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(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

**CONNECTED TRANSACTION
IN RELATION TO THE SALE OF
ONLINE DISSEMINATION RIGHTS OF DRAMA SERIES**

ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT

The Board announces that, on August 17, 2017, Huameng (Tianjin), a consolidated subsidiary of the Company, entered into the Online Dissemination Rights Transfer Agreement with 1 Verge Information, a consolidated entity of AGH. Pursuant to the Online Dissemination Rights Transfer Agreement, Huameng (Tianjin) has agreed to sell, and 1 Verge Information has agreed to acquire, the Online Dissemination Rights of the Drama Series D, a web drama series currently titled as “Rich House, Poor House” (王子富愁記) produced by the Group, and Huameng (Tianjin) holds the entire interests and rights in the Drama Series D.

The consideration for the sale of the Online Dissemination Rights of the Drama Series D is RMB23,100,000, which shall be payable by 1 Verge Information in cash in accordance with the terms of the Online Dissemination Rights Transfer Agreement.

BUSINESS COOPERATION AGREEMENT

The Board further announced that on August 17, 2017, Huameng (Tianjin) entered into the Business Cooperation Agreement with 1 Verge Information for a term of three years commencing from the date of the Business Cooperation Agreement. Pursuant to the Business Cooperation Agreement, Huameng (Tianjin) and 1 Verge Information agreed to cooperate in respect of distribution, advertising opportunity offering and rights of attribution of the Drama Series D. It is expected that the maximum annual transaction amount under the Business Cooperation Agreement will not exceed HK\$3,000,000.

LISTING RULES IMPLICATION

1 Verge Information is a consolidated entity 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 49.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, 1 Verge Information is an associate of Ali CV and hence a connected person of the Company. The sale of the Online Dissemination Rights of the

Drama Series D constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the sale of the Online Dissemination Rights of the Drama Series D are above 0.1% but below 5%, the entering into of the Online Dissemination Rights Transfer Agreement and the transactions 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 and the Prior 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 members of Alibaba Group. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal and the Prior Disposals, when aggregated, are below 5%.

The transactions contemplated under the Business Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As it is expected that the maximum annual transaction amount contemplated under the Business Cooperation Agreement will not exceed HK\$3,000,000 and that all applicable percentage ratios for the amount payable by Huameng (Tianjin) to 1 Verge Information pursuant to the Business Cooperation Agreement will be less than 5%, the entering into of the Business Cooperation Agreement and the transactions contemplated thereunder constitute de minimis continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements.

INTRODUCTION

The Board announces that, on August 17, 2017, Huameng (Tianjin), a consolidated subsidiary of the Company, entered into the Online Dissemination Right Transfer Agreement with 1 Verge Information, a consolidated entity of AGH. Pursuant to the Online Dissemination Rights Transfer Agreement, Huameng (Tianjin) has agreed to sell, and 1 Verge Information has agreed to acquire, the Online Dissemination Rights of the Drama Series D, a web drama series currently titled as "Rich House, Poor House" (王子富愁記) produced by the Group, and Huameng (Tianjin) holds the entire interests and rights in the Drama Series D.

ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT

Date

August 17, 2017

Parties

- | | | | |
|-----|-----------|---|---|
| (1) | Vendor | : | Huameng (Tianjin), a consolidated subsidiary of the Company |
| (2) | Purchaser | : | 1 Verge Information, a consolidated entity of AGH and a connected person of the Company |

Subject Matter

Pursuant to the Online Dissemination Rights Transfer Agreement, Huameng (Tianjin) has agreed to sell, and 1 Verge Information has agreed to acquire, the Online Dissemination Rights of the Drama Series D, currently titled as “Rich House, Poor House” (王子富愁記). The Drama Series D has a total of 30 episodes.

Pursuant to the Online Dissemination Rights Transfer Agreement, 1 Verge Information has agreed to grant to Huameng (Tianjin) a right to repurchase the Online Dissemination Rights of the Drama Series D in the PRC at a nominal consideration of RMB1.00 after the tenth anniversary of the Drama Series D being first broadcasted on the platforms of 1 Verge Information. It is expected that the fair value of the Online Dissemination Rights of the Drama Series D will significantly decrease after the ten-year period.

Consideration

The consideration for the Disposal is RMB23,100,000 (tax inclusive) for 30 episodes, which shall be payable by 1 Verge Information to Huameng (Tianjin) in cash as follows:

- (i) the first instalment of 20% of the consideration (being RMB4,620,000) shall be payable within 10 business days after the date of the Online Dissemination Rights Transfer Agreement;
- (ii) the second instalment of 50% of the consideration (being RMB11,550,000) shall be payable within 10 business days after 1 Verge Information confirms the receipt of all records of 30 episodes of the Drama Series D; and
- (iii) the last instalment of 30% of the consideration (being RMB6,930,000) shall be payable within 10 business days after the first complete broadcast of the 30 episodes of the Drama Series D on 1 Verge Information’s platform. The Drama Series D is expected to be first broadcasted in September 2017.

The consideration for the Disposal was determined after arm’s length negotiations between Huameng (Tianjin) and 1 Verge Information after taking into account the estimated market price and the anticipated cost of production per episode of similar drama series.

Completion

Completion of the Online Dissemination Rights Transfer Agreement is not subject to any conditions precedent. Huameng (Tianjin) shall deliver all records of the 30 episodes of the Drama Series D to 1 Verge Information by no later than August 20, 2017.

BUSINESS COOPERATION AGREEMENT

The Board further announced that on August 17, 2017, Huameng (Tianjin) entered into the Business Cooperation Agreement with 1 Verge Information for a term of three years commencing from the date of the Business Cooperation Agreement. Pursuant to the Business Cooperation Agreement, Huameng (Tianjin) and 1 Verge Information agreed to cooperate in respect of distribution, advertising opportunity offering and rights of attribution of the Drama Series D. It is expected that the maximum annual transaction amount contemplated under the Business Cooperation Agreement will not exceed HK\$3,000,000.

Pursuant to the Business Cooperation Agreement, Huameng (Tianjin) shall apportion 50% of the net income (after deducting relevant costs and expenses) arising from television station distribution or audio video distribution of the Drama Series D to 1 Verge Information for a term of three years commencing from the date of the Business Cooperation Agreement.

In addition, Huameng (Tianjin) shall apportion 50% (in the case of the advertising opportunity offering being secured by 1 Verge Information) or 30% (in the case of the advertising opportunity offering being secured by Huameng (Tianjin)) of the net income (after deducting 40% of the relevant income as costs and expenses) arising from advertising opportunity offering of the Drama Series D to 1 Verge Information for a term of three years commencing from the date of the Business Cooperation Agreement.

INFORMATION ON THE COMPANY AND HUAMENG (TIANJIN)

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 businesses of the Company include 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.

Huameng (Tianjin), being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in production of broadcasting & television programs.

INFORMATION ON AGH, ALIBABA GROUP AND 1 VERGE INFORMATION

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 in the twelve months ended March 31, 2017. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content to leverage the power of the Internet to engage with their users and customers. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

1 Verge Information, a company incorporated in the PRC and a consolidated entity of AGH, is principally engaged in online video services, online advertising businesses and value-added telecommunication services in China on Youku platform.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Based on the unaudited management accounts of Huameng (Tianjin) as of July 31, 2017, the carrying value of the Online Dissemination Rights of the Drama Series D is RMB19.6 million.

The Company expects the Group will realize an estimated gain (after taking into account the anticipated expenses directly related to the Disposal) of approximately RMB2.2 million. The estimated gain on the Disposal is calculated based on the consideration of the Disposal, taking into account the interests held by and rights of the Group and with reference to the anticipated production, promotion and distribution costs of the Drama Series D.

After deducting the expenses directly related to the Disposal, there will be net proceeds of approximately RMB21.8 million and the Group intends to utilize the net proceeds towards general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 China, Youku. Given its large user base, Youku can be a powerful distribution channel of the Group's entertainment content, in particular its 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. 1 Verge Information, as the operator of Youku, has been selected as the purchaser of the Online Dissemination Rights due to the overall commercial benefits that it offered 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 was entered into after arm's length negotiation between the parties, reflects normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

As 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. As such, 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 or were required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

1 Verge Information is a consolidated entity 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 49.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, 1 Verge Information is an associate of Ali CV and hence a connected person of the Company.

The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the sale of the Online Dissemination Rights of the Drama Series D are above 0.1% but below 5%, the entering into of the Online Dissemination Rights Transfer Agreement and the transactions 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 and the Prior 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 members of Alibaba Group. All the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal and the Prior Disposals, when aggregated, are below 5%.

The transactions contemplated under the Business Cooperation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As it is expected that the maximum annual transaction amount under the Business Cooperation Agreement will not exceed HK\$3,000,000 and that all applicable percentage ratios for the amount payable by Huameng (Tianjin) to 1 Verge Information pursuant to the Business Cooperation Agreement will be less than 5%, the entering into of the Business Cooperation Agreement and the transactions contemplated thereunder constitute de minimis continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“1 Verge Information”	合一信息技術（北京）有限公司 (1 Verge Information Technology (Beijing) Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated entity of AGH
“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
“Business Cooperation Agreement”	the business cooperation agreement entered into between Huameng (Tianjin) and 1 Verge Information on August 17, 2017 for the cooperation of distribution, advertising opportunity offering and rights of attribution of the Drama Series D
“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)
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Directors”	the directors of the Company
“Drama Series D”	the first season of a web drama series currently titled as “王子富愁記” (Rich House, Poor House)
“Disposal”	the sale of the Online Dissemination Rights of the Drama Series D pursuant to the Online Dissemination Rights Transfer Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huameng (Tianjin)”	華盟（天津）文化投資有限公司(Huameng (Tianjin) Culture Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and a consolidated subsidiary of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Online Dissemination Rights”	the online dissemination rights 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
“Online Dissemination Rights Transfer Agreement”	the transfer agreement dated August 17, 2017 entered into between 1 Verge Information and Huameng (Tianjin) in relation to the sale of the Online Dissemination Rights of the Drama Series D
“Prior Disposals”	(i) the sale of broadcasting rights of the web drama series titled as “最強男神” pursuant to the transfer agreement dated May 23, 2017 and entered into between Tmall Technology and Zhejiang Dongyang, (ii) the sale of broadcasting rights of the web drama series titled as “SCI謎案集” pursuant to the transfer agreement dated May 23, 2017 and entered into between Tmall Technology and Huameng (Tianjin) (for itself and on behalf of all other independent third party investors of the web drama series titled as “SCI謎案集”) and (iii) the sale of broadcasting rights of the drama series titled as “囧女翻身之嗨如花” pursuant to the transfer agreement dated May 12, 2017 and entered into between Tmall Technology and Zhejiang Dongyang (for itself and on behalf of all other independent third party investors of the drama series titled as “囧女翻身之嗨如花”), details of which were disclosed in the Company’s announcement dated May 23, 2017
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao 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
“subsidiaries”	has the same meaning ascribed to this term under the Listing Rules

“substantial shareholder”

has the meaning ascribed to this term under the Listing Rules

“Tmall Technology”

浙江天貓技術有限公司 (Zhejiang Tmall Technology Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of AGH, being the purchaser under the Prior Disposals

“Zhejiang Dongyang”

浙江東陽小宇宙影視傳媒有限公司(Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd.*), a consolidated subsidiary of the Company

** English name for identification purpose only.*

On behalf of the Board
Alibaba Pictures Group Limited
Yu Yongfu
Chairman

Hong Kong, August 17, 2017

As at the date of this announcement, the Board comprises Mr. Yu Yongfu, Mr. Fan Luyuan 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.