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阿里巴巴·影业集团™
Alibaba·Pictures
Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司

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

CONNECTED TRANSACTION
IN RELATION TO
THE SALE OF ONLINE DISSEMINATION RIGHTS OF MOVIE

ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT

The Board announces that, on September 12, 2018, Zhejiang Dongyang, a consolidated subsidiary of the Company, entered into the Online Dissemination Rights Transfer Agreement with Youku Technology, an indirect subsidiary of AGH. Pursuant to the Online Dissemination Rights Transfer Agreement, Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Movie, a movie currently titled as "Legend of the Ancient Sword" (古劍奇譚之流月昭明) and jointly produced by the Group and two other independent third party investors.

The total consideration for the Disposal of the Movie is initially set at RMB14,000,000 and will increase as the Movie's total box office revenue in the PRC grows, subject to a maximum of RMB50,000,000, which shall be payable by Youku Technology to Zhejinag Dongyang in cash in accordance with the terms of the Online Dissemination Rights Transfer Agreement. According to the joint investment arrangement between the Group and the two other independent third party investors, the Group is entitled to receive 85.75% of the total consideration for the Disposal of the Movie, including the investment income sharing and the promotion and distribution services fee.

SUPPLEMENTAL AGREEMENT

The Board further announces that, on September 12, 2018, Zhejiang Dongyang also entered into the Supplemental Agreement with Youku Technology. Under the Supplemental Agreement, Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) was granted an unconditional option by Youku Technology, pursuant to which Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) shall have the option to repurchase the Online Dissemination Rights of the Movie from Youku Technology at the expiry of 10 years from the date on which the Movie is first released on the platform(s) of or authorized by Youku Technology at a consideration of RMB1.

LISTING RULES IMPLICATIONS

Youku Technology is an indirect subsidiary 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% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The Disposal of the Movie constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal of the Movie are above 0.1% but below 5%, the entering into of the Online Dissemination Rights Transfer Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the Disposal of the Movie and the Disposal of the Drama Series E (i.e. the Disposals) 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 Youku Technology. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated, are below 5%. Therefore, the Disposals are also only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that, on September 12, 2018, Zhejiang Dongyang, a consolidated subsidiary of the Company, entered into the Online Dissemination Rights Transfer Agreement with Youku Technology, an indirect subsidiary of AGH. Pursuant to the Online Dissemination Rights Transfer Agreement, Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Movie, a movie currently titled as "Legend of the Ancient Sword" (古劍奇譚之流月昭明) and jointly produced by the Group and two other independent third party investors.

ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT

Date

September 12, 2018

Parties

Vendor : Zhejiang Dongyang, a consolidated subsidiary of the Company

Purchaser : Youku Technology, an indirect subsidiary of AGH and a connected person of the Company

Subject Matter

Pursuant to the Online Dissemination Rights Transfer Agreement, Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Movie jointly produced by the Group and two other independent third party investors in the PRC.

Consideration

The total consideration for the Disposal of the Movie is initially set at RMB14,000,000 and will increase as the Movie's total box office revenue in the PRC grows, subject to a maximum of RMB50,000,000, which shall be payable by Youku Technology to Zhejinag Dongyang in cash in following manner:

(i) the first instalment of RMB4,200,000 shall be payable within 10 business days after the date of the Online Dissemination Rights Transfer Agreement;

(ii) the second instalment of RMB5,600,000 shall be payable upon Youku Technology having confirmed the receipt and acceptance of all required documents and records of the Movie;

(iii) the third instalment of RMB4,200,000 shall be payable within 10 business days after the first release of the Movie on Youku Technology's platform; and

(iv) the last instalment (being the difference between the final total consideration for the Disposal of the Movie to be determined according to the Movie's final total box office results in the PRC and the base consideration of RMB14,000,000) shall be payable within 10 business days after Youku Technology confirms the receipt and acceptance of the box office results issued and certified by the cinemas or relevant film authority.

The total consideration for the Disposal of the Movie was determined after arm's length negotiations between Zhejiang Dongyang and Youku Technology based on the parties' mutual assessment of (i) the quality, the cast and the popularity of the Movie, (ii) the carrying value of the Online Dissemination Rights of the Movie and (iii) the expected total box office revenue of the Movie. According to the joint investment arrangement between the Group and two other independent third party investors, the Group is entitled to receive 85.75% of the total consideration for the Disposal of the Movie, including the investment income sharing and the promotion and distribution services fee.

Completion

Completion of the Online Dissemination Rights Transfer Agreement is not subject to any conditions precedent. Zhejiang Dongyang shall deliver all required documents and records of the Movie to Youku Technology before payment of the second instalment of the total consideration for the Disposal of the Movie and at least 45 days before the first release of the Movie on Youku Technology's platform.

SUPPLEMENTAL AGREEMENT

On September 12, 2018, Zhejiang Dongyang also entered into the Supplemental Agreement with Youku Technology. Under the Supplemental Agreement, Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) was granted an unconditional option by Youku Technology, pursuant to which Zhejiang Dongyang (for and on behalf of the Copyright Owner of the Movie) shall have the option to repurchase the Online Dissemination Rights of the Movie from Youku Technology at the expiry of 10 years from the date on which the Movie is first released on platform(s) of or authorized by Youku Technology at a consideration of RMB1 which shall be payable by Zhejiang Dongyang to Youku Technology in cash at the time of exercising the option. Such nominal consideration for the Supplemental Agreement was determined after arm's length negotiations between Zhejiang Dongyang and Youku Technology.

INFORMATION ON THE COMPANY AND ZHEJIANG DONGYANG

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 which is principally engaged in investment in, and production and distribution of, film and television programmes copyrights.

INFORMATION ON AGH, ALIBABA GROUP AND YOUKU TECHNOLOGY

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. Founded in 1999, Alibaba Group provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

Youku Technology, a company established under the laws of the PRC and an indirect subsidiary of AGH, is principally engaged in IP management, business planning and technology development.

FINANCIAL EFFECT OF THE DISPOSAL OF THE MOVIE AND INTENDED USE OF PROCEEDS

Based on the unaudited management accounts of the Group, as at the date of this announcement, the carrying value of the Online Dissemination Rights of the Movie is approximately RMB10,115,000.

It is expected that there will be a potential gain of at least RMB1,890,000 and up to RMB32,760,000 accrued to the Group from the Disposal of the Movie with reference to the carrying value of the Online Dissemination Rights of the Movie (after taking into account the anticipated necessary expenses directly related to the Disposal of the Movie).

After deducting the necessary expenses directly related to the Disposal of the Movie, the net proceeds for the Disposal of the Movie will be between RMB12,005,000 and RMB42,875,000. The Group intends to utilize the net proceeds towards general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

As disclosed in the announcement of the Company dated March 14, 2017, the Company has entered into a strategic cooperation agreement with AGH, pursuant to which AGH and the Company agreed to integrate their respective resources to jointly develop their culture and entertainment businesses.

AGH operates one of the leading online video streaming websites in the PRC, Youku. Given its large user base, Youku can be a powerful distribution channel of the Group's entertainment content, in particular its movies and drama series. Online video streaming offers convenience and on-demand variety in respect of entertainment content viewing. Its popularity has grown over the past few years and such trend is expected to continue. Domestically, the market for online video streaming is dominated by a few major players. Youku Technology has been selected as the purchaser of the Online Dissemination Rights of the Movie due to the overall commercial benefits that it may offer to the Group in the Online Dissemination Rights Transfer Agreement. The Group continues to produce quality content and views Youku as an important business partner that enables its content to reach a mass audience.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Online Dissemination Rights Transfer Agreement and the Supplemental Agreement were entered into in the ordinary and usual course of business of the Group after arm's length negotiation between the parties, reflect normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Fan Luyuan, 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 Online Dissemination Rights Transfer Agreement and the Supplemental Agreement. As such, Mr. Fan Luyuan, Mr. Yu Yongfu and Mr. Shao Xiaofeng have abstained from voting on the relevant resolutions of the Board. None of the other Directors have a material interest in the transactions contemplated under the Online Dissemination Rights Transfer Agreement and the Supplemental Agreement or were required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

Youku Technology is an indirect subsidiary 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% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The Disposal of the Movie constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal of the Movie are above 0.1% but below 5%, the entering into of the Online Dissemination Rights Transfer Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the Disposal of the Movie and the Disposal of the Drama Series E (i.e. the Disposals) 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 Youku Technology. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated, are below 5%. Therefore, the Disposals are also only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 and 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)

"Copyright Owner of the Movie"	北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture Media Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated subsidiary of the Company
"connected person(s)"	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
"Directors"	the directors of the Company
"Disposal of the Drama Series E"	the sale of online dissemination rights of the web drama series titled as "Legend of the Ancient Sword 2" (古劍奇譚 2) pursuant to the agreement between Youku Technology and the Copyright Owner of the Movie dated July 11, 2018, details of which were disclosed in the announcement of the Company dated July 11, 2018
"Disposal of the Movie"	the sale of the Online Dissemination Rights of the Movie pursuant to the Online Dissemination Rights Transfer Agreement
"Disposals"	the Disposal of the Drama Series E and the Disposal of the Movie
"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
"Movie"	a movie currently titled as "Legend of the Ancient Sword" (古劍奇譚之流月昭明) and jointly produced by the Group and two other third party investors
"Online Dissemination Rights"	the online dissemination rights of the Movie in the PRC, including but not limited to the right to disseminate through the Internet, Internet cafes, mobile value-added services and/or other public networks and the related Transfer Rights and Recourse Rights
"Online Dissemination Rights Transfer Agreement"	the transfer agreement dated September 12, 2018 entered into between Zhejiang Dongyang and Youku Technology in relation to the sale of the Online Dissemination Rights of the Movie

"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
"Recourse Rights"	the recourse rights relating to the Movie in the PRC, i.e. the right to pursue in one's own name or to authorize a third party to pursue in his/her own name legal action against a party who infringes on the Online Dissemination Rights of the Movie under the Online Dissemination Rights Transfer Agreement
"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(ies)"	has the meaning ascribed to this term under the Listing Rules
"substantial shareholder"	has the meaning ascribed to this term under the Listing Rules
"Supplemental Agreement"	the supplemental agreement to the Online Dissemination Rights Transfer Agreement dated September 12, 2018 entered into between Zhejiang Dongyang and Youku Technology in relation to an unconditional option to repurchase the Online Dissemination Rights of the Movie
"Transfer Rights"	the transfer rights of the Movie in the PRC, i.e. the right to transfer any right (including exclusive rights, non-exclusive rights and the related recourse rights) under the Online Dissemination Rights Transfer Agreement to a third party and the right to allow a third party to re-transfer any right under the Online Dissemination Rights Transfer Agreement
"Youku Technology"	北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect subsidiary of AGH
"Zhejiang Dongyang "	浙江東陽小宇宙影視傳媒有限公司(Zhejiang Dongyang Xiaoyuzhou Movie and Media Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated subsidiary of the Company

"%"	per cent.

* *For identification purpose only*

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

Hong Kong, September 12, 2018

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.