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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 July 11, 2018, Beijing Asian Union, 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, Beijing Asian Union has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Drama Series E, a web drama series currently titled as “Legend of the Ancient Sword 2” (古劍奇譚 2) jointly produced by the Group and an independent third party investor.

The total consideration for the Disposal of the Drama Series E is RMB200,000,000, which shall be payable by Youku Technology to Beijing Asian Union in cash in accordance with the terms of the Online Dissemination Rights Transfer Agreement. According to the joint investment arrangement between Beijing Asian Union and the independent third party investor, Beijing Asian Union is entitled to receive 100% of the total consideration from the Disposal of Drama Series E.

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 Drama Series E 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 Drama Series E 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 of the Drama Series E and the Disposal of the Drama Series D 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 Disposals, when aggregated, are below 5%.

INTRODUCTION

The Board announces that, on July 11, 2018, Beijing Asian Union, 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, Beijing Asian Union has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Drama Series E, a web drama series currently titled as "Legend of the Ancient Sword 2" (古劍奇譚 2) jointly produced by the Group and an independent third party investor.

ONLINE DISSEMINATION RIGHTS TRANSFER AGREEMENT

Date

July 11, 2018

Parties

Vendor : Beijing Asian Union, 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, Beijing Asian Union has agreed to sell, and Youku Technology has agreed to acquire, the Online Dissemination Rights of the Drama Series E.

Consideration

The total consideration for the Disposal of the Drama Series E is RMB200,000,000 (tax inclusive), which shall be payable by Youku Technology to Beijing Asian Union in cash in the following manner:

- (i) the first instalment of 30% of the total consideration (being RMB60,000,000) shall be payable within 20 business days after the date of the Online Dissemination Rights Transfer Agreement;

- (ii) the second instalment of 40% of the total consideration (being RMB80,000,000) shall be payable within 20 business days after Youku Technology confirms the receipt of all required documents and records of the Drama Series E; and
- (iii) the last instalment of 30% of the total consideration (being RMB60,000,000) shall be payable within 20 business days after the first complete broadcast of the Drama Series E on Youku Technology's platform.

The consideration for the Disposal of the Drama Series E was determined after arm's length negotiations between Beijing Asian Union and Youku Technology based on the parties' mutual assessment of (i) the quality, the cast and the potential audience size of the Drama Series E and (ii) the popularity of similar drama series and by reference to the book value of the Online Dissemination Rights of the Drama Series E.

According to the joint investment arrangement between Beijing Asian Union and the independent third party investor, Beijing Asian Union is entitled to receive 100% of the total consideration from the Disposal of Drama Series E.

Completion

Completion of the Online Dissemination Rights Transfer Agreement is not subject to any conditions precedent. Beijing Asian Union shall deliver all records of the Drama Series E to Youku Technology before July 31, 2018.

INFORMATION ON THE COMPANY AND BEIJING ASIAN UNION

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.

Beijing Asian Union, 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 and television programs.

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. 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.

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 DRAMA SERIES E 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 Drama Series E is approximately RMB189 million.

It is expected that there will not be a gain or loss accrued to the Group from the Disposal of the Drama Series E with reference to the carrying value of the Online Dissemination Rights of the Drama Series E (after taking into account the anticipated tax and other necessary expenses directly related to the Disposal of the Drama Series E).

After deducting the tax and necessary expenses directly related to the Disposal of the Drama Series E, there will be net proceeds of approximately RMB189 million and the Group intends to utilize the net proceeds towards general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE DRAMA SERIES E

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. Youku Technology has been selected as the purchaser of the Online Dissemination Rights of the Drama Series E 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 was entered into in the ordinary and usual course of business of the Group 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. 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. 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 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 Drama Series E constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since all the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal of the Drama Series E 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 of the Drama Series E and the Disposal of the Drama Series D 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 Disposals, when aggregated, are below 5%.

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
“Beijing Asian Union ”	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
“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)
“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 D”	the sale of online dissemination rights of the web drama series titled “Rich House, Poor House” (王子富愁記) pursuant to the agreement between Huameng (Tianjin) and Youku Information dated August 17, 2017, details of which were disclosed in the announcement of the Company dated August 17, 2017
“Disposal of the Drama Series E”	the sale of the Online Dissemination Rights of the Drama Series E pursuant to the Online Dissemination Rights Transfer Agreement
“Disposals”	the Disposal of the Drama Series D and the Disposal of the Drama Series E
“Drama Series E”	a web drama series currently titled as “Legend of the Ancient Sword 2” (古劍奇譚 2)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huameng (Tianjin)”	華盟（天津）文化傳媒有限公司 (Huameng (Tianjin) Culture Media Co., Ltd.*) (formerly known as 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Online Dissemination Rights”	the online dissemination rights of the Drama Series E in the PRC, Hong Kong, the Macao Special Administrative Region and Taiwan, 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 July 11, 2018 entered into between Youku Technology and Beijing Asian Union in relation to the sale of the Online Dissemination Rights of the Drama Series E
“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
“subsidiary(ies)”	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
“Youku Information”	優酷信息技術（北京）有限公司 (Youku Information Technology (Beijing) Co., Ltd.*) (formerly known as 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
“Youku Technology”	北京優酷科技有限公司 (Beijing Youku Technology Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect subsidiary of AGH

* *English name for identification purpose only.*

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

Hong Kong, July 11, 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. Shao Xiaofeng and Mr. Li Lian Jie, being the non-executive directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.