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(Incorporated in Bermuda with limited liability)
(Stock Code: 1060)

**CONNECTED TRANSACTION -
ACQUISITION OF EQUITY INTEREST IN A JOINT VENTURE**

EQUITY TRANSFER AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

The Board announces that Zhejiang Dongyang, a consolidated subsidiary of the Company, entered into the Equity Transfer Agreement with Youku Information, a consolidated entity of AGH, on October 26, 2017. Pursuant to the Equity Transfer Agreement, Zhejiang Dongyang agreed to purchase, and Youku Information agreed to sell, 21% equity interest in Cool Young, the joint venture established on August 15, 2017 pursuant to the Talent Agency JV Agreement entered into between Zhejiang Dongyang and Youku Information on June 14, 2017, at nil consideration.

The Board further announces that Zhejiang Dongyang entered into the Supplemental Agreement with Youku Information on October 26, 2017 mainly to re-regulate their respective rights and obligations in Cool Young, to change the amounts and schedule of capital contribution and to reorganize the governance structure of Cool Young in view of the change in equity interest in Cool Young upon completion of the Equity Transfer.

Upon completion of the Equity Transfer, Zhejiang Dongyang and Youku Information will hold 51% and 49% equity interest in Cool Young, respectively, and Cool Young will be accounted for as a non-wholly-owned subsidiary of the Company. The total capital commitment of Zhejiang Dongyang under the Talent Agency JV Agreement and the Supplemental Agreement will amount to RMB25,500,000.

LISTING RULES IMPLICATIONS

Youku Information is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49.18% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Information is an associate of Ali CV and hence a connected person of the Company.

The entering into of the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules relating to the investment in Cool Young (including the initial investment pursuant to the Talent Agency JV Agreement and the Equity Transfer) by Zhejiang Dongyang are above 0.1% but below 5%, the entering into of the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On August 9, 2017, Zhejiang Dongyang and Youku Information entered into the Variety Show JV Agreement to form the Variety Show JV. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Variety Show JV Agreement, the Talent Agency JV Agreement (as supplemented by the Supplemental Agreement) and the Equity Transfer Agreement shall be aggregated and treated as if they were one transaction as they are of similar nature and were entered into within a 12-month period with the same counterparty. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Variety Show JV Agreement, the Talent Agency JV Agreement (as supplemented by the Supplemental Agreement) and the Equity Transfer Agreement, when aggregated, are below 5%.

INTRODUCTION

Reference is made to the announcement of the Company dated August 9, 2017 relating to, among others, the entering into of the Variety Show JV Agreement on August 9, 2017 and the Talent Agency JV Agreement on June 14, 2017 between Zhejiang Dongyang, a consolidated subsidiary of the Company, and Youku Information, a consolidated entity of AGH. Pursuant to the Talent Agency JV Agreement, Zhejiang Dongyang and Youku Information established Cool Young, in which Zhejiang Dongyang and Youku Information respectively holds 30% and 70% equity interest, on August 15, 2017 in the PRC.

The Board announces that Zhejiang Dongyang entered into the Equity Transfer Agreement with Youku Information on October 26, 2017. Pursuant to the Equity Transfer Agreement, Zhejiang Dongyang agreed to purchase, and Youku Information agreed to sell, 21% equity interest in Cool Young at nil consideration.

The Board further announces that Zhejiang Dongyang entered into the Supplemental Agreement with Youku Information on October 26, 2017 mainly to re-regulate their respective rights and obligations in Cool Young, to change the amounts and schedule of capital contribution and to reorganize the governance structure of Cool Young in view of the change in equity interest in Cool Young upon completion of the Equity Transfer.

Upon completion of the Equity Transfer, Zhejiang Dongyang and Youku Information will hold 51% and 49% equity interest in Cool Young, respectively, and Cool Young will be accounted for as a non-wholly-owned subsidiary of the Company. The total capital commitment of Zhejiang

Dongyang under the Talent Agency JV Agreement and the Supplemental Agreement will amount to RMB25,500,000.

EQUITY TRANSFER AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

I. Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out below:

Date: October 26, 2017

Parties: (1) Zhejiang Dongyang, a consolidated subsidiary of the Company
(2) Youku Information, a consolidated entity of AGH and a connected person of the Company

Subject Matter

Pursuant to the Equity Transfer Agreement, Zhejiang Dongyang agreed to purchase, and Youku Information agreed to sell, 21% equity interest in Cool Young, the joint venture established in the PRC with limited liability on August 15, 2017 pursuant to the Talent Agency JV Agreement, at nil consideration.

Upon completion of the Equity Transfer, Zhejiang Dongyang and Youku Information will hold 51% and 49% equity interest in Cool Young, respectively, and Cool Young will be accounted for as a non-wholly-owned subsidiary of the Company with its financial results being consolidated into the Company's financial statements.

As at the date of the Equity Transfer Agreement, neither of the shareholders of Cool Young has made any capital contribution due to the delay in the opening of bank account of Cool Young. Pursuant to the Talent Agency JV Agreement, Zhejiang Dongyang and Youku Information have initially agreed to contribute RMB15,000,000 and RMB35,000,000 respectively to hold 30% and 70% equity interest in Cool Young. Pursuant to the Equity Transfer Agreement, Zhejiang Dongyang will assume an additional capital commitment of RMB10,500,000 after the acquisition of 21% equity interest in Cool Young from Youku Information, therefore the total capital commitment of Zhejiang Dongyang will be increased to RMB25,500,000 and the total capital commitment of Youku Information will be decreased accordingly to RMB24,500,000. The parties will make their capital contributions in accordance with the articles of association (as amended) of Cool Young.

The nil consideration for the Equity Transfer has been determined after arm's length negotiations between the parties, taking into account that (i) Cool Young is a newly established joint venture and has not yet started operations, (ii) neither of the shareholders of Cool Young has made any capital contribution into Cool Young, and (iii) the shareholders' capital commitments will be adjusted accordingly after the Equity Transfer, whereby Zhejiang Dongyang will assume an

additional capital commitment corresponding to its acquisition of an additional 21% equity interest in Cool Young.

II. Supplemental Agreement

The principal terms of the Supplemental Agreement are set out below:

Date: October 26, 2017

Parties: (1) Zhejiang Dongyang, a consolidated subsidiary of the Company
(2) Youku Information, a consolidated entity of AGH and a connected person of the Company

Subject Matter

Zhejiang Dongyang and Youku Information entered into the Supplemental Agreement mainly to re-regulate their respective rights and obligations in Cool Young, to change the amounts and schedule of capital contribution and to reorganize the governance structure of Cool Young in view of the change in equity interest in Cool Young upon completion of the Equity Transfer. The parties have agreed to supplement and modify the Talent Agency JV Agreement through the Supplemental Agreement as follows:

(i) Capital Contribution

The table below sets forth the relevant details of the total capital commitment of the parties in Cool Young:

Party	Investment Amount (RMB)	Payment Method	% of the total registered capital of Cool Young
Zhejiang Dongyang	25,500,000	Cash	51%
Youku Information	24,500,000	Cash	49%
Total registered capital of Cool Young	50,000,000		100%

The total registered capital shall be paid in two installments as follows:

Party	First installment to be paid on or before December 31, 2017	Second installment to be paid on or before December 31, 2018	% of the paid-up capital of Cool Young
Zhejiang Dongyang	10,200,000	15,300,000	51%
Youku Information	9,800,000	14,700,000	49%
Paid-up capital of Cool Young	20,000,000	30,000,000	100%

The respective contributions of the parties to the registered capital of Cool Young have been determined after arm's length negotiations between the parties based on the adjusted percentage of equity interest of each party in Cool Young after the Equity Transfer and with reference to the total original capital commitments of both parties as specified in the Talent Agency JV Agreement for establishing Cool Young.

The total capital commitment of Zhejiang Dongyang under the Talent Agency JV Agreement and the Supplemental Agreement will amount to RMB25,500,000. The capital to be contributed by Zhejiang Dongyang to Cool Young will be satisfied by using the Group's available internal resources.

(ii) Board Composition, Supervisor and Managers

The board of directors of Cool Young shall comprise five directors, three of whom (including the chairman) shall be nominated by Zhejiang Dongyang and two of whom shall be nominated by Youku Information. Cool Young shall have one supervisor, one general manager and one financial controller. Youku Information has the right of nomination of such supervisor. The general manager will be the legal representative of Cool Young.

Save as disclosed above in this announcement, all other material terms of the Talent Agency JV Agreement shall remain unchanged and in full force and effect.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

As disclosed in the 2016 annual report of the Company, the Group has introduced "Plan A" to discover and develop young talents, which will serve to further the sustainable development of the film industry. The resources in "Plan A" were targeted more on young and talented directors. The Company considers that the entering into of the Equity Transfer Agreement and acquisition of controlling interest in Cool Young will further strengthen its overall business profile by extending its ecosystem to young actors, actresses, and other entertainment talents as well.

The Company further considers that the Equity Transfer Agreement and the Supplemental Agreement reflect the corresponding commercial interests of both the Group and Youku Information, and take into account the future management and governance structure of Cool Young as agreed by both parties. Talent resources are expected to remain an important component of the entertainment business. Therefore, the Group plans to utilize its resources, along with that of Youku Information, to develop and manage entertainment talents, further expanding the Group's entertainment ecosystem.

Having reviewed the terms of the Equity Transfer Agreement and the Supplemental Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Supplemental Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms to the Company and that the entering into of the Equity Transfer Agreement and the Supplemental Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Youku Information is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49.18% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Information is an associate of Ali CV and hence a connected person of the Company.

The entering into of the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules relating to the investment in Cool Young (including the initial investment pursuant to the Talent Agency JV Agreement and the Equity Transfer) by Zhejiang Dongyang are above 0.1% but below 5%, the entering into of the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On August 9, 2017, Zhejiang Dongyang and Youku Information entered into the Variety Show JV Agreement to form the Variety Show JV. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Variety Show JV Agreement, the Talent Agency JV Agreement (as supplemented by the Supplemental Agreement) and the Equity Transfer Agreement shall be aggregated and treated as if they were one transaction as they are of similar nature and were entered into within a 12-month period with the same counterparty. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Variety Show JV Agreement, the Talent Agency JV Agreement (as supplemented by the Supplemental Agreement) and the Equity Transfer Agreement, when aggregated, are below 5%.

As Mr. Yu Yongfu and Mr. Shao Xiaofeng are employees of AGH or its subsidiaries, each of them is deemed or may be perceived to have a material interest in the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder. Accordingly, they have abstained from voting on the resolutions passed by the Board in relation to the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder. Save as the aforesaid Directors, none of the other Directors has a material interest in the Equity Transfer Agreement and the Supplemental Agreement and the transactions contemplated thereunder, and therefore none of them has abstained from voting on the said resolutions passed by the Board.

INFORMATION ON THE COMPANY, ZHEJIANG DONGYANG AND COOL YOUNG

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). As the flagship unit of Alibaba Group's entertainment arm, the Company focuses on developing the full business potential of integration and innovative applications of the Internet and traditional film and television industries. The core business of the Company includes the three major segments: (i) internet-based promotion and distribution, (ii) content production, and (iii) integrated development. These segments encompass (i) the operation of an integrated O2O platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas; (ii) the investment and production of entertainment content such as film and drama series both domestically and internationally; and (iii) centered around copyrights the development of professional services ranging from financing, business placement, promotion and distribution to merchandising, respectively.

Zhejiang Dongyang, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company and is principally engaged in investment in and production and distribution of film and TV copyrights and investment management.

Cool Young, being a company established under the laws of the PRC, will be a non-wholly-owned subsidiary of the Company upon completion of the Equity Transfer and is principally engaged in talent agency business. As at the date of this announcement, the net asset value of Cool Young is nil. As Cool Young has not yet commenced any operation, it has not generated any revenue or recorded any profit or loss since its establishment in August 2017.

INFORMATION ON AGH, ALIBABA GROUP AND YOUKU INFORMATION

AGH is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange.

Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce company in the world in terms of gross merchandise volume in the twelve months ended March 31, 2017. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content to leverage the power of the Internet to engage with their

users and customers. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

Youku Information, a company incorporated in the PRC and a consolidated entity of AGH, is principally engaged in online video services, online advertising businesses and value-added telecommunication services in China on Youku platform.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange
“Alibaba Group”	AGH and its subsidiaries
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands, an indirect wholly-owned subsidiary of AGH
“associate(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Board”	the board of Directors
“Company”	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1060, which also has a secondary listing on the Singapore Exchange Securities Trading Limited (stock code: S91)
“Cool Young”	酷漾文化傳播有限公司 (Cool Young Culture Communication Co., Ltd.*), a company established in the PRC with limited liability by Zhejiang Dongyang and Youku Information on August 15, 2017 pursuant to the Talent Agency JV Agreement
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Directors”	the directors of the Company

“Equity Transfer”	the transfer of 21% equity interest in Cool Young from Youku Information to Zhejiang Dongyang pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between Zhejiang Dongyang and Youku Information on October 26, 2017 in respect of the Equity Transfer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between Zhejiang Dongyang and Youku Information on October 26, 2017 to supplement and modify the Talent Agency JV Agreement
“Talent Agency JV Agreement”	the joint venture agreement entered into between Zhejiang Dongyang and Youku Information on June 14, 2017 relating to the formation of Cool Young, details of which were disclosed in the announcement of the Company dated August 9, 2017
“Variety Show JV”	the joint venture to be established in the PRC by Zhejiang Dongyang and Youku Information pursuant to the Variety Show JV Agreement

“Variety Show JV Agreement”	the joint venture agreement entered into between Zhejiang Dongyang and Youku Information on August 9, 2017 relating to the formation of the Variety Show JV, details of which were disclosed in the announcement of the Company dated August 9, 2017
“Youku Information”	優酷信息技術（北京）有限公司 (Youku Information Technology (Beijing) Co., Ltd.*), formerly known as 合一信息技術（北京）有限公司 (1 Verge Information Technology (Beijing) Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated entity of AGH
“Zhejiang Dongyang”	浙江東陽阿里巴巴影業有限公司 (Zhejiang Dongyang Alibaba Pictures Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated subsidiary of the Company
“%”	per cent.

** English name for identification purpose only*

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

Hong Kong, October 26, 2017

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Yu Yongfu and Ms. Zhang Wei, being the executive directors; Mr. Li Lian Jie and Mr. Shao Xiaofeng, being the non-executive directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.