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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)

**(1) COMPLETION OF THE ACQUISITION OF
ONLINE MOVIE TICKETING BUSINESS AND YULEBAO
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement dated November 4, 2015 and the circular dated December 9, 2015 (the “**Circular**”) of Alibaba Pictures Group Limited (the “**Company**”) in relation to, among other things, the conditional acquisition of Online Movie Ticketing Business and Yulebao from Alibaba Group Holding Limited (“**AGH**”) and the non-exempt continuing connected transaction contemplated under the Shared Services Agreement entered into between AGH and the Company on November 4, 2015. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

**1. COMPLETION OF THE ACQUISITION OF ONLINE MOVIE TICKETING
BUSINESS AND YULEBAO**

The Board is pleased to announce that all of the conditions precedents as set out under the sub-section headed “Letter from the Board – 1. Principal Terms of the Proposed Acquisition – 1.1 Framework Agreement – (v) Conditions precedent” on pages 10 and 11 of the Circular were satisfied and Completion took place on December 31, 2015 in accordance with the terms of the Framework Agreement. Accordingly, the Company and AGH entered into the Transaction Documents pursuant to the Framework Agreement on December 31, 2015.

2. CONTINUING CONNECTED TRANSACTIONS UNDER THE ANCILLARY DOCUMENTS

Pursuant to the Framework Agreement, the Company and AGH also entered into certain other continuing connected transactions at Completion under the Ancillary Documents, comprising:

- (i) the Cooperation Agreement;
- (ii) the Data Platform Participation Agreement;
- (iii) the IP Licence Agreement;
- (iv) the Technology Services Agreement; and
- (v) the Transitional Arrangement Agreement.

The Cooperation Agreement, the Data Platform Participation Agreement and the IP Licence Agreement are fully exempt from the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Technology Services Agreement and the Transitional Arrangement Agreement are subject to the reporting and announcement requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the term of the IP Licence Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company appointed Somerley Capital as its Independent Financial Adviser to explain the reasons for requiring a term exceeding three years and to confirm whether this is normal business practice for similar types of contracts, the details of which are set out on pages 25 to 64 of the Circular.

A summary of the key terms of the Technology Services Agreement, the Transitional Arrangement Agreement and the IP Licence Agreement (the "**CCT Agreements**", the transactions contemplated under the CCT Agreements being "**Continuing Connected Transactions**") is set out below.

2.1 Technology Services Agreement

(i) Date

December 31, 2015

(ii) Parties

- (1) AGH
- (2) The Company

(iii) *Term*

The Technology Services Agreement is for a term of two years commencing from the date of Completion, unless otherwise terminated in accordance with the terms thereunder.

(iv) *Services provided*

Pursuant to the Technology Services Agreement, AGH agrees to procure the service providers (being AGH and affiliates set out under the Technology Services Agreement or otherwise designated by AGH) to provide the following services to support the Target Business:

- (a) technology services including the provision of servers, co-location and bandwidth; and
- (b) with respect to the Online Movie Ticketing Business, access to certain systems (including the transaction system, marketing system, pricing system, BD task flow management system, basic data management system and interface and client relationship management system).

(v) *Service fee and annual caps*

The service fees shall be charged on a quarterly basis and settled within 10 business days upon receipt of the invoice(s).

The service fees will be calculated on the basis of the actual costs and expenses of the service providers for providing the relevant services multiplied by a mark-up percentage. Such mark-up percentage will be based on recommendations of professional third party consultant to be appointed by AGH (being an accountant firm specified under the Technology Services Agreement with appropriate qualifications, which will take into consideration various factors including the applicable tax laws and regulations and the statistics from comparable companies when making such recommendations) in accordance with the principle of arm's length transaction and subject to adjustment annually.

If the same or similar services are provided to an independent third party by the service providers, AGH and the Company shall negotiate and adjust the service fees with reference to the fees charged to such independent third party for such services under the Technology Services Agreement, in any case to an amount not higher than the fees payable by the independent third party.

The annual cap in respect of the fees payable by the Group (inclusive of any applicable tax) for each 12-month period during the term of two years under the Technology Services Agreement is RMB6 million. In determining this cap, the Board has calculated the average costs of the relevant services based on the historical usage pattern and volume and come up with the estimates of the fees payable by the Group by reference to the average costs and the estimated demand of the Target Business for the relevant services.

As the transactions contemplated under the Technology Services Agreement represent new transactions with AGH, no historical transaction amounts are available for disclosure purposes.

2.2 Transitional Arrangement Agreement

(i) *Date*

December 31, 2015

(ii) *Parties*

- (1) AGH
- (2) The Company

(iii) *Term*

The Transitional Arrangement Agreement commences from the date of Completion and is effective until all the Transferred Employees have terminated their employment contracts with AGH or its affiliates and signed employment contracts with the Company or its affiliates, for a maximum term of three years, unless otherwise terminated in accordance with the terms thereunder.

(iv) *Services provided*

Pursuant to the Transitional Arrangement Agreement:

- (a) the Company and AGH agree to transfer certain Transferred Employees who have not been transferred at Completion within three years after the date of Completion to the Company or its affiliates; and
- (b) the Company agrees to reimburse AGH for salaries and benefits paid by AGH (or its affiliates) to such Transferred Employees from the date of Completion until prior to their transfer to the Company or its affiliates.

(v) *Reimbursement amount and annual caps*

The reimbursement amounts shall be charged on a quarterly basis and settled within 10 business days upon receipt of the invoice(s).

The reimbursement amounts will be calculated on the basis of the actual salaries and/or benefits paid by AGH (or its affiliates) prior to the transfer of such Transferred Employees to the Company multiplied by a mark-up percentage. Such mark-up percentage will be based on recommendations of professional third party consultant to be appointed by AGH (being an accountant firm specified under the Transitional Arrangement Agreement with appropriate qualifications, which will take into consideration various factors including the applicable tax laws and regulations and the statistics from comparable companies when making such recommendations) in accordance with the principle of arm's length transaction and subject to adjustment annually.

The annual cap in respect of the fees payable by the Group (inclusive of any applicable tax) for the first, second and third 12-month periods during the maximum term of three years under the Transitional Arrangement Agreement is RMB5 million, RMB2.5 million and RMB1.5 million, respectively. In determining this cap, the Board has based its estimates on the current salaries and benefits received by the Transferred Employees, a 20% buffer for any estimated annual increase in salaries, benefits and costs associated with the Transferred Employees and the number of Transferred Employees to be transferred to the Company only after Completion over the term of the Transitional Arrangement Agreement.

As the transactions contemplated under the Transitional Arrangement Agreement represent new transactions with AGH, no historical transaction amounts are available for disclosure purposes.

2.3 IP Licence Agreement

(i) *Date*

December 31, 2015

(ii) *Parties*

- (1) AGH
- (2) The Company

(iii) *Term*

The IP Licence Agreement commences from the date of Completion and is effective perpetually, unless otherwise terminated in accordance with its terms.

(iv) *Rights granted*

Under the IP Licence Agreement:

- (a) the Company grants AGH a royalty-free, non-exclusive and perpetual licence to use certain trade marks and patents comprised in the Target Business as at Completion for any purpose in connection with AGH's business; and
- (b) AGH grants the Company: (I) a royalty-free, exclusive and perpetual licence to continue to use certain trade marks currently used in the Target Business; (II) a royalty-free, non-exclusive and perpetual licence to use certain other trade marks currently used in the Target Business (subject to certain undertakings by AGH not to use or license those trade marks); and (III) a royalty-free, non-exclusive and perpetual licence to use certain patents currently used in the Target Business.

(v) ***Licence fee***

No licence fee will be payable by either AGH or the Company for the use of the licensed rights.

The Independent Financial Adviser is of the view that it is reasonable for the IP Licence Agreement to have a term longer than three years and that it is normal business practice for agreements in the type of the IP Licence Agreement to be of such duration.

3. 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.

4. INFORMATION ABOUT AGH AND ALIBABA GROUP

AGH is the ultimate sole shareholder of Ali CV, a substantial shareholder and a connected person of the Company holding approximately 49.49% of the Shares in issue as of December 31, 2015. Accordingly, AGH is also a connected person of the Group. 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 online and mobile 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.

Alibaba Group's major businesses include:

- Taobao Marketplace (www.taobao.com), China's largest online shopping destination;
- Tmall.com (www.tmall.com), China's largest third-party platform for brands and retailers;
- Juhuasuan (www.juhuasuan.com), China's most popular online group buying marketplace;

- Alitrip (www.alitrip.com), a leading online travel booking platform;
- AliExpress (www.aliexpress.com), a global online marketplace for consumers to buy directly from China;
- Alibaba.com (www.alibaba.com), China's largest global online wholesale platform for small businesses;
- 1688.com (www.1688.com), a leading online wholesale marketplace in China; and
- AliCloud (www.alicloud.com), a provider of cloud computing services to businesses and entrepreneurs.

5. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Following Completion, the Company will have the capabilities to provide the core services (including providing contents and maintaining the online platform) under the Target Business while the transaction contemplated under the Technology Services Agreement, among others, will provide ancillary support (such as technology infrastructure) to the Target Business's provision of services to its customers. Although it will not be difficult to source similar types of services from third party service providers, Alibaba Group has been providing the Target Business with the services contemplated under the Technology Services Agreement so it is familiar with the Target Business's requirements and is able to provide reliable and timely services for the Target Business. Entering into the Technology Services Agreement will allow the Company to leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company. The Company may, however, from time to time review the terms of the services contemplated under the Technology Services Agreement against the terms and services offered by third party service providers and re-assess the commercial desirability of such arrangements.

As it will take more time and effort for the Company to complete the administrative process for the transfer of the Transferred Employees, not all of the Transferred Employees were transferred to the Company or its Affiliates on or before Completion. The Transitional Arrangement Agreement ensures a smooth transition of those Transferred Employees who will be transferred from AGH or its affiliates to the Company or its affiliates only after Completion while they continue to work for the Target Business following Completion. It is contemplated that a majority of such Transferred Employees will be transferred to the Company or its Affiliates within six months following Completion. There are also a small number of Transferred Employees (approximately 18 of them) who may take up to three years to complete the transfer in order to avoid their residency status at their place of work from being adversely affected. The Transitional Arrangement Agreement will help the Company to retain that group of the Transferred Employees so they could continue to work for the Target Business during the transitional period following Completion and it is expected that a majority of them will be transferred within six to twelve months following Completion.

The IP Licence Agreement enables the Company to continue to use certain intellectual property rights of Alibaba Group that were used in the Target Business before Completion and also enables Alibaba Group to continue to promote the Target Business to online users through Alibaba Group's platforms and to leverage on the brand of Alibaba Group as part of the Company and Alibaba Group's continuing cooperation.

The terms of each of the Technology Services Agreement, the Transitional Arrangement Agreement and the IP Licence Agreement are a result of arm's length negotiations between the Company and AGH, and are no more favourable to AGH, nor are they any less favourable to the Group, than those available from independent third parties.

The Board (excluding Mr. Liu Chunning who is not contactable but including the independent non-executive Directors) is of the view that the Continuing Connected Transactions are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of the Company's business, and in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

None of the Directors (excluding Mr. Liu Chunning who is not contactable) has a material interest in the Continuing Connected Transactions and hence no Director is required to abstain from voting on such board resolutions in accordance with the Listing Rule.

Ali CV is a substantial shareholder and a connected person of the Company, holding approximately 49.49% of the Shares in issue as of December 31, 2015. AGH is the ultimate sole shareholder of Ali CV. Accordingly, AGH is also a connected person of the Group and the Continuing Connected Transactions constitute connected transactions for the Company.

As one or more of the applicable percentage ratios in respect of the annual caps on amounts payable by the Group under the Technology Services Agreement and the Transitional Arrangement Agreement exceeds 0.1% but all are less than 5%, the Technology Services Agreement and the Transitional Arrangement Agreement constitute continuing connected transactions which are only subject to the reporting and announcement requirements but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps on amounts payable by the Group under (i) the Cooperation Agreement and the IP Licence Agreement are less than 0.1%, and (ii) the Data Platform Participation Agreement are less than 5% and the annual consideration is less than HK\$3 million, the Cooperation Agreement, the IP Licence Agreement and the Data Platform Participation Agreement constitute continuing connected transactions which are fully exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Hong Kong, December 31, 2015

As at the date of this announcement, the Board comprises Mr. Shao Xiaofeng, Mr. Liu Chunming and Mr. Zhang Qiang, being the executive Directors; Mr. Li Lian Jie, being the non-executive Director; and Ms. Song Lixin and Mr. Tong Xiaomeng, being the independent non-executive Directors.