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CLARIFICATION ANNOUNCEMENT REGARDING ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Reference is made to the announcements of Alibaba Pictures Group Limited (the “Company”, together with its subsidiaries, the “Group”) dated (i) 22 May 2013 in relation to the placing of 60,000,000 unlisted warrants (the “Warrants”) conferring the right to subscribe up to 60,000,000 ordinary shares of the Company (the “Warrant Placing”) and (ii) 16 July 2013 and 25 July 2013 in relation to the top-up placing of 582,630,000 ordinary shares of the Company (the “Share Placing”). Reference is also made to the annual report of the Company for the financial year ended 31 December 2013, which was published on 29 April 2014 (the “Annual Report”). Capitalised terms used in this announcement shall have the same meanings as in the Annual Report unless otherwise defined in this announcement.

The Company would like to provide additional information regarding the Warrant Placing and the Share Placing to supplement the information set out under the section headed “Liquidity, Financial Resources and Capital Structure” on page 11 of the Annual Report.

The contents of this announcement do not relate to the contents of the announcement of the Company dated 14 August 2014 concerning, among other things, the suspension of trading in the Company’s shares (the “Suspension Announcement”). Trading shall remain suspended until further notice. Additional announcement(s) in relation to the matters disclosed in the Suspension Announcement will be made in due course in order to keep the shareholders of the Company and the investing public duly informed.

THE WARRANT PLACING

Reasons for the transaction

The Directors at the time of the Warrant Placing considered the Warrant Placing to be an appropriate means of raising additional capital for the Company while broadening the shareholder and capital base of the Company. In addition, apart from the net proceeds of HK\$500,000 that were raised immediately upon completion of the Warrant Placing, the Company has since been provided with additional working capital of approximately HK\$29.1 million following the issue of new ordinary shares of the Company upon exercise of the subscription rights attaching to the Warrants on 18 March 2014 and 15 May 2014.

Pricing

The aggregate net price of ordinary shares of the Company issued upon the exercise of the Warrants, taking into account the issue price of HK\$0.01 per Warrant after deducting the relevant expenses and based on the full exercise of the Warrants, was approximately HK\$29.6 million.

Placees

The placees for the Warrants under the Warrant Placing were:

- Pacific Alliance Asia Opportunity Fund LP, a Cayman Islands exempted limited partnership;
- Asian Equity Special Opportunities Portfolio Master Fund Limited, an open-end investment company incorporated in the Cayman Islands with limited liability; and
- Asian Opportunities Absolute Return Fund Limited, an open-end investment company incorporated in the Cayman Islands with limited liability.

Each of the placees and their respective ultimate beneficial owners was independent of and not connected with the Company and its connected persons and their respective associates (in both cases as such terms are defined in the Listing Rules).

Premium over market price

The aggregate of the issue price of HK\$0.01 per Warrant and the initial subscription price of HK\$0.50 per Warrant was HK\$0.51. This represented (i) a premium of 67.2% over the closing price of HK\$0.305 per ordinary share of the Company as quoted on the Stock Exchange on 22 May 2013, being the date of the placing agreement entered into between the Company and UOB Kay Hian (Hong Kong) Limited as placing agent (the “Placing Agreement”); and (ii) a premium of about 65% over the average closing price of approximately HK\$0.309 per ordinary share of the Company as quoted on the Stock Exchange for the last five trading days up to and including the date of the Placing Agreement.

Use of proceeds

The approximately HK\$29.6 million net proceeds of the Warrant Placing were intended for general working capital of the Group. The HK\$500,000 of net proceeds raised immediately upon completion of the Warrant Placing have been used for the Group's operating expenses, and the remaining HK\$29.1 million of net proceeds have been used for investments in the Group's films and television drama series.

THE SHARE PLACING

Reasons for the transaction

The Directors at the time of the Share Placing considered the Share Placing as representing a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company.

Pricing

582,630,000 ordinary shares of the Company were sold by the vendor under the Share Placing, Mr Dong Ping (the "Vendor"), and subscribed by the Vendor (the "Subscription"), at a price of HK\$0.46 per ordinary share of the Company. Gross proceeds for the Company from the Subscription were approximately HK\$268 million. After taking into account commission and other expenses, net proceeds from the Subscription were approximately HK\$260 million.

Placees

Goldman Sachs (Asia) L.L.C, the placing agent under the Share Placing ("Goldman Sachs"), placed 582,630,000 ordinary shares of the Company held by the Vendor to not less than six placees, who and whose ultimate beneficial owners were independent of and not acting in concert (as defined under the Codes on Takeovers and Mergers and Share Buy-backs) with the Vendor and his concert parties and were not any of the Vendor's, the Company's or its subsidiaries' directors, chief executive or substantial shareholders (in each case as such terms are defined in the Listing Rules) or any of their respective associates.

Discount to market price

The placing and subscription price under the Share Placing of HK\$0.46 per ordinary share of the Company represented (i) a discount of approximately 9.8% to the closing price of HK\$0.51 per ordinary share of the Company as quoted on the Stock Exchange on 16 July 2013, being the date of the placing and subscription agreement entered into among the Vendor, the Company and Goldman Sachs (the "Placing and Subscription Agreement"); and (ii) a discount of approximately 11.2% to the average closing price of HK\$0.518 per ordinary share of the Company as quoted on the Stock Exchange for the last five trading days prior to the date of the Placing and Subscription Agreement.

Use of proceeds

The approximately HK\$260 million net proceeds of the Share Placing were intended to be used for general working capital of the Group and/or investments when opportunities arose. Approximately HK\$211 million has been used for investments in the Group's films and television drama series, approximately HK\$25 million has been used for investment in an associate, and approximately HK\$24 million has been used for the Group's operating expenses.

The additional information above does not affect other information contained in the Annual Report, and the contents of the Annual Report remain unchanged.

By Order of the Board
Alibaba Pictures Group Limited
Shao Xiaofeng
Chairman

Hong Kong, 22 August 2014

As at the date of this announcement, the Board comprises Mr. Shao Xiaofeng, Mr. Liu Chunming and Mr. Zhang Qiang, being the executive directors; and Mr. Li Lianjie, Mr. Tong Xiaomeng and Ms. Zhang Yu, being the independent non-executive directors.