemes disclosed in accordance with law prior to the execution of this Agreement as a result of their termination of employment/service);
- (viii) to approve, extend or modify (x) the transactions and agreements with shareholders holding more than 5% equity interest in, and directors, managers and employees of, the Group Members

and the individuals or entities affiliated therewith (excluding the transactions or agreements under the employee stock option plans that have been disclosed in accordance with law and agreements entered into in accordance with the past practice in the ordinary course of the Business of the Group Members prior to this Agreement); or (y) any transaction involving the granting of exclusive rights or any material right to a third party;

- (ix) to modify and approve any equity/share-based award plan, any bonus and any other incentive plan;
- (x) outside the ordinary course of business, any sale, mortgage, pledge, lease, transfer or disposal of any asset, the book value of which reaches or exceeds 5% of the total assets of the Group shown by the consolidated statements of the Group as of December 31, 2018, or which, although the book value of which does not reach 5% of the total assets of the Group as of December 31, 2018, is material to the Group and its Business or the absence of which would have a Material Adverse Effect on the Group and its Business, or grant an operation right to such asset to a third party;
- (xi) to sell, transfer, grant license of any technology or Intellectual Properties or create pledge or other Encumbrance on it (excluding in the case of licenses granted in the ordinary course of Business);
- (xii) to enter into joint ventures, partnerships or strategic alliances with any person;
- (xiii) to initiate, close or settle any material litigation or arbitration, or release or otherwise waive any claims with respect to any Indebtedness in excess of RMB10,000,000 or give up any material rights (including without limitation, any material Claims);
- (xiv) to select or change the external auditor of the ListCo, substantially change any accounting policy of the Group Members or change the financial year of the Group Members;
- (xv) to restructure or make any major changes;
- (xvi) to grant any loans to, or provide security or guarantee for the debts of, a third Person (including the non-wholly owned Group Members and Affiliates of the Group Members) other than any wholly owned Group Member, where the amount of the debts involved exceeds 5% of the total assets of the Group; or
- (xvii) to actively initiate to do any of the matters specified in Section 4.18 of Exhibit IV hereto.

**SECTION 6.02 Existence of the Newco**

The Warrantors hereby jointly and severally undertake to the

Transferee that from the date hereof until the Expiration Date of the Agreed Period, (a) the Newco shall not carry out any business operation or incur any Indebtedness, and shall be a shell company existing only for the purpose of holding shares of the ListCo, and the Newco shall pay no fund to De Yin Investment for its acquisition of Newco Shares after the Closing; (b) the Warrantors shall maintain the Newco's legal status of valid establishment and legitimate existence; (c) except for exercising its rights as a shareholder of the ListCo, the internal organ of authority of the Newco shall not adopt any resolution or make any decision without the prior written consent of the Transferee or for the purpose of the transaction contemplated under the Transaction Documents; (d) except for the transaction agreed under the Transaction Documents, De Yin Investment shall not transfer any share held by it in the Newco, nor shall it create any Encumbrance on such shares.

**SECTION 6.03 Access to Information and Supplemental Due Diligence**

From the date hereof until the Expiration Date of the Agreed Period, the Warrantors shall cause each Group Member to, to the extent permitted by Laws and subject to the reasonable notice received from the Transferee, (a) provide the Transferee and its Representatives with reasonable access to the offices, properties and books and records of the Group Members to the extent reasonable, and (b) furnish to the Transferee and its Representatives any financial and operating data and other information concerning the Group Members and the Business as the Transferee and its Representatives may from time to time reasonably request, and arrange for their respective management personnel to explain, communicate or otherwise discuss any issues identified by the Transferee and its Representatives upon request. The Warrantors agree that after the execution of this Agreement, the Transferee will conduct Supplemental Due Diligence and the Warrantors undertake to use their best efforts to actively cooperate with the conduct of Supplemental Due Diligence to the extent permitted by Laws and provide any documents and information required by the Transferee and its Representatives.

**SECTION 6.04 Notification of Certain Matters**

Before the Expiration Date of the Agreed Period, the Warrantors shall timely notify the Transferee in writing of (a) all events, circumstances or facts which could result in any breach of their representations, warranties or covenants under the relevant Transaction Documents or which could have the effect of making any of their representations or warranties under the Transaction Documents untrue or inaccurate in any respect; (b) any fact, change, condition or circumstance to their knowledge that will or would reasonably be expected to cause any condition set forth in Article III hereof unable to be satisfied; and (c) all other material developments that have material impact on the assets, Indebtedness, business, financial condition, operations, results of operations, customer or supplier relations, employee relations, projections or prospects of the Group Members.

**SECTION 6.05 Tax Cooperation and Information Exchange**

When the Transferee or its Affiliates submit relevant Tax Certificates

or participates in or conducts relevant audit or other tax-related procedures, the Warrantors shall cooperate with the Transferee and provide the Transferee with such information as the Transferee may reasonably request, including copies of the relevant Tax Certificates, relevant working papers and other documents relating to the decisions or rulings made by Tax Authority. The Warrantors shall, and shall procure that the relevant employees will, at the reasonable request of the Transferee, to explain any documents or information provided by it under this Section 6.05. The Transferee shall keep all information received in accordance with this Section 6.05 confidential, except for the information required to be disclosed when submitting the Tax Certificates or applying for tax refund or conducting audit or other procedures.

#### **SECTION 6.06 No Solicitation or Negotiation**

The Warrantors hereby undertake to the Transferee that unless with the prior written consent of the Transferee, from the date hereof and the earlier of (a) the Expiration Date of the Agreed Period, or (b) the termination of this Agreement, none of the Warrantors or their respective Affiliates or Representatives will (i) solicit, initiate, consider, encourage or accept any other proposals or offers from any Person: (A) relating to any acquisition or purchase of all or any portion of the equity interest in any Group Member, De Yin Investment or the Newco or assets of any Group Member (excluding Inventories to be sold in the ordinary course of Business consistent with past practice), (B) to enter into any merger, consolidation or other business combination with any Group Member, De Yin Investment or the Newco, (C) to enter into recapitalization, restructuring or any other business transaction that is not required to carry out its operations in a manner consistent with past practice with any Group Member or (ii) participate in any business operation relating thereto discuss, talk, negotiate or otherwise communicate, or furnish to any other Person any information with respect to, or otherwise cooperate in any way, assist or participate in or encourage any effort or attempt by any other Person to seek to do any of the foregoing. The Warrantors shall immediately cease and cause to be terminated all discussions, conversations, negotiations or other communications with respect to any of the foregoing that have been initiated prior to the execution of this Agreement. The Warrantors shall notify the Transferee promptly if any Person makes any proposal or offer for, or any inquiry or other approach with respect thereto.

#### **SECTION 6.07 Confidentiality**

Except with prior written consent of the party providing the Confidential Information, the other Parties shall not, and the Warrantors shall cause the Group Members not to, disclose or permit the disclosure of the Confidential Information in any manner. “**Confidential Information**” means (a) the existence and contents of the transaction contemplated under this Agreement and other Transaction Documents, (b) any terms, conditions or other aspects of this Agreement and the other Transaction Documents, (c) negotiations of the transaction contemplated under this Agreement and other Transaction Documents, and (d) any confidential or proprietary information relating to its business, financial condition, information of

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customers and other confidential matters that has been disclosed or may be disclosed by a Party to the other parties under the Transaction Documents.

Notwithstanding the foregoing, (a) the Parties may disclose (i) the Confidential Information only for their own use to their Affiliates and their employees, officers, directors, bankers, lenders, accountants, legal counsels, business partners, representatives or advisors (the “**Representatives**”) who need to know the Confidential Information, in each case only where such Persons are aware of the confidentiality of the Confidential Information and are under substantially similar obligations as set forth in this Section 6.07; (ii) the disclosure is required pursuant to any applicable Law; and (iii) the disclosure is required by any competent Governmental Authority; and (b) the Transferee is required to disclose the Confidential Information to its existing or potential partners, investors or transferees who need to know the Confidential Information, provided that such Persons shall have become aware of the confidentiality of the Confidential Information and are under substantially similar obligations as set forth in this Section 6.07.

#### **SECTION 6.08 Public Reporting**

Without the prior written consent of the Transferee, the other Parties shall not, and shall cause relevant parties not to, release reports, make public announcements or otherwise communicate with any media in respect of the Transaction Documents or the transaction contemplated thereunder. If the Warrantors or the Group Members are required to make an announcement or disclose information in any form in accordance with applicable Laws or requirements of competent Governmental Authorities, the Warrantors and the Group Members shall, to the extent permitted by Laws, provide the draft announcement to the Transferee in advance and determine the content of the announcement through consultation with the Transferee.

#### **SECTION 6.09 Use of Names**

Without the prior written consent of the Transferee or its Affiliates, the Warrantors shall not and cause the Group Members not to use, publish or copy for marketing, advertising, promotional or other purposes, the name of the Transferee or its Affiliates, either alone or in combination of, including without limitation “阿里巴巴”, “淘宝”, “天猫”, “1688”, “聚划算”, “全球速卖通”, “飞猪”, “阿里妈妈”, “阿里云”, “阿里通信”, “一达通”, “友盟”, “盒马”, “闲鱼”, “优酷”, “土豆”, “优视”, “阿里游戏”, “九游”, “阿里文学”, “书旗小说”, “大麦”, “虾米”, “高德地图”, “阿里”, “淘”, “钉钉”, “口碑”, “饿了么”, “蚂蚁金服”, “蚂蚁”, “支付宝”, “余额宝”, “芝麻信用”, “网商银行”, “花呗”, “Alibaba”, “Taobao”, “Tmall”, “Juhuasuan”, “AliExpress”,

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“Fliggy”, “Alimama”, “Alibaba Cloud”, “AliOS”, “AliTelecom”, “OneTouch”, “Umeng”, “Freshippo”, “YOUKU”, “TUDOO”, “UC”, “UCWeb”, “Alibaba Games”, “9Game”, “Alibaba Literature”, “Shuqi”, “Damai”, “Xiami”, “AMAP”, “Ali”, “Tao”, “DingTalk”, “Koubei”, “Eleme”, “Ant Financial”, “Ant”, “Alipay”, “Yu’eBao”, “Zhima Credit”, “MYbank”, “HUABEI”, the associated devices and logos of the above brands (including but not limited to the smiling face device of Alibaba Group, cow device of Alibaba.com, ant device of Taobao, Tao doll device of Taobao, cat device of Tmall, Ju doll device of Juhuasuan, pig device of Fliggy, calculation frame device of Ali Yun, hippo device of Hema, fish device of Xianyu, Doughnut device of YOUKU, smiling face device of TUDOO, device of 9Game, flag device of Shuqi, small hand device of Damai, shrimp device of Xiami, Gaoxiaode and paper plane devices of AMAP, wing devices of DingTalk, ant device of Ant Financial, Zhi device of Alipay, sesame device of Zhima Credit, etc.), or any similar company name, trade name, trademark, product or service name, domain name, device, design, symbol or any specific description to enable any third party to identify the Transferee or any of its Affiliates.

Without the prior written consent of the Warrantors or the Group Members, the Transferee shall not use, publish or copy for marketing, advertising, promotional or other purposes, the name of the Warrantors and the Group Members, either alone or in combination of, including without limitation “申通快递”, “申通国际”, “申通快运”, “申通云仓”, “易物流”, “eLogistics”, “STO”, “申雪冷链” and “申鲜生活”, the associated devices and logos of the above brands (including, without limitation, the courier device of STO Group, STO letter flag device, STO Yuncang device, etc.) or any similar company name, trade name, trademark, product or service name, domain name, device, design, symbol or any specific description to enable any third party to identify the Warrantors or the Group Members.

#### **SECTION 6.10 Non-Compete**

From the date hereof, the Actual Controllers shall not, and shall ensure its and their respective Affiliates will not, and shall use its best efforts to procure the Key Employees not to, without the prior consent of the Transferee, prior to the Expiration Date of the Agreed Period or for the period in which it is an officer, shareholder or a member of the board of directors and for two (2) years thereafter, whichever ends later, (a) engage in any activities the same as, similar to, or directly or indirectly in competition with the Business (the “**Competing Business**”); (b) be employed by any enterprise or entity engaged or about to become engaged in the Competing Business in the PRC (the “**Competitor**”, excluding the Group Members) (including participating in the operation of such Competitor as partners, consultants or otherwise); (c) make any form of investment in, or manage, operate, join, control, enter into any agreement, undertakings or make any other arrangement with, any Competitor (including becoming the owner, shareholder, actual controller or creditor

of such Competitor); (d) conduct any business with such Competitor (including becoming a business agent, supplier or distributor of such Competitor); (e) provide any form of consultation, opinions, financial assistance or other assistance to a Competitor; (f) execute any agreement, make any undertakings or any other arrangement, if such agreement, undertaking or arrangement restricts, prejudices or may restrict or impair the carrying on of the Existing Business of the Group Members; or (g) recruit, solicit or approach (or attempts to recruit, solicit or approach) any of the existing or potential customers, agents, suppliers and/or independent contractors of the Group Members as far as it is aware or any person employed by the Group Members or their Affiliates (in whatever capacity and whether or not his or her removal would constitute a breach of contract).

**SECTION 6.11 Further Action s**

The Parties shall use all reasonable efforts to take, or cause to be taken, all necessary actions, do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers as may be required to satisfy all conditions set forth in Article III, perform the obligations under this Agreement and the other Transaction Documents and consummate the transaction contemplated hereby and thereby.

After the execution of this Agreement, De Yin Investment shall pledge 315,929,898 shares of the ListCo under the Share Pledge Agreement to the Transferee and complete the registration of pledge within six (6) Business Days after the release of the pledge of the ListCo shares held by it in accordance with the relevant agreement.

**SECTION 6.12 Post-Closing Covenants**

- (a) The Warrantors shall procure that, after the Closing, each Group Member will:
- (i) fully comply with and continuously perfect the corporate governance rules of the Group Members in all respects, including without limitation, management, environment, health, safety, finance, tax and labor;
  - (ii) conduct the Business at any time in accordance with applicable Laws and good business practice;
  - (iii) take all necessary steps to protect their respective Intellectual Properties and use the Intellectual Properties (including office software) in a lawful manner;
  - (iv) hire the employees with professional expertise, management capabilities and work experience in accordance with the development of the Business; and enter into written labor contracts with all employees as required by the PRC Laws, and enter into Intellectual Property transfer, confidentiality and non-compete

agreements with all of the Key Employees;

- (v) file and pay, in a timely manner, Social Security contributions for all applicable employees, and withhold and pay the employees' individual portion of Social Security contributions in accordance with the applicable policies and the PRC Laws;
- (vi) file and withhold all relevant Taxes in a timely manner and in full amount for and on behalf of all employees, independent contractors, creditors, shareholders or other Group Members obligated to withhold Taxes in accordance with the PRC Laws in respect of any amounts payable or repayable to such Group Member; and
- (vii) gradually settle borrowings or Accounts Receivable (if any) with Affiliates and partners in accordance with the specified financial requirements.

(b) If the Transferee waives any of the conditions to the Closing set forth in Section 3.02 based on the undertakings of the Warrantors, the Warrantors shall comply with such undertakings and complete the relevant matters within the time period agreed by the Transferee.

(c) The Warrantors shall ensure that the Group Members strictly comply with Anti-corruption Laws in their operations and ensure that each Group Member, their shareholders and Key Employees and the Affiliates of the foregoing will not offer, pay, promise to pay or authorize the payment of any money or give anything of value to any Governmental Authority or Government Official for any Governmental Authority (including knowing that all or part of such money or thing of value is likely to be offered, given or promised to be given, directly or indirectly, to any Government Official) for the purpose of: (i) influencing any act or decision of such Government Official in his or her official capacity; (ii) inducing such Government Official to take any actions or omissions in relation to his or her lawful duties; (iii) securing any improper advantage; (iv) inducing such Government Official to influence or affect any act or decision of any Governmental Authority; or (v) assisting the Group Members in obtaining or retaining Business for or with, or directing business to the Group Members.

## **ARTICLE VII TAX MATTERS**

### **SECTION 7.01 Indemnification**

Notwithstanding anything to the contrary of this Section 7.01, the Warrantors hereby undertake that the Warrantors shall indemnify the Group Members against all the Group Members' Losses caused by any Tax liabilities of the Group Members already existing or incurred prior to the Closing (including the breach of the representations and warranties under Section 4.15 of Exhibit IV hereto, regardless of whether such Tax liabilities have been disclosed to or known to the Transferee or any Party hereto) to the Group Members and arising from the resolution or other

procedures with respect to any such Tax liabilities, and after the Warrantors indemnify all the Group Members' Losses against the Group Members, the Transferee Indemnified Parties shall not claim indemnification against the Warrantors again in respect of the same event. If the Warrantors fail to indemnify the Group Members in full within a reasonable time, the Transferee Indemnified Parties shall have the right to request the Warrantors to jointly and severally indemnify the Transferee Indemnified Parties for all Transferee's Losses (under this Section 7.01, the Transferee's Losses of the Transferee Indemnified Parties shall be equal to the total amount of the Group Members' Losses multiplied by 14.65%).

The Parties hereby agree that, for the purpose of the indemnification liabilities under this Section 7.01, unless the amount of the Group Members' Losses exceeds RMB5,000,000, the Warrantors shall have no indemnification liability under this Section to the Group Members or the Transferee Indemnified Parties. For the avoidance of doubt, the foregoing amount shall be the threshold amount that each Warrantor shall indemnify the Group Members or the Transferee Indemnified Parties, and once such threshold amount is reached, each Warrantor shall be fully liable for the Group Members' Losses or Transferee's Losses suffered by the Group Members or the Transferee Indemnified Parties.

#### **SECTION 7.02 Transaction Taxes**

Each Party shall be responsible for paying Taxes assessed against such Party, respectively, arising from or in connection with the transaction contemplated under the Transaction Documents pursuant to all applicable Laws.

### **ARTICLE VIII INDEMNIFICATION**

#### **SECTION 8.01 Survival of Representations and Warranties**

The representations and warranties made by the Warrantors under the Transaction Documents and Deliverables shall survive the Closing Date and the Transferee shall be entitled to claim for the breach of representations and warranties under this Article VIII after the completion of the Closing hereunder. In the case of Section 8.02 hereof, the liabilities of the Warrantors shall not be mitigated or released by any investigation made at any time by or on behalf of the Transferee into, or the knowledge of any event before the Closing, unless otherwise disclosed in writing to the Transferee by the Warrantors and the disclosure is sufficient, specific and accepted by the Transferee.

#### **SECTION 8.02 Indemnification by the Warrantors**

(a) Subject to the provisions of paragraph (c) below, the Warrantors shall, jointly and severally, indemnify and hold harmless the Transferee, its Affiliates, and their respective Representatives, successors and assigns (collectively, the "**Transferee Indemnified Parties**") from and against the losses of the Transferee or its respective Affiliates and their respective Representatives, successors and assigns, suffered or incurred by any of the aforementioned Persons,

directly or indirectly, by reason of or in connection with all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including reasonable attorneys' and consultants' fees and expenses, any Claims brought or otherwise initiated by any Person, losses caused to the Transferee by the Group Members' losses and loss or impairment of any obtainable interests) (the "**Transferee's Losses**"), regardless of whether the Transferee's Losses have occurred before or after the Closing, arising out of or resulting from :

- (i) the Warrantors' breach of any statement, representation or warranty made by each of them under the Transaction Documents or the Deliverables;
- (ii) the Warrantors' breach of any undertakings, covenants or agreements respectively made by them under the Transaction Documents; or
- (iii) all losses suffered or incurred by the Transferee Indemnified Parties by reason of any Claim, to the extent arising out of any act, omission, condition or Indebtedness of any Group Member or Warrantor occurring or existing prior to the Closing.

(b) Subject to paragraph (c) below, the Warrantors shall, jointly and severally, indemnify and hold harmless the Transferee Indemnified Parties from and against the Losses (whether occurring before or after the Closing), caused to the Transferee Indemnified Parties, arising from, or caused by, the following matters existing before the Closing, whether disclosed or not:

- (i) any Group Member or major franchisee fails to obtain the approvals or permits or complete registrations necessary for its Business; or fails to conduct the Business in accordance with all Laws or Governmental Orders applicable to it;
- (ii) the conduct of the Business or the use of the Intellectual Properties by any Group Member conflicts with any third party's Intellectual Properties, or any Group Member infringes upon or misappropriates any third party's Intellectual Properties, or any liabilities arising from data and network security defects of the Group Members;
- (iii) default on payment of wages or Social Security or other violation of the PRC labor Laws by the Group Members (including work hours arrangement of the Employee);
- (iv) indemnification liability arising from any material litigation or arbitration in relation to the Group Members;
- (v) any indemnification liability arising from insufficient insurance coverage of the Group Members;
- (vi) any losses arising from the Group Members' violation of Anti-corruption Laws;

(vii) any Indebtedness incurred by the Newco.

(c) Notwithstanding the provisions of paragraphs (a) and (b) above, the Warrantors shall fully indemnify the Group Members against all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments and penalties (including the reasonable fees and expenses of attorneys and consultants, any Claims brought or otherwise initiated by any Person, and any loss or impairment of obtainable interest) (the “**Group Members’ Losses**”) incurred due to the Warrantors’ breach of the provisions of Section 8.02 (a) and (b), after the Warrantors indemnify the Group Members for the Group Members’ Losses, the Transferee Indemnified Parties shall not claim indemnification from the Warrantors in accordance with this Section 8.02 again in respect of the same event. If the Warrantors fail to indemnify all of the Group Members within a reasonable time, the Transferee Indemnified Parties shall continue to have the right to request the Warrantors to indemnify all of its Transferee’s Losses in accordance with the provisions of this Section 8.02 (in such case, the Transferee’s Losses of the Transferee Indemnified Parties shall be equal to the aggregate amount of the Losses Group Members multiplied by 14.65%). However, with respect to the Warrantors’ breach of the provisions of Section 8.02 (a) and (b) resulting in Transferee Losses but not resulting in the Group Members Losses (for instance, the Warrantors’ breach of its Closing obligations), the Warrantors shall still indemnify the Transferee Indemnified Parties for the Transferee Losses in accordance with the provisions of this Section 8.02.

(d) The Warrantors shall jointly and severally fully indemnify and hold harmless the Transferee Indemnified Parties from and against all Transferee’s Losses incurred by the Transferee Indemnified Parties due to their violation of the provisions of Section (a) and (b) of Section 8.02 under this Section 8.02.

(e) The Parties hereby agree that the Transferee shall have the right to deduct any amount of indemnification payable by the Warrantors to the Transferee Indemnified Parties under this Agreement from the Transfer Price payable to De Yin Investment (unless the circumstance of indemnification only occurs under the circumstances set forth in this Section 8.02(c) and the Warrantors have already indemnified all Group Members’ Losses in accordance with this Agreement.

(f) The Parties hereby acknowledge and agree that the indemnification provisions of Sections 8.02 shall be the sole and exclusive remedy of the Transferee for any breach by any other Party of the representations and warranties in the Transaction Documents or for any failure by any other Party to perform and comply with any covenants and agreements in the Transaction Documents. However, if the Warrantors fail to perform their obligations hereunder with respect to the delivery of the equity interest (including without limitation, failure to perform the Closing obligations or willfully cause the Closing conditions set forth in Section 3.02 not to be satisfied for the purpose of not performing of the Closing obligations, in addition to the indemnification specified in Section 8.02, the Transferee may seek any and all other rights or remedies available under any other Transaction Documents or

applicable Laws, including but not limited to specific performance.

(g) The Parties hereby agree that, for the purpose of the indemnification liabilities under this Section 8.02, (A) unless the Group Members' Losses or the Transferee's Losses exceed RMB1,000,000 due to a single breach of this Agreement by the Warrantors; or (B) unless the Group Members' Losses or the Transferee's Losses exceed RMB5,000,000 due to a specific type of breach of this Agreement by the Warrantors (for the avoidance of doubt, the amounts of losses arising from identical or similar matters, facts or circumstances shall be aggregated, for instance, each sub-section under Section 8.02(b) is treated as a separate type) or (C) unless the amount of the Group Members' Losses or the Transferee's Losses exceeds RMB50,000,000 due to the breach of this Agreement by the Warrantors, the Warrantors shall not be liable to the Group Members or the Transferee Indemnified Parties for this Section 8.02. For the avoidance of doubt, the foregoing amount is the threshold amount that each Warrantor shall indemnify the Group Members or Transferee Indemnified Parties, and once such threshold amount is reached, each Warrantor shall be fully liable for indemnifying the Group Members' Losses or Transferee's Losses suffered by the Group Members or the Transferee Indemnified Parties.

### **SECTION 8.03 Indemnification by the Transferee**

(a) The Transferee shall indemnify and hold harmless the Warrantors, their Affiliates, and their respective Representatives, successors and assigns (collectively, the "**Warrantors Indemnified Parties**") from and against all liabilities, losses, damages, claims, costs and expenses, interest, rulings, judgments and penalties suffered or incurred, directly or indirectly, by the abovementioned Persons (including reasonable fees and expenses of attorneys and consultants, any Claim brought or otherwise initiated by any Person, and any loss or impairment of obtainable interests, whether before or after the Closing) (the "**Warrantors' Losses**"), arising out of or resulting from:

- (i) the Transferee's breach of any statement, representation or warranty made by it under the Transaction Documents; or
- (ii) the Transferee's breach of any undertaking, covenant or agreement under the Transaction Documents made by it;

(b) If the Transferee fails to pay the Transfer Price on time in accordance with this Agreement and the payment is overdue for more than three (3) Business Days, the Transferee shall pay De Yin Investment the penalty interests equal to 0.1% of the outstanding amount for each day of overdue payment.

(c) The Parties hereby agree that, for the purpose of indemnification liabilities under this Section 8.03, (A) unless the amount of the Group Members' Losses or the Transferee's Losses exceeds RMB1,000,000 due to a single breach of this Agreement by the Warrantors, (B) unless the amount of the Warrantors' Losses exceeds RMB5,000,000 due to a specific type of breach of this Agreement by the

Transferee (for the avoidance of doubt, the amount of the Warrantors' Losses arising from the same or similar matters, facts or circumstances shall be calculated in the aggregate), or (C) unless the amount of the Warrantors' Losses suffered by the Warrantors Indemnified Parties in aggregate from a breach of this Agreement by the Transferee exceeds RMB50,000,000, the Transferee shall not be liable to the Warrantors Indemnified Parties for indemnification under this Section 8.03. For the avoidance of doubt, the foregoing amount is the threshold amount for indemnification by the Transferee to the Warrantors Indemnified Parties, and once such threshold amount is reached, the Transferee shall be fully liable for indemnifying all Warrantors' Losses suffered by such Warrantors Indemnified Parties.

## ARTICLE IX TERMINATION

### SECTION 9.01 Termination

This Agreement may be terminated at any time prior to the Closing Date under any of the following circumstances:

(a) by the Transferee if (i) an event or condition occurs that has resulted in or may reasonably be expected to result in a Material Adverse Effect or renders it impossible to fulfill any condition to the Closing under Article III, (ii) there is any Material Breach by the Warrantors, or (iii) the Group makes a general asset transfer for the benefit of creditors, or any legal proceeding is instituted by or against the ListCo seeking to adjudicate entry into criminal procedures or bankruptcy or insolvency by or against the ListCo, or the bankruptcy, insolvency, liquidation, cancellation, bankruptcy reorganization (including composition of debts) of the ListCo;

(b) by either the Warrantors or the Transferee if the Closing shall not have occurred within six (6) months from the date hereof; provided, however, that the right to terminate this Agreement under this Section 9.01 (b) shall not be available to any Party whose failure to perform any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(c) by either the Warrantors or the Transferee in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transaction contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; or

(d) by the mutual written consent of the Parties.

When a ny Warrantor exercises the termination right under this Section 9.01, its termination decision shall be binding upon the other Warrantors.

### SECTION 9.02 Survival

In the event of termination of this Agreement as provided for in

Section 9.01, this Agreement shall forthwith become void and there shall be no liability on the part of any Party (unless otherwise provided for herein), provided that (a) Section 6.07 (Confidentiality), Section 6.08 (Public Reporting), Section 6.09 (Use of Names), Section 6.10 (Non-Compete), Section 9.02 (Survival) and Article X shall survive the termination of this Agreement, and (b) nothing herein shall relieve any Party from liability for any breach of this Agreement prior to the termination of this Agreement.

## ARTICLE X MISCELLANEOUS

### SECTION 10.01 Expenses

All reasonable fees and expenses incurred by the Parties in connection with the Transaction Documents or the transaction contemplated thereby (including without limitation, fees of attorneys, financial advisors and auditors) (the “**Transaction Expenses**”) shall be borne by the Party incurring such expenses.

### SECTION 10.02 Assignment

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of each Party. This Agreement may not be assigned by any Party without the prior written consent of the other Parties, except for the transfer by the Transferee to its Affiliates. For the purpose of this Section, the aforementioned Transferee Affiliates shall not include the following competitors of the ListCo: ZTO Express, BEST Inc., YTO Express, SF Holdings, and YUNDA Holdings.

### SECTION 10.03 Newco Shares

The Parties hereby agree that if due to regulatory reasons, the manner of contribution of Newco Shares by De Yin Investment into the Newco by way of capital contribution in shares or transfer by agreement needs to be adjusted, the Parties may negotiate further and enter into a supplementary agreement.

### SECTION 10.04 Entire Agreement

The Transaction Documents and other documents delivered in accordance therewith (including any related appendixes, exhibits and schedules) constitute the entire agreement and understanding of the Parties with respect to the subject matter of the Transaction Documents and supersede all prior agreements and undertakings, both written and oral, among the Parties with respect to such subject matter.

### SECTION 10.05 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transaction contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the

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Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of this Agreement as closely as possible in an acceptable manner in order that the transaction contemplated hereby are consummated as originally contemplated to the greatest extent possible.

### SECTION 10.06 Waiver

Any Party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of the other Parties, (b) waive any liabilities for inaccuracies in the representations and warranties of the other Parties herein or in any document delivered by the other Parties pursuant hereto, or (c) waive compliance with any of the provisions hereof by the other Parties or conditions precedent to its performance of the obligations herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the Parties to be bound thereby. Any waiver of any term or condition hereof shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of any Party hereto to assert any of its rights hereunder shall not constitute a waiver of any of such rights. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

### SECTION 10.07 Effectiveness and Amendment

This Agreement shall become effective upon due execution or seal by the Parties. No amendment to this Agreement shall be effective unless it is in writing and executed or sealed by the Parties.

### SECTION 10.08 Notices

All notices required or permitted hereunder shall be in writing and shall be deemed to have been effectively given:

- (a) upon delivery to the receiving party, if personally delivered;
- (b) deemed to have been delivered when reaching the mailbox of the receiving party if sent by email;
- (c) the third (3<sup>rd</sup>) day after the delivery to a nationally recognized express courier service company.

All communications shall be sent to the addresses provided in Exhibit 10.07 (or other address as a Party may have specified in a ten (10) day written notice given to the other Parties).

**SECTION 10.09 Identical Versions**

This Agreement may be executed and delivered in more than one (1) counterpart, each of which shall be deemed to be an original, but all executed copies shall constitute one and the same agreement.

**SECTION 10.10 Governing Law; Arbitration**

(a) This Agreement shall be governed by, and construed in accordance with, the PRC Laws.

(b) Any dispute arising out of or in connection with the execution of, or in connection with, this Agreement (“ **Dispute** ”) shall be resolved through friendly consultation among the Parties. The claiming Party shall promptly notify the other Parties in a dated notice that a Dispute has arisen and describe the nature of the Dispute. If the Dispute cannot be resolved by the Parties within forty-five (45) days after the date of such notice of Dispute, any Party may submit the Dispute to China International Economic and Trade Arbitration Commission (“ **CIETAC** ”) for arbitration in Shanghai in accordance with its arbitration rules then in effect. The arbitration tribunal shall consist of three (3) arbitrators. Each of the claimant and the respondent shall appoint one (1) arbitrator. The third arbitrator shall act as the presiding arbitrator and shall be appointed by the chairman of CIETAC. The arbitral award shall be final and binding upon the Parties.

**SECTION 10.11 Language**

This Agreement is entered into in Chinese language.

*[Signature Page Follow s ]*

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

Shanghai De Yin Investment Holding Co., Ltd  
(Official Seal)

By: \_\_\_\_\_  
Name:  
Title:

Signature Page to Equity Transfer Agreement

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IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

Chen Dejun

By: \_\_\_\_\_

Signature Page to Equity Transfer Agreement

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IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

Chen Xiaoying

By: \_\_\_\_\_

Signature Page to Equity Transfer Agreement

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IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

Alibaba (China) Technology Co., Ltd.

(Official Seal)

Signature Page to Equity Transfer Agreement

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EXHIBIT 1.01

DEFINITIONS

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EXHIBIT A

ARTICLES OF ASSOCIATION

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EXHIBIT B

BUSINESS COOPERATION AGREEMENT

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EXHIBIT C

SHARE PLEDGE AGREEMENT

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EXHIBIT 3.02(j)

CLOSING CERTIFICATE

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EXHIBIT 3.03

FORM OF CLOSING PAYMENT NOTICE

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EXHIBIT 3.04(a)

FORM OF REGISTERD OF MEMBERS OF THE NEWCO

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EXHIBIT 3.04(b)

FORM OF NEWCO CAPITAL CONTRIBUTION CERTIFICATE

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EXHIBIT IV

REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS

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EXHIBIT V

REPRESENTATIONS AND WARRANTIES OF THE TRANSFEREE

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EXHIBIT 10.07

NOTICE INFORMATION

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**List of Subsidiaries and Consolidated Entities of  
Alibaba Group Holding Limited as of March 31, 2019\***

Taobao Holding Limited (Cayman Islands)  
 Taobao China Holding Limited (Hong Kong)  
 Local Services Holding Limited (Cayman Islands )  
 Taobao (China) Software Co., Ltd. (PRC)  
 Zhejiang Tmall Technology Co., Ltd. (PRC)  
 Ali Panini Investment Holding Limited (Hong Kong)  
 Zhejiang Taobao Network Co., Ltd. (PRC)  
 Zhejiang Tmall Network Co., Ltd. (PRC)  
 Zhejiang Tmall Supply Chain Management Co., Ltd. (PRC)  
 Tianjin Tmall E-Commerce Co., Ltd. (PRC)  
 Hangzhou Haoyun Investment Consulting Limited Partnership (PRC)  
 Alibaba Group Services Limited (Hong Kong)  
 Alibaba (China) Co., Ltd. (PRC)  
 Lazada Group S.A. (Luxembourg)  
 Alibaba Group Treasury Limited (BVI)  
 Des Voeux Investment Company Limited (BVI)  
 Alibaba Group Properties Limited (Cayman Islands)  
 Ali CN Investment Holding Limited (BVI)  
 Alibaba Investment Limited (BVI)  
 Ali UC Investment Holding Limited (Cayman Islands)  
 Ali WB Investment Holding Limited (Cayman Islands)  
 AutoNavi Holdings Limited (Cayman Islands)  
 Ali YK Investment Holding Limited (Cayman Islands)  
 Ali CV Investment Holding Limited (Cayman Islands)  
 Perfect Advance Holding Limited (BVI)  
 Ali Fortune Investment Holding Limited (BVI)  
 Intime Retail (Group) Company Limited (Cayman Islands)  
 Hangzhou Ali Venture Capital Co., Ltd. (PRC)  
 Hema Investment Holding Limited (BVI)  
 Alibaba.com Limited (Cayman Islands)  
 Alibaba.com Investment Holding Limited (BVI)  
 Alibaba.com China Limited (Hong Kong)  
 Alibaba (China) Technology Co., Ltd. (PRC)  
 Shen Zhen OneTouch Business Service Ltd. (PRC)  
 Hangzhou Meitou Information Technology Co., Ltd. (PRC)  
 Alibaba (Chengdu) Software Technology Co., Ltd. (PRC)  
 Hangzhou Alibaba Advertising Co., Ltd. (PRC)  
 Alibaba.com International (Cayman) Holding Limited (Cayman Islands)  
 Alibaba.com International Holding Limited (BVI)  
 Alibaba Singapore Holding Private Limited (Singapore)  
 Alibaba.com Singapore E-Commerce Private Limited (Singapore)  
 Alimama Limited (Cayman Islands)  
 Alimama Investment Holding Limited (BVI)  
 Alimama China Holding Limited (Hong Kong)  
 Hangzhou Alimama Technology Co., Ltd. (PRC)  
 Hangzhou Ali Technology Co., Ltd. (PRC)  
 Hangzhou Alimama Software Services Co., Ltd. (PRC)  
 Alibaba ZT Investment Limited (Hong Kong)  
 Alisoft Holding Limited (Cayman Islands)  
 Alisoft Investment Holding Limited (BVI)  
 Alisoft China Holding Limited (Hong Kong)  
 Zhejiang Alibaba Cloud Computing Ltd. (PRC)  
 Alibaba Cloud Computing Ltd. (PRC)  
 Hanbao (Shanghai) Information Technology Co., Ltd. (PRC)

\*Other subsidiaries and consolidated entities of Alibaba Group Holding Limited have been omitted because, in the aggregate, they would not be a “significant subsidiary” as defined in rule 1-02(w) of Regulation S-X as of the end of the fiscal year covered by this report.

**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Daniel Yong Zhang, Chief Executive Officer of Alibaba Group Holding Limited (the “Company”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Dated: June 5, 2019

By: /s/ Daniel Yong Zhang  
Name: Daniel Yong Zhang  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Maggie Wei Wu, Chief Financial Officer of Alibaba Group Holding Limited (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: June 5, 2019

By: /s/ Maggie Wei Wu  
Name: Maggie Wei Wu  
Title: Chief Financial Officer

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**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Daniel Yong Zhang, Chief Executive Officer of Alibaba Group Holding Limited (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- a. the Company’s annual report on Form 20-F for the fiscal year ended March 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Dated: June 5, 2019

By: /s/ Daniel Yong Zhang  
Name: Daniel Yong Zhang  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Maggie Wei Wu, Chief Financial Officer of Alibaba Group Holding Limited (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- a. the Company’s annual report on Form 20-F for the fiscal year ended March 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Dated: June 5, 2019

By: /s/ Maggie Wei Wu  
Name: Maggie Wei Wu  
Title: Chief Financial Officer

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-199133, No. 333-214595, No. 333-219292 and No. 333-226521) and Form F-3 (No. 333-221742) of Alibaba Group Holding Limited of our report dated June 5, 2019 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers  
PricewaterhouseCoopers  
Hong Kong, June 5, 2019

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# 方達律師事務所

FANGDA PARTNERS

上海 Shanghai·北京 Beijing·深圳 Shenzhen·香港 Hong Kong 广州 Guangzhou

<http://www.fangdalaw.com>

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86-10-5769-5600  
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27/F, North Tower, Beijing Kerry Centre  
1 Guanghua Road, Chaoyang District  
Beijing 100020, PRC

June 5, 2019

Alibaba Group Holding Limited  
c/o Alibaba Group Services Limited  
26/F Tower One, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

Dear Sirs,

We consent to the references to our firm under “Item 3. Key Information—D. Risk Factors—Risks Related to our Corporate Structure—If the PRC government deems that the contractual arrangements in relation to our variable interest entities do not comply with PRC governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties or be forced to relinquish our interests in those operations”, “Item 4. Information on the Company—C. Organizational Structure—Contracts that Enable Us to Receive Substantially All of the Economic Benefits from the Variable Interest Entities”, “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements” and “Item 10. Additional Information—E. Taxation” in Alibaba Group Holding Limited’s Annual Report on Form 20-F for the year ended March 31, 2019 (the “Annual Report”), which is filed with the Securities and Exchange Commission (the “SEC”) on June 5, 2019. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Fangda Partners  
Fangda Partners

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Our ref DLK/604743-000001/14750398v1

Alibaba Group Holding Limited  
c/o Alibaba Group Services Limited  
26/F Tower One, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

5 June 2019

**Alibaba Group Holding Limited**

We have acted as legal advisors as to the laws of the Cayman Islands to Alibaba Group Holding Limited, an exempted limited liability company incorporated in the Cayman Islands (the “**Company**”), in connection with the filing by the Company with the United States Securities and Exchange Commission of an annual report on Form 20-F for the fiscal year ended March 31, 2019.

We hereby consent to the reference of our name under the heading “Item 10. Additional Information E. Taxation — Cayman Islands Taxation” in the Form 20-F.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP  
Maples and Calder (Hong Kong) LLP

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