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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

**DISCLOSEABLE TRANSACTIONS IN RELATION TO
THE SUBSCRIPTION OF THE CONVERTIBLE AND
EXCHANGEABLE BONDS**

THE SUBSCRIPTION OF THE BONDS

The Board is pleased to announce that on May 9, 2016 (after trading hours), the Company through SAC Finance (an indirect wholly-owned subsidiary of the Company) entered into the Subscription Agreement pursuant to which Dadi Cinema conditionally agreed to issue, and SAC Finance conditionally agreed to subscribe for, the Bonds with an aggregate principal amount of RMB1,000,000,000 on Completion.

Pursuant to the terms and conditions of the Bonds and the other Transaction Documents, SAC Finance may:

- (i) convert all of the outstanding principal amount of the Bonds into such number of Issuer Shares, at any time during the Conversion Period at the Conversion Price;
- (ii) exchange all of the outstanding principal amount of the Bonds into 100% of the SPV Shares, at any time during the Exchange Period; or
- (iii) require the Issuer to redeem all of its Bonds outstanding at the Redemption Price and acquire the Applicable Guangdong Dadi Interest at a consideration of the Subscription Amount through an onshore entity designated by the Investor.

Upon the exercise of the Conversion Right, the Exchange Right or the Early Redemption Right (as the case may be), the Company will indirectly hold an approximately 4.76% shareholding interest in Guangdong Dadi (assuming such right is exercised immediately on the Issue Date and there is no change to the number of Issuer Shares and the registered capital of Guangdong Dadi).

BUSINESS COOPERATION AGREEMENT

On May 9, 2016, Zhong Lian Sheng Shi, an indirect wholly-owned subsidiary of the Company, and Guangdong Dadi, a subsidiary of Dadi Cinema, entered into the Business Cooperation Agreement, pursuant to which the parties have agreed, among others, to collaborate in the marketing and promotion of movies and to jointly develop the movie-related markets and related e-commerce business from the Issue Date until the earlier of (i) the Investor or its Affiliates ceasing to hold any Share Equivalents in the Issuer Group, and (ii) the date falling two years following the Equity Date.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Dadi Cinema, Nan Hai and their ultimate beneficial owners are independent third parties of the Company.

WARNING

COMPLETION OF THE SUBSCRIPTION IS SUBJECT TO THE FULFILMENT (OR WAIVER, AS MAY BE APPLICABLE) OF THE CONDITIONS UNDER THE SUBSCRIPTION AGREEMENT. ACCORDINGLY, THE SUBSCRIPTION MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SHARES.

1. SUBSCRIPTION OF THE BONDS

(i) Date

May 9, 2016

(ii) Parties

Investor : SAC Finance, an indirect wholly-owned subsidiary of the Company

Issuer : Dadi Cinema

Guarantor : Nan Hai

(iii) Subscription of the Bonds

Subject to the terms and conditions of the Subscription Agreement, the Issuer agreed to issue, and the Investor agreed to subscribe for, at par the Bonds with an aggregate principal amount of RMB1,000,000,000 on Completion.

The Investor will settle the consideration using the Group's available internal resources.

The consideration was determined after arm's length negotiations between the Issuer, the Investor and Nan Hai after taking into account, among other things, (a) the Issuer Group's market share of the box office and its future growth potential in the PRC; and (b) the Company's cooperation with the Issuer Group in the future.

Particulars of the Bonds are set out in the section headed "The Bonds" below.

(iv) Conditions Precedent

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of, the following conditions precedent:

- (a) each of the Transaction Documents having been, or will at Completion be, duly executed by the parties thereto;
- (b) other than the consents and approvals in relation to the Guangdong Dadi Capital Injection, the Share Pledge, the Onshore Share Purchase Agreement and the Default Onshore Share Purchase Agreement, all consents and approvals of, notices to and filings or registration with any approval authority or any other person required pursuant to any applicable laws or regulation of any approval authority, or pursuant to any contract binding on the Issuer or any other Issuer Group Company or to which the Issuer or any other Issuer Group Company or its respective assets are subject or bound in connection with the issue of the Bonds, the execution, delivery or performance of the Transaction Documents or the consummation of the transactions contemplated in the Transaction Documents, shall have been obtained or effected;
- (c) each of the parties to the Subscription Agreement having obtained all necessary approvals and fulfilled all requirements under the Listing Rules to enter into the Transaction Documents and to perform its obligations thereunder;
- (d) the provision of all business licences and movie projection operation licences (電影放映經營許可證) in respect of no less than 75% of the cinemas operated by the Issuer Group at Completion to the Investor for review, and the results being satisfactory to the Investor in its sole discretion;
- (e) all parties to the Transaction Documents (other than the Investor) having obtained all necessary internal authorisation in respect of and entry into the Transaction Documents and performance of any transactions contemplated thereunder, including but not limited to any shareholders resolutions and board resolutions;
- (f) there having been no material adverse change in respect of the Issuer Group since the date of the Subscription Agreement;

- (g) the representations and warranties of the Issuer and Nan Hai contained or referred to in the Transaction Documents remaining true and correct as of the date of Completion as though made on such date;
- (h) the transactions contemplated by the Transaction Documents not being in violation of applicable laws, and no person having instituted any action as a result of any of the transactions contemplated by the Transaction Documents;
- (i) no action which would constitute an Event of Default (as defined below) had such action been taken after Completion has been taken since the date of the Subscription Agreement; and
- (j) the Issuer having delivered to the Investor a certificate, dated as of the Completion and signed by a duly authorised director or officer, certifying that the conditions set out in clauses (b) to (i) (other than paragraph (d) above) have been satisfied.

(v) Completion

Completion will take place on the date falling 15 days after the satisfaction subject only to Completion (or waiver) of all conditions precedent to the Subscription Agreement, or such other date as may be agreed by the Issuer, the Investor and Nan Hai.

(vi) Events of Default

Each of the following events or circumstances shall constitute an event of default (each an “**Event of Default**”) under the Subscription Agreement and the terms and conditions of the Bonds:

- (a) a default by the Issuer made in the payment of any principal or interest due in respect of the Bonds and if such default is capable of remedy, is not remedied in full within 15 Business Days from the occurrence of such event;
- (b) a default by any Issuer Group Company of a material term, covenant, warranty or undertaking of any of the Transaction Documents or any other agreement to which any Issuer Group Company is a party, and if such default is capable of remedy, is not remedied in full within 15 Business Days from the occurrence of such event;
- (c) the occurrence of an event of default or acceleration of repayment under any such other agreement to which any Issuer Group Company is a party which is not cured after any required notice and/or cure period, which will cause a material adverse change to the Issuer Group as a whole;
- (d) an insolvency event occurs in respect of any Issuer Group Company;
- (e) any one or more events or changes has occurred which has caused or constituted or likely to cause or constitute, either in any case or in aggregate, a material adverse change on the business, operation, assets, financial or prospects of the Issuer Group;

- (f) it is or will become unlawful for any person other than the Investor to perform or comply with any one or more of its obligations under the Transaction Documents;
- (g) any material non-compliance with the use of proceeds clause in the Subscription Agreement; or
- (h) any breach of any Default Covenant (as defined below).

(vii) Default Covenants

Prior to the earliest of (i) a Qualified IPO, (ii) the date falling two years after the Equity Date and (iii) the date the Investor or its Affiliates ceases to hold any Share Equivalents, each of the Issuer and Nan Hai undertakes to the Investor that no action shall be taken in respect of any of the following matters (each a “**Default Covenant**”) in respect of any Issuer Group Company other than where such event relates solely to an Excluded Company:

- (a) any issuance or transfer of Share Equivalents of any Issuer Group Company (i) during the period of one month following the Equity Date; and (ii) from the date of change of status of Guangdong Dadi to a company limited by shares until the second anniversary of the Conversion Date or Exchange Date;
- (b) for a period of two years following Completion, any merger, consolidation, liquidation, winding up, or other transaction resulting in a change of Control, disposal of more than 50% of any Issuer Group Company’s assets (without taking into account certain transactions disclosed in the Subscription Agreement) in any 12-month period, or acquisition by another person;
- (c) any alteration, amendment or deletion of any provisions of the articles of association of the Issuer, the SPV or Guangdong Dadi that materially and adversely affects the rights of the Investor;
- (d) any distribution of profits to the extent that it materially and adversely affects the operations of the Issuer Group;
- (e) at any time prior to the Conversion Date or Exchange Date, the creation or incurrence of any indebtedness and encumbrances (including the sale or issuance of bonds, and the extension of loans, credit or financing of any type) other than in the ordinary course of business and other than any loans, credit or financing extended to wholly-owned subsidiaries of the Issuer, or the giving of guarantees for any indebtedness of its shareholders, or any other third parties, except that, for the avoidance of doubt, this covenant shall not apply to any loans granted to any Issuer Group Company by a direct or indirect shareholder of the Issuer on terms no less favourable to the relevant Issuer Group Company than arm’s length commercial terms;

- (f) performance, approval, entry into, extension or amendment of any transaction or agreement between Guangdong Dadi and its subsidiaries on the one hand, and its shareholders, directors, senior management, employees, and their respective Affiliates on the other hand, in an amount exceeding RMB10,000,000 in aggregate in any 12-month period or exceeding RMB1,000,000 in any single transaction unless such matter has been approved by the board of directors of the Issuer (provided that any directors interested in the relevant transaction shall not be permitted to vote), provided that nothing in the foregoing shall apply to:
 - (i) the performance of the disclosed related party transactions identified in the Subscription Agreement on the basis permitted in the Subscription Agreement; or
 - (ii) loans, indebtedness or advances provided by Guangdong Dadi or any of its subsidiaries to any related party of such Issuer Group Company other than Guangdong Dadi and its subsidiaries which shall be repaid in accordance with the Subscription Agreement;
- (g) amendment or approval of any equity-linked bonus scheme or any employee share option scheme or share participation scheme other than any such scheme(s) which involves or may involve the issue of less than 10% in aggregate of the shares of Guangdong Dadi on a fully-diluted and as-converted basis;
- (h) any material change to the core business as conducted by the Issuer Group as at Completion; or
- (i) the appointment of sponsor, listing venue, approval of the valuation of the Issuer, or any other matter in connection with the application for listing of any part of the issued share capital of any member of the Issuer Group where such listing shall value the Investor's Share Equivalents in the Issuer Group at a price less than the aggregate subscription price paid in respect of such Share Equivalents.

For the purposes of (b), (f) and (g) above, a series of related transactions shall be construed as a single transaction, and any amounts involved in such related transactions shall be aggregated.

(viii) Transferability of Share Equivalents

During the period from Completion to the earlier of (i) a Qualified IPO and (ii) the date falling two years after the Equity Date, the Investor shall not transfer any of its Share Equivalents except to its Affiliates or otherwise permitted under the Transaction Documents or with the consent from the Issuer.

Subject to the terms and conditions of the Subscription Agreement, from the date falling two years after the Equity Date until a Qualified IPO, the Investor may only transfer its Share Equivalents to a third party if Nan Hai declines or is deemed to have declined to purchase the relevant Share Equivalents at the same terms and conditions to such third party.

(ix) Post completion undertaking

The Issuer and Nan Hai undertake, among other things, that:

- (a) by no later than December 31, 2016, save for any bona fide indebtedness or advances incurred during the ordinary course of business, all loans, indebtedness or advances provided by Guangdong Dadi or any of its subsidiaries to any related party of such Issuer Group Company other than Guangdong Dadi and its subsidiaries, have been repaid in full and all guarantees or any other security given for the benefit of any related party of such companies have been fully released;
- (b) by no later than three (3) months following Completion, the Issuer shall provide all valid, current and enforceable business licences and movie projection operation licences (電影放映經營許可證) of the cinemas operated by the Issuer Group Companies that were not provided to the Investor prior to Completion, other than those in respect of no more than 5% of the cinemas operated by the Issuer Group at Completion where such licences have expired and applications for renewal of such licences have been submitted by the Issuer Group but are pending approval by the relevant approval authority; and
- (c) so long as the Investor holds any Bonds, the Issuer shall not:
 - (i) incur any obligations such that any creditor of the Issuer Group may claim in insolvency on terms and conditions more favourable than those available to the Investor under the Bonds in any material respect (other than any obligations preferred by mandatory provisions of applicable law); or
 - (ii) issue any Share Equivalents or otherwise allow any person to acquire any direct or indirect interest in any Issuer Group Company or any material asset of an Issuer Group Company, or take any action to solicit, initiate, encourage or assist in the foregoing, on terms and conditions (including for the avoidance of doubt, the interest rate payable on any convertible bonds) more favourable than those available to the Investor (other than in relation to the issuance of any Share Equivalents at a new issue price less than the Conversion Price, or at an Implied Guangdong Dadi Price lower than the Bondholder's Deemed Guangdong Dadi Price, in respect of which an adjustment shall be made under the Conversion Price Adjustments or the Adjustments to the Applicable Guangdong Dadi Interest).

2. THE BONDS

The terms and conditions of the Bonds were determined after arm's length negotiations between the Issuer, the Investor and Nan Hai, and are summarized below:

- Issuer** : Dadi Cinema
- Investor** : SAC Finance, an indirect wholly-owned subsidiary of the Company
- Aggregate Principal Amount** : RMB1,000,000,000
- Issue Price** : The Bonds will be issued at 100% of their principal amount.
- Security** : (i) a share pledge to be executed by the Issuer of 15% of the registered capital of Guangdong Dadi to secure the obligations of the Issuer and the Guarantor under the Transaction Documents (including the Bonds) (the "**Share Pledge**"); and
- (ii) a guarantee to be provided by Nan Hai in favour of the Investor guaranteeing the performance by the Issuer of all its obligations under or pursuant to the Transaction Documents (including the Bonds) (the "**Guarantee**").
- Ranking** : The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank at least pari passu with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Issuer (other than any obligations preferred by mandatory provisions of applicable laws).
- Interest** : 1.95% per annum on the outstanding principal amount of the Bonds based on a 360-day year of 30 days each month, which shall be payable annually in arrears on the date immediately preceding the anniversary of the Issue Date.
- Maturity Date** : Two years commencing from (and including) the Issue Date (the "**Maturity Date**").

Conversion Right and Exchange Right : Subject to the terms and conditions of the Bonds, the Bondholder may (i) convert all (but not part) of the outstanding principal amount of the Bonds into such number of Issuer Shares credited as fully paid, at any time during the Conversion Period at the then Conversion Price (the “**Conversion Right**”); or (ii) exchange all (but not part) of the outstanding principal amount of the Bonds into 100% of the issued share capital of SPV credited as fully paid, at any time during the Exchange Period (the “**Exchange Right**”).

Upon exercise of the Exchange Right, the SPV’s interest in Guangdong Dadi shall be at least equal to the then Applicable Guangdong Dadi Interest and the SPV shall not have any liabilities whatsoever.

Conversion Period : Any time following the Issue Date up to the close of business on the date falling on the third anniversary of the Issue Date.

Automatic Conversion : Immediately prior to the closing of a Qualified IPO in respect of the Issuer, unless previously converted, exchanged or redeemed, the outstanding Bonds shall be automatically converted into Issuer Shares at the then Conversion Price.

Conversion Price : Initially at RMB266,667 per Issuer Share, subject to the Conversion Price Adjustments stated below.

Conversion Price Adjustments : *Box Office Revenue Price Adjustment*
 If the compound annual growth of the annual box office revenue of Guangdong Dadi for the two years ending December 31, 2017 is less than 35%, the Conversion Price in force as at December 31, 2017 shall be adjusted according to the following formula and shall become effective on January 1, 2018 (the “**Box Office Revenue Price Adjustment**”):

$$\text{Adjusted Conversion Price} = \frac{\text{the then Conversion Price} \times \text{Audited box office revenue of Guangdong Dadi in the year ending December 31, 2017}}{\text{Audited box office revenue of Guangdong Dadi in the year ended December 31, 2015} \times (1+35\%)^2}$$

In no event shall any conversion of the Bonds pursuant to the Box Office Revenue Price Adjustment result in the Bondholder holding more than 20% of the enlarged issued share capital of the Issuer on a fully-diluted and as-converted basis (the “**Issuer Shareholding Cap**”).

Other price adjustment events

At any time prior to conversion of the Bonds, the Conversion Price shall also be subject to adjustments on the occurrence of the following events:

- (i) issuance or sale of any Share Equivalents at a price per share that is less than the then prevailing Conversion Price;
- (ii) any person acquiring any Share Equivalents in Guangdong Dadi at an Implied Guangdong Dadi Price lower than the Bondholder's Deemed Guangdong Dadi Price;
- (iii) any sub-division, consolidation and/or re-classification of Issuer Shares;
- (iv) issuance of any Issuer Shares by way of capitalization of profits or reserves; and
- (v) the grant, issuance or offer of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Issuer Shares or any securities convertible into or exchangeable for, the Issuer Shares at a price less than the then prevailing Conversion Price,

together with the Box Office Revenue Price Adjustment, the “**Conversion Price Adjustments**”.

In the case of (i) and (ii), the Conversion Price shall be adjusted on a full ratchet basis.

Notwithstanding the above, no adjustment shall be made if there is any share option granted by any Issuer Group Company to its employees (including directors), provided that the total number of securities to be issued does not exceed 10% of the total issued shares of such Issuer Group Company at the time of the grant.

Issuer Shares to be issued under the Bonds : Based on the initial Conversion Price of RMB266,667 per Issuer Share, a total of 3,750 Issuer Shares will be issued upon full conversion of the principal amount of the Bonds, representing 4.76% of the enlarged issued share capital of the Issuer on a fully-diluted and as-converted basis, assuming conversion immediately after issue and there will not be any other change in the number of Issuer Shares.

The Issuer Shares to be issued upon conversion shall rank *pari passu* in all respects with other Issuer Shares in issue on the relevant date of issuance.

Exchange Period : Any time following the Issue Date up to the close of business on the date falling on the third anniversary of the Issue Date.

Automatic Exchange : Immediately prior to the closing of a Qualified IPO in respect of Guangdong Dadi, unless previously converted, exchanged or redeemed, the outstanding Bonds shall be automatically exchanged into 100% of the issued share capital of SPV.

Applicable Guangdong Dadi Interest : An interest in Guangdong Dadi initially representing 4.76% of the registered capital of Guangdong Dadi, assuming exchange immediately after issue of the Bonds, subject to the Adjustments to the Applicable Guangdong Dadi Interest stated below.

Adjustments to the Applicable Guangdong Dadi Interest : *Box Office Revenue Interest Adjustment*

If the compound annual growth of the annual box office revenue of Guangdong Dadi for the two years ending December 31, 2017 is less than 35%, the Applicable Guangdong Dadi Interest in force as at December 31, 2017 shall be adjusted according to the following formula and shall become effective on January 1, 2018 (the “**Box Office Revenue Interest Adjustment**”):

$$\text{Adjusted Applicable Guangdong Dadi Interest} = \frac{\text{the then Applicable Guangdong Dadi Interest} \times \text{Audited box office revenue of Guangdong Dadi in the year ended December 31, 2015} \times (1+35\%)^2}{\text{Audited box office revenue of Guangdong Dadi in the year ending December 31, 2017}}$$

Notwithstanding the above, on a fully-diluted and as-converted basis, the Applicable Guangdong Dadi Interest shall be no more than 20% of the registered capital of Guangdong Dadi in any event (the “**Guangdong Dadi Shareholding Cap**”).

Other Applicable Guangdong Dadi Interest adjustments event

The Applicable Guangdong Dadi Interest shall also be subject to adjustments on a full ratchet basis if prior to an exchange of the Bonds, any person acquires any Share Equivalents in Guangdong Dadi at an Implied Guangdong Dadi Price lower than the Bondholder’s Deemed Guangdong Dadi Price (together with the Box Office Revenue Interest Adjustment, the “**Adjustments to the Applicable Guangdong Dadi Interest**”).

Undertaking on no change of control : Nan Hai and the Issuer each undertakes that it shall not, and shall procure each Issuer Group Company not to, proceed with any transaction in relation to the issue or disposal of any Share Equivalents in the Issuer and/or Guangdong Dadi if:

- (i) on a fully-diluted and as-converted basis and taking into account the maximum shareholding in the Issuer the Bondholder may have pursuant to the Box Office Revenue Price Adjustment, or the maximum Applicable Guangdong Dadi Interest may reach pursuant to the Box Office Revenue Interest Adjustment (as the case may be), the assets of Guangdong Dadi will no longer be consolidated in the accounts of the Issuer upon completion of such transaction; or
- (ii) upon completion of the corresponding price adjustments set out in the Conversion Price Adjustments other than the Box Office Revenue Price Adjustment, or the Adjustments to the Applicable Guangdong Dadi Interest other than the Box Office Revenue Interest Adjustment triggered by such transaction (as the case may be), on a fully-diluted and as-converted basis, the assets of Guangdong Dadi will no longer be consolidated in the accounts of the Issuer.

Redemption Price : An amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Bondholder for such Share Equivalents, taking into account any interest, default interest (if any) and dividends received by the Bondholder on such Share Equivalents.

Bondholder's right to initiate redemption : *Redemption at maturity*

Following the Maturity Date, the Bondholder shall have the right to require the Issuer to redeem all of its Bonds outstanding at the Redemption Price.

Redemption upon Early Redemption Event

The Bondholder shall have the right (the “**Early Redemption Right**”) to require the Issuer to redeem all of its Bonds outstanding at the Redemption Price upon occurrence of the following events:

- (i) the Issuer Group fails to obtain all necessary approvals for injecting the proceeds from the Subscription into Guangdong Dadi through the SPV within 6 months after Completion (the “**Guangdong Dadi Capital Injection**”); or

- (ii) the Issuer Group fails to procure that the SPV holds the Applicable Guangdong Dadi Interest upon completion of the Guangdong Dadi Capital Injection, (each an “**Early Redemption Event**”).

Upon the exercise of the Early Redemption Right, the Bondholder, the Issuer and Guangdong Dadi shall procure the completion of the Onshore Share Purchase Agreement.

Redemption upon Event of Default

The Bondholder shall have the right to require the Issuer to redeem all of its Bonds outstanding at the Redemption Price upon occurrence of an Event of Default.

Redemption upon substantial decrease in box office revenue

The Bondholder shall have the right at its option to require the Issuer to redeem all of its Bonds outstanding at the Redemption Price if it becomes apparent that:

- (i) upon completion of the Box Office Revenue Price Adjustment, on a fully-diluted and as-converted basis and without taking into account the Issuer Shareholding Cap, the Bondholder would hold more than 20% of the issued share capital of the Issuer;
- (ii) upon completion of the Box Office Revenue Interest Adjustment, on a fully-diluted and as-converted basis and without taking into account the Guangdong Dadi Shareholding Cap, the Applicable Guangdong Dadi Interest would be more than 20% of the registered capital of Guangdong Dadi.

Issuer’s right to initiate redemption : Unless previously redeemed, converted or purchased and cancelled as provided in accordance with the terms and conditions of the Bonds, the Issuer will redeem the Bonds on the third anniversary of the Issue Date at the Redemption Price.

Pre-emption right and Issuer’s call option : *Pre-emption right*
If an Issuer Group Company proposes to issue any Share Equivalents to any person and no adjustment to the Conversion Price or the Applicable Guangdong Dadi Interest has been made pursuant to the terms and conditions of the Bonds, the Bondholder shall have a pre-emption right in respect of such proposed issue.

Notwithstanding the above, no pre-emption right shall be available for the Bondholder in case of:

- (i) any issue(s) of Share Equivalents within 6 months following Completion where the proceeds of such issue(s) amount to no more than RMB2,000,000,000 in aggregate; or
- (ii) an issue of Share Equivalents pursuant to an employee share scheme of any Issuer Group Company, provided that such issue shall not exceed 10% in aggregate of the issued share capital of the relevant Issuer Group Company on a fully-diluted and as-converted basis.

Issuer's call option

Upon the redemption of the Bonds, the Issuer shall have a right to require the Bondholder to sell all but not part of the Share Equivalents it acquired pursuant to the pre-emption right to the Issuer.

Tag along Right : If any shareholder of the Issuer or Guangdong Dadi proposes to transfer, directly or indirectly, all or part of its Share Equivalents in the Issuer or Guangdong Dadi to a third party which will result in a change of Control of the Issuer or Guangdong Dadi, the Bondholder shall have a tag-along right to sell all or part of its Share Equivalents to the same third party on the same terms and conditions as given to such shareholder of the Issuer or Guangdong Dadi.

Notwithstanding the above, no tag-along right shall be available for the Bondholder in case of a transfer of Share Equivalents to an employee pursuant to an employee share scheme of any Issuer Group Company, provided that all transfers pursuant to such scheme shall not exceed 20% in aggregate of the issued share capital of the relevant Issuer Group Company on a fully-diluted and as-converted basis.

Transferability of the Bonds : Prior to a Qualified IPO, the Bondholder shall not transfer any of its Bonds except to its Affiliates or as otherwise permitted under the Subscription Agreement.

Listing : No listing will be sought for the Bonds on the Stock Exchange or any other stock exchanges.

3. GRANT OF THE PUT OPTION

From the Equity Date to two years and 90 days following the Equity Date, the Investor shall have an option (the **“Put Option”**) to request Nan Hai to purchase all of its Share Equivalents at a price that will yield an internal rate of return of 5.50% per annum on the subscription amount paid by the Bondholder for such Share Equivalents for a period of 90 days after the occurrence of any of the following events:

- (a) an Event of Default;
- (b) failure of Guangdong Dadi to change its status to a company limited by shares within three months following the Exchange Date or the date when the onshore entity designated by the Investor becomes the shareholder of Guangdong Dadi following an Early Redemption Event;
- (c) failure of the Issuer Group to submit an application in respect of a Qualified IPO within 12 months following the relevant Equity Date; or
- (d) failure of the Issuer Group to complete a Qualified IPO by 2 years following the relevant Equity Date.

The Put Option is exercisable in whole but not in part by written notice from the Investor to Nan Hai stating the Investor’s intention to exercise the Put Option and the proposed date for completion of the Put Option, which shall take place within 20 Business Days after the date of such notice and the satisfaction of all necessary legal and regulatory disclosure and approval requirements, or such other date as the Issuer, the Investor and Nan Hai may agree.

4. OTHER TRANSACTION DOCUMENTS ENTERED INTO AT COMPLETION

Pursuant to the Subscription Agreement, the following Transaction Documents will be entered into prior to Completion:

(i) The Onshore Share Purchase Agreement

The Investor, the Issuer, Dadi Century Film Culture Media (Beijing) Company Limited* (大地時代電影文化傳播(北京)有限公司) (a subsidiary of the Issuer) and Guangdong Dadi will enter into the Onshore Share Purchase Agreement. Subject to the conditions precedent in the Onshore Share Purchase Agreement, including the exercise of the Early Redemption Right, being satisfied (or waived), Guangdong Dadi will increase its registered capital in the amount of the Applicable Guangdong Dadi Interest and the Investor will through its designated onshore entity purchase the increased registered capital with a consideration of the Subscription Amount.

(ii) The Default Onshore Share Purchase Agreement

The Investor, the Issuer and Guangdong Dadi will enter into a Default Onshore Share Purchase Agreement, pursuant to which if Nan Hai fails to perform its obligations under the Guarantee within 30 days of the Investor requiring it to do so, the Investor shall have the right to request the Issuer to transfer 15% of the registered capital of Guangdong Dadi to the Investor (or its nominee).

5. BUSINESS COOPERATION AGREEMENT

On May 9, 2016, Zhong Lian Sheng Shi, an indirect wholly-owned subsidiary of the Company, and Guangdong Dadi, a subsidiary of Dadi Cinema, entered into the Business Cooperation Agreement, pursuant to which the parties have agreed, among others, to collaborate in the marketing and promotion of movies and to jointly develop the movie-related markets and related e-commerce business from the Issue Date until the earlier of (i) the Investor or its Affiliates ceasing to hold any Share Equivalents in the Issuer Group, and (ii) the date falling two years following the Equity Date.

6. INFORMATION ABOUT DADI CINEMA, GUANGDONG DADI AND NAN HAI

Information about Dadi Cinema

Dadi Cinema is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Nan Hai. Dadi Cinema is an investment holding company. Dadi Cinema, through its subsidiaries, is principally engaged in the operation and management of cinemas, movie screening and other related business.

Based on the unaudited financial statements of Dadi Cinema, the consolidated total asset of Dadi Cinema and its subsidiaries as at December 31, 2015 was HK\$4,987.42 million.

Based on the unaudited financial statements of the Dadi Cinema, the consolidated net profit/loss before income tax of Dadi Cinema and its subsidiaries for the years ended December 31, 2014 and 2015 were a loss of HK\$265.96 million and a profit of HK\$275.61 million respectively, while the consolidated net profit/loss after income tax of Dadi Cinema and its subsidiaries for the years ended December 31, 2014 and 2015 were a loss of HK\$288.96 million and a profit of HK\$258.48 million respectively. One-off loss of approximately HK\$304.70 million was recorded in the year ended December 31, 2014 which affected both the net profit/loss before and after income tax.

Information about Guangdong Dadi

Guangdong Dadi is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary of Nan Hai. Guangdong Dadi is principally engaged in the business of cinema construction and operation, related concessions and derivatives sales, and related advertisement sales.

Information about Nan Hai

Nan Hai is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. Nan Hai and its subsidiaries are principally engaged in (i) culture and media services (mainly in cinemas business on a nationwide basis in the PRC in addition to film distribution and other media related businesses); (ii) property development; and (iii) corporate IT application services (through its listed subsidiary, Sino-i Technology Limited (stock code: 250), a company having its shares listed and traded on the Main Board of the Stock Exchange) as at the date of this announcement.

7. INFORMATION ABOUT THE COMPANY

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). The Company is the flagship unit of Alibaba Group's movie, television and other entertainment businesses and its core businesses include four main segments: film and television production centered on IP (intellectual property); internet-based promotion and distribution combining internet technologies and traditional off-line distribution; the building and operation of e-commerce platforms for entertainment as an extension of the Alibaba Group ecosystem; and international operations that consolidate global resources, technologies and talents in order to compete in the global entertainment industry.

8. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

The Company principally engages in the production and distribution of movies and TV dramas, as well as entertainment-related e-commerce. The Company's mission is to drive the development of the media and entertainment industry by creating an innovative and integrated online and offline platform that is capable of investing in, producing and distributing movies and TV dramas to consumers.

Given the Issuer Group's current market share of the box office in the PRC and its future growth potential, the Board considers that the Company, through its subscription of the Bonds, will be able to collaborate with the Issuer Group more closely and to jointly develop the future of the movie industry.

As such, the Board considers the Subscription and the entering of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

9. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Dadi Cinema, Nan Hai and their ultimate beneficial owners are independent third parties of the Company.

10. WARNING

COMPLETION OF THE SUBSCRIPTION IS SUBJECT TO THE FULFILMENT (OR WAIVER, AS MAY BE APPLICABLE) OF THE CONDITIONS UNDER THE SUBSCRIPTION AGREEMENT. ACCORDINGLY, THE SUBSCRIPTION MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SHARES.

11. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- “Affiliate(s)” with respect to a person, any other person or entity directly or indirectly Controls or Controlling or Controlled by or under direct or indirect common Control with such person

- “Applicable Guangdong Dadi Interest” an interest initially representing 4.76% of the total registered capital of Guangdong Dadi, subject to the Adjustments to the Applicable Guangdong Dadi Interest

- “Adjustments to the Applicable Guangdong Dadi Interest” has the meaning given to it in the paragraph headed “Adjustments to the Applicable Guangdong Dadi Interest” under the section headed “The Bonds” above

- “Board” the board of Directors of the Company

- “Bondholder” holder of the Bonds

- “Bondholder’s Deemed Guangdong Dadi Price” an amount equal to the Subscription Amount divided by the Bondholder’s indirect interest in the registered capital of Guangdong Dadi, determined on a fully-diluted and as-converted basis, which shall initially be RMB17.45 on the Issue Date

- “Bonds” the redeemable convertible and exchangeable bonds of the aggregate principal amount of RMB1,000,000,000 due 2018 to be issued by the Issuer as contemplated under the Subscription Agreement

“Box Office Revenue Interest Adjustment”	has the meaning given to it in the paragraph headed “Adjustments to the Applicable Guangdong Dadi Interest” under the section headed “The Bonds” above
“Box Office Revenue Price Adjustment”	has the meaning given to it in the paragraph headed “Conversion Price Adjustments” under the section headed “The Bonds” above
“Business Cooperation Agreement”	the business cooperation agreement entered into between Zhong Lian Sheng Shi and Guangdong Dadi on May 9, 2016
“Business Day”	a day (other than a Saturday or Sunday or public holiday and any other day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong and the PRC
“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
“Completion”	the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Control”	in relation to an entity, (a) the power to direct the exercise of 30% of voting rights capable of being exercised at a general meeting of that entity, (b) the right to appoint or remove a majority of the board of directors (or corresponding officers) of that entity, or (c) the right to exercise a dominant influence over that entity by virtue of provisions contained in its constitutional documents or under a control contract or otherwise, and “Controller”, “Controlled”, “Controlling” and “Controls” shall be construed accordingly
“Conversion Date”	conversion date of the Bonds, which, other than in respect of an automatic conversion in accordance with the terms and conditions of the Bonds, will be deemed to be the Business Day immediately following the date of surrender of the certificate in respect of the Bonds for exercise of the Conversion Right

“Conversion Period”	any time following the Issue Date up to the close of business on the date falling on the third anniversary of the Issue Date
“Conversion Price”	Initially at RMB266,667 per Issuer Share, subject to the Conversion Price Adjustments
“Conversion Price Adjustments”	has the meaning given to it in the paragraph headed “Conversion Price Adjustments” under the section headed “The Bonds” above
“Conversion Right”	the Bondholder’s right to convert all (but not part) of the outstanding principal amount of the Bonds into such number of Issuer Shares credited as fully paid, at any time during the Conversion Period at the then Conversion Price
“Default Onshore Share Purchase Agreement”	the default onshore share purchase agreement to be entered into by the Investor, the Issuer and Guangdong Dadi prior to Completion
“Directors”	the directors of the Company
“Early Redemption Event”	has the meaning given to it in the paragraph headed “Bondholder’s right to initiate redemption” under the section headed “The Bonds” above
“Early Redemption Right”	the Bondholder’s right to require the Issuer to redeem all of its Bonds outstanding at the Redemption Price upon occurrence of an Early Redemption Event
“Equity Date”	the Conversion Date, or the Exchange Date, or the date when the onshore entity designated by the Investor becomes the shareholder of Guangdong Dadi following an Early Redemption Event
“Exchange Date”	exchange date of the Bonds, which, other than in respect of an automatic exchange in accordance with the terms and conditions of the Bonds, will be deemed to be the Business Day immediately following the date of surrender of the certificate in respect of the Bonds for exercise of the Exchange Right
“Exchange Period”	any time following the Issue Date up to the close of business on the date falling on the third anniversary of the Issue Date

“Exchange Right”	the Bondholder’s right to exchange all (but not part) of the outstanding principal amount of the Bonds into 100% of the issued share capital of SPV credited as fully paid, at any time during the Exchange Period
“Excluded Companies”	Digital Chen Xing Technology Development (Beijing) Co., Ltd.* (數碼辰星科技發展 (北京) 有限公司), Digital Movie Chen Xing Technology Development (Beijing) Co., Ltd.* (數影辰星科技發展 (北京) 有限公司), and Hui Ke Piao Tong Technology Development (Beijing) Co., Ltd.* (匯科票通科技發展 (北京) 有限公司), all of which are subsidiaries of the Issuer
“Event of Default”	has the meaning given to it in the paragraph headed “Events of Default” under the section headed “Subscription of the Bonds” above
“Guangdong Dadi”	Guangdong Dadi Cinema Construction Limited* (廣東大地影院建設有限公司), a company established in the PRC, an indirect wholly-owned subsidiary of Nan Hai
“Guangdong Dadi Capital Injection”	the injection of the proceeds from the Subscription into Guangdong Dadi through the SPV within 6 months after Completion
“Guangdong Dadi Shareholding Cap”	has the meaning given to it in the paragraph headed “Adjustments to the Applicable Guangdong Dadi Interest” under the section headed “The Bonds” above
“Guarantee”	the guarantee to be executed by Nan Hai in favour of the Investor of the Bonds pursuant to the Subscription Agreement
“Guarantor” or “Nan Hai”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Implied Guangdong Dadi Price”	the price in RMB paid to acquire every RMB1 of Guangdong Dadi’s registered capital
“Investor” or “SAC Finance”	SAC Finance Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Issue Date”	the date of issue of the Bonds
“Issuer” or “Dadi Cinema”	Dadi Cinema (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Nan Hai
“Issuer Group”	the Issuer and its subsidiaries, excluding the Excluded Companies, each an Issuer Group Company
“Issuer Share(s)”	ordinary share(s) of the Issuer
“Issuer Shareholding Cap”	has the meaning given to it in the paragraph headed “Conversion Price Adjustments” under the section headed “The Bonds” above
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	two years commencing from (and including) the Issue Date
“Onshore Share Purchase Agreement”	the onshore share purchase agreement to be entered into by the Investor, the Issuer, Dadi Century Film Culture Media (Beijing) Company Limited* (大地時代電影文化傳播(北京)有限公司) (a subsidiary of the Issuer) and Guangdong Dadi prior to Completion
“Put Option”	the Investor’s option to request Nan Hai to purchase all of its Share Equivalents at a price that will yield an internal rate of return of 5.50% per annum on the subscription amount paid by the Bondholder for such Share Equivalents as described in the section headed “Grant of the Put Option” above
“PRC”	the People’s Republic of China
“Qualified IPO”	A fully underwritten registered public offering by an Issuer Group Company on an internationally recognized stock exchange

“RMB”	Renminbi, the lawful currency of the PRC
“Redemption Price”	an amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Bondholder for such Share Equivalents, taking into account any interest, default interest (if any) and dividends received by the Bondholder on such Share Equivalents.
“Share(s)”	ordinary share(s) of HK\$0.25 in the share capital of the Company
“Share Equivalents”	any shares and any securities convertible into or exchangeable for shares of any Issuer Group Company
“Share Pledge”	a share pledge to be executed by the Issuer of 15% of the registered capital of Guangdong Dadi to secure the obligations of the Issuer and Nan Hai under the Transaction Documents
“Shareholder(s)”	the holder(s) of the Shares
“SPV”	Creative Film Investment Limited, a limited liability company incorporated in Hong Kong, a wholly-owned subsidiary of the Issuer
“SPV Share(s)”	the issued share(s) of the SPV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Investor for the Bonds on and subject to the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated May 9, 2016 entered into between the Issuer, the Investor and Nan Hai in relation to the subscription of the Bonds by the Investor
“Subscription Amount”	the principal amount of RMB1,000,000,000

“Transaction Document(s)”	collectively (i) the Subscription Agreement, (ii) the terms and conditions of the Bonds, (iii) the Onshore Share Purchase Agreement, (iv) the Default Onshore Share Purchase Agreement, (v) the Guarantee, (vi) the Share Pledge, and any other documents to be executed pursuant to or in connection with any Transaction Documents
“Zhong Lian Sheng Shi”	中聯盛世文化（北京）有限公司 (Zhong Lian Sheng Shi Culture (Beijing) Company Limited*), an indirect wholly-owned subsidiary of the Company
“%”	per cent.

* *English name for identification purpose only.*

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

Hong Kong, May 9, 2016

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