

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



**CONTINUING CONNECTED TRANSACTION
PURSUANT TO RULE 14A.60 OF THE LISTING RULES**

IT COOPERATION AGREEMENT

For the purpose of promoting users' activities on the online movie ticketing platform of the Company, Hangzhou Aurora, a subsidiary of the Company, rewards its qualified users who have reached designated level of activities with free Youku membership to view the Licensed Contents on the Youku Website. To implement this user's benefit, Hangzhou Aurora purchases from Heyi Beijing the Youku membership to view the Licensed Contents under the IT Cooperation Agreement for a one year term between December 31, 2015 and December 31, 2016.

LISTING RULES IMPLICATIONS

Heyi Beijing is a variable interest entity of Youku Tudou Inc.. Following the acquisition of Youku Tudou Inc. by AGH, Heyi Beijing has become a variable interest entity of AGH. As AGH is a controlling shareholder of the Company, Heyi Beijing has become a connected person of the Company following completion of AGH's acquisition of Youku Tudou Inc.. The IT Cooperation Agreement which was put in place and a continuing transaction prior to AGH's acquisition of Youku Tudou Inc, had subsequently become a continuing connected transaction for the Company after completion of AGH's acquisition of Youku Tudou Inc.. As such, this announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

The Company will comply with the announcement and annual reporting requirements for continuing connected transactions if and when the IT Cooperation Agreement is renewed or varied. Based on the management's current estimation of the total annual fees payable under the IT Cooperation Agreement, none of the applicable percentage ratios (as defined in the Listing Rules) is expected to be 5% or more.

1 INTRODUCTION

For the purpose of promoting users' activities on the online movie ticketing platform of the Company, Hangzhou Aurora, a subsidiary of the Company, rewards its qualified users who have reached designated level of activities with free Youku membership to view the Licensed Contents on the Youku Website. To implement this user's benefit, Hangzhou Aurora purchases from Heyi Beijing the Youku membership to view the Licensed Contents under the IT Cooperation Agreement for a one year term between December 31, 2015 and December 31, 2016.

2 PRINCIPAL TERMS OF THE IT COOPERATION AGREEMENT

Set out below is a summary of some of the key terms of the IT Cooperation Agreement.

Date	December 31, 2015
Parties	(i) Heyi Beijing, a variable interest entity of AGH following completion of AGH's acquisition of Youku Tudou Inc., as the licensor; and (ii) Hangzhou Aurora, an indirect wholly-owned subsidiary of the Company, as the licensee.
Term	One year commencing from December 31, 2015 and ending on December 31, 2016 (both days inclusive)
Subject matter	In consideration of the fees payable by Hangzhou Aurora to Heyi Beijing, Heyi Beijing agreed to provide, and Hangzhou Aurora agreed to purchase, the Youku membership to view the Licensed Contents. Hangzhou Aurora rewards its qualified users who have reached designated level of activities on the online movie ticketing platform of the Company with free Youku membership to view the Licensed Contents on the Youku Website. The Licensed Contents are available for viewing on the Youku Website for a period of 30 days commencing from the date of activation of the Youku membership.
Pricing basis	The total fees payable by Hangzhou Aurora to Heyi Beijing for the Youku membership to view the Licensed Contents are calculated based on the number of membership purchased by Hangzhou Aurora and activated by users per calendar month multiplied by an agreed rate per membership with a reduction in such rate if the number of membership purchased per month exceeds a pre-determined level as provided in the IT

Cooperation Agreement.

The rate per membership as provided under the IT Cooperation Agreement is determined by reference to the quoted rate of the same level Youku membership available for purchase by the public on Youku Website. Based on the Youku Website, a Youku membership is quoted at RMB20. The rate payable by Hangzhou Aurora under the IT Cooperation Agreement is at least 30% lower than the rate payable by the public.

Payment terms

Pursuant to the IT Cooperation Agreement, Heyi Beijing and Hangzhou Aurora shall confirm the fees payable to Heyi Beijing for the Youku membership to view the Licensed Contents in the preceding month within ten working days after the beginning of each calendar month. Hangzhou Aurora shall make the payment to Heyi Beijing by bank transfer within ten working days immediately after both parties have agreed on the fees.

3 REASONS FOR AND BENEFITS OF ENTERING INTO THE IT COOPERATION AGREEMENT

The Company, through its subsidiaries, principally engages in the production and distribution of movies and TV dramas, internet-based promotion and distribution of entertainment content, as well as entertainment-related e-commerce. By rewarding free Youku membership to qualified users who have reached designated level of activities on the online movie ticketing platform of the Company to view the Licensed Contents on the Youku Website, the Board considers that this arrangement creates a benefit pertinent to the users' needs and thereby enhancing their overall experience with the online movie ticketing platform of the Company.

Having reviewed the terms of the IT Cooperation Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the IT Cooperation Agreement are fair and reasonable as the rate per membership payable by Hangzhou Aurora under the IT Cooperation Agreement is lower than that payable by the public, the transactions contemplated thereunder are on normal commercial terms or better to the Company and that the entering into of the IT Cooperation Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

As the IT Cooperation Agreement was entered into prior to completion of AGH's acquisition of Youku Tudou Inc., it did not require approval by the Directors at the relevant time. If and when the IT Cooperation Agreement is renewed or varied, any Director who has a material interest will abstain from voting on the relevant board resolution.

4 INFORMATION ABOUT THE COMPANY AND HANGZHOU AURORA

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.

Hangzhou Aurora is an indirect wholly-owned subsidiary of the Company whose principal business activities include internet-based promotion and distribution of movies, as well as online ticketing for movies and other entertainment shows.

5 INFORMATION ABOUT AGH AND HEYI BEIJING

AGH is the ultimate sole shareholder of Ali CV Investment Holding Limited, a controlling shareholder and a connected person of the Company holding approximately 49.49% of the Shares in issue as at the date of this announcement. Accordingly, AGH is a connected person of the Company. 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. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses.

Heyi Beijing is a variable interest entity of AGH, whose principal business activities include provision of online video sharing and distribution services, online video and film investment and production, online advertising services and mobile value-added services.

6 LISTING RULES IMPLICATIONS

Heyi Beijing is a variable interest entity of Youku Tudou Inc.. Following the acquisition of Youku Tudou Inc. by AGH, Heyi Beijing has become a variable interest entity of AGH. As AGH is a controlling shareholder of the Company, Heyi Beijing has become a connected person of the Company following completion of AGH's acquisition of Youku Tudou Inc.. The IT Cooperation Agreement which was put in place and a continuing transaction prior to AGH's acquisition of Youku Tudou Inc., had subsequently become a continuing connected transaction for the Company after completion of AGH's acquisition of Youku Tudou Inc.. As such, this announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

The Company will comply with the announcement and annual reporting requirements for continuing connected transactions if and when the IT Cooperation Agreement is renewed or varied. Based on the management’s current estimation of the total annual fees payable under the IT Cooperation Agreement, none of the applicable percentage ratios (as defined in the Listing Rules) is expected to be 5% or more.

7 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
“Board”	the board of Directors
“Company”	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1060 and which also has a secondary listing on the Singapore Exchange Securities Trading Limited with stock code: S91
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Aurora”	Hangzhou Aurora Multimedia Technology Limited* (杭州晨熹多媒體科技有限公司), a wholly foreign-owned enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Heyi Beijing”	Heyi Information Technology (Beijing) Co., Ltd.* (合一信息技術(北京)有限公司), a company incorporated in PRC with limited liability and a variable interest entity of AGH
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IT Cooperation Agreement”	the information technology cooperation agreement dated December 31, 2015 (as supplemented by a supplemental agreement dated January 7, 2016) entered into between Heyi Beijing and Hangzhou

Aurora

“Licensed Contents”	audio and video content which has been legally acquired or owned by Heyi Beijing and stored in the network servers of Heyi Beijing and which can be broadcasted via client’s software or dynamic web pages
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau 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
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Youku Tudou Inc.”	Youku Tudou Inc., a company incorporated in the Cayman Islands with limited liability
“Youku Website”	Youku.com website
%	percent

** English name for identification purpose only.*

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

Hong Kong, September 7, 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 and Mr. Yu Yongfu, being the non-executive Directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.