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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Alibaba Pictures Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER**

## **(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE**

**AND**

## **(3) NOTICE OF SGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**PLATINUM**  
Securities

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-16 of this circular.

A notice convening the SGM to be held at Units 2302-2305, 23/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Friday, February 22, 2019 at 10:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

If you are not able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the SGM or any adjourned meeting if they so wish.

January 31, 2019

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depository shares of which are listed on the New York Stock Exchange
“AIL”	Alibaba Investment Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of AGH
“Ali CV” or “Subscriber”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands, an indirect wholly-owned subsidiary of AGH
“Alibaba Group”	AGH and its subsidiaries
“Announcement”	the announcement dated December 9, 2018 made by the Company in relation to, among others, the Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday or Sunday) when banks generally are open in Hong Kong for the transaction of general banking business
“Bye-laws”	the bye-laws of the Company
“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)
“Completion”	completion of the allotment and issue of the Subscription Shares under the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board which comprises all the independent non-executive Directors, namely, Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate)
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a licensed corporation to carry out type 1 and type 6 regulated activities under the SFO, being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholder(s)”	Shareholders other than (i) the Subscriber and its associates (if any); and (ii) those who have a material interest in the Subscription or are required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Last Trading Day”	December 7, 2018, being the last trading day of the Shares immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	January 29, 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Outstanding Share Options”	151,505,000 outstanding share options granted by the Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened at Units 2302-2305, 23/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Friday, February 22, 2019 at 10:30 a.m. for the purpose of considering and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to grant the authority to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated December 9, 2018 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$1.25 per Subscription Share
“Subscription Share(s)”	1,000,000,000 new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent.

*For the purpose of this circular and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.24957. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.*

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## LETTER FROM THE BOARD

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# 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)**

### *Executive Directors*

Mr. Fan Luyuan (*Chairman & Chief Executive Officer*)

Mr. Yu Yongfu

Ms. Zhang Wei (*President*)

### *Non-executive Directors*

Mr. Li Lian Jie

Mr. Shao Xiaofeng

### *Independent non-executive Directors*

Ms. Song Lixin

Mr. Tong Xiaomeng

Mr. Johnny Chen

### *Registered Office*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### *Head Office and Principal Place of Business in Hong Kong*

26/F Tower One

Times Square

1 Matheson Street

Causeway Bay, Hong Kong

January 31, 2019

*To the Shareholders*

Dear Sir or Madam,

## **(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER AND (2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE**

### **INTRODUCTION**

Reference is made to the Announcement in which it was disclosed that on December 9, 2018, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscriber, 1,000,000,000 new Shares at the Subscription Price (i.e. HK\$1.25 per Subscription Share). The Subscription is subject to various conditions set out below under the paragraph headed “Conditions precedent”.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among others, (i) details of the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate); and (iv) a notice of SGM.

### SUBSCRIPTION OF NEW SHARES

#### The Subscription Agreement

##### *Date*

December 9, 2018

##### *Parties*

Issuer: the Company

Subscriber: Ali CV

The Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscriber, 1,000,000,000 new Shares at the Subscription Price (i.e. HK\$1.25 per Subscription Share), with an aggregate consideration of HK\$1,250,000,000.

##### *The Subscription Shares*

The Subscription Shares represent approximately (i) 3.92% of the issued share capital of the Company as at Latest Practicable Date; (ii) 3.78% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming none of the Outstanding Share Options will have been exercised and there will be no other change in the number of the issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issue of the Subscription Shares); and (iii) 3.75% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming all of the Outstanding Share Options will have been exercised but there will be no other change in the number of the issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issue of the Subscription Shares and the exercise of the Outstanding Share Options). Based on the closing price of the Shares of HK\$1.23 per Share on the Last Trading Day, the Subscription Shares have a market value of HK\$1,230,000,000, and the aggregate nominal value of the Subscription Shares is HK\$250,000,000.

##### *Subscription Price*

The Subscription Price of HK\$1.25 per Subscription Share represents:

- (a) a premium of approximately 1.63% to the closing price of HK\$1.23 per Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (b) a discount of approximately 4.58% to the closing price of HK\$1.31 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (c) a premium of approximately 1.13% to the average closing price of approximately HK\$1.24 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Last Trading Day;
- (d) a premium of approximately 7.20% to the average closing price of approximately HK\$1.17 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- (e) a premium of approximately 81.16% to the Group's audited consolidated net asset value per Share as at March 31, 2018 of approximately RMB0.55 (equivalent to approximately HK\$0.69).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, recent market prices of the Shares and comparable companies and the business prospects of the Group. The Board has made reference to and taken into account:

- (i) the fluctuation of the market prices of the Shares during the 12-month period from December 8, 2017 and up to and including the Last Trading Day (the "Review Period");
- (ii) the Subscription Price is within the range of daily closing prices of the Share during the Review Period, whereby the lowest of HK\$0.82 per Share was recorded on August 17, 2018, and the highest of HK\$1.26 was recorded on December 4, 2018;
- (iii) the Subscription Price represents a premium to the average closing price of the Shares of approximately HK\$1.00 per Share during the Review Period;
- (iv) the Subscription Price represents a premium to the average closing price of the Shares of approximately HK\$1.17 per Share for the last 30 trading days up to and including the Last Trading Day;
- (v) through the Subscription, the Company will raise additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise; and
- (vi) the Subscriber will hold more than 50% shareholding interest in the Company upon the allotment and issue of the Subscription Shares at Completion (assuming none of the Outstanding Share Options will have been exercised and there will be no other change in the number of issued Shares between the date of the Announcement and the date of Completion, save for the allotment and issue of the Subscription Shares).



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## LETTER FROM THE BOARD

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The Directors (including the members of the Independent Board Committee whose opinions are set forth in the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” in this circular) consider that the Subscription Price and the other terms and conditions in the Subscription Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### *Conditions precedent*

Completion is conditional upon the following conditions being satisfied (or unless, in the case of the conditions (b) and (e) below, waived by the Subscriber):

- (a) the passing of the resolution(s) at the SGM to be convened by the Company by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of Specific Mandate to the Directors to allot and issue the Subscription Shares;
- (b) the passing of resolutions at a general meeting to be convened by the Company by the Shareholders to approve the appointment of such person(s) as nominated by the Subscriber as Director(s);
- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in all of the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of the definite share certificate(s) representing allotment of the Subscription Shares to the Subscriber or its nominee(s));
- (d) either (i) the SFC confirming in a written ruling that the transaction contemplated under the Subscription Agreement would not trigger a requirement on any party to make a general offer for all the Shares (or other confirmation from the SFC satisfactory to the Subscriber), or (ii) a whitewash waiver (as contemplated under Note 1 to Rule 26 of the Takeovers Code) being obtained from the SFC and approved by the Independent Shareholders in accordance with the Takeovers Code; and
- (e) in addition to conditions (c) and (d) above, the Company having obtained each necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the SFC, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated thereunder, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver not having been revoked or withdrawn.

In the event that the above conditions are not fulfilled or waived (if applicable) on or before February 28, 2019 (or such later date as may be agreed between the parties), then the Subscription Agreement and all rights and obligations hereunder will cease and terminate.

### *Completion*

Subject to the conditions having been fulfilled or waived (if applicable), Completion will take place within three (3) Business Days following the day on which the last of conditions has been fulfilled (or waived, as the case may be), and in any event no later than March 5, 2019 (or such other time or date as the parties may agree in writing).

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## LETTER FROM THE BOARD

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On the date of Completion, the Subscriber shall pay to the Company the total consideration of HK\$1,250,000,000 in cash for the Subscription and the Subscription Shares shall be allotted and issued to the Subscriber free from all liens, charges, security, interests, encumbrances and adverse claims. The Subscription Shares shall rank *pari passu* in all respects with the Shares then in issue and in particular will rank in full for all dividends and other distributions declared, made or paid at any time after Completion.

### *Nomination of Directors*

According to the Subscription Agreement, subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and the Bye-laws and for so long as the Subscriber continues to be the single largest shareholder or a controlling shareholder of the Company, the Subscriber shall have the right to nominate such number of person(s) to be appointed as executive and/or non-executive Director(s) to ensure that the Directors nominated by the Subscriber shall constitute a simple majority of the total number of Directors, and the Company shall use its best endeavours to take all necessary steps to give effect to such rights of the Subscriber.

The Company considers that the nomination right of the Subscriber provided in the Subscription Agreement is in line with the nomination right of the other existing registered Shareholders provided under the Bye-laws, forms part of its rights as a duly registered Shareholder in accordance with the Bye-laws, and is subject to the requirements related to the Board under the Bye-laws and the Listing Rules. The Company will give effect to the director nomination rights of its Shareholders (including but not limited to the Subscriber) and any appointment as approved by the Shareholders in accordance with the Bye-laws and applicable laws and regulations.

### *Specific Mandate to issue the Subscription Shares*

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the main board of the Stock Exchange.

## **BACKGROUND OF THE COMPANY AND THE SUBSCRIBER**

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). 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 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 online-to-offline (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.

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## LETTER FROM THE BOARD

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The Subscriber is the controlling Shareholder of the Company. As at the Latest Practicable Date, the Subscriber was wholly-owned by AGH, through its controlled corporation, AIL, and was an investment holding company. AGH's American depository shares are listed on the New York Stock Exchange (stock code: BABA). Alibaba Group's mission is to make it easy to do business anywhere and Alibaba Group aims to achieve sustainable growth for 102 years. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment, and innovation initiatives.

Based on the information currently available to the Company, as at the Latest Practicable Date, the Subscriber was interested in an aggregate of 12,488,058,846 Shares, representing approximately 49.00% of the total issued share capital of the Company.

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As Alibaba Group strives to strategically unify its digital media and entertainment holdings and pursue stronger synergies, the Subscription will further strengthen the collaboration between the Company and Alibaba Group's other media content and distribution businesses, such as Youku, Damai and Alibaba Literature, to deliver better user experiences for audiences in the PRC. It is also a vote of confidence, backing the Company's ability to tap into the promising growth prospects of the PRC's film industry by leveraging Alibaba Group's edge in big data and e-commerce.

The Subscription will accelerate the Company's growth by further strengthening the capital base and financial position of the Company and laying down a more solid foundation for future business development. As the net proceeds from the Subscription are expected to be applied to the general working capital of the Group, it will further enhance the Company's working capital position and improve the Group's net debt ratio and net current liabilities position. The Subscription could raise a substantial amount of additional capital and funding to equip the Group with more resources to stay competitive against its competitors, scale up the business, execute the growth strategies in the four key business segments of the Group, namely, (i) content, (ii) distribution and promotion, (iii) intellectual property (IP) merchandising and financing, and (iv) the continual building of an integrated ecosystem for the movie industry.

The Directors consider that the Subscription represents an opportunity to raise capital for the Company in order to maintain a sufficient cash position of the Group to meet its current liabilities and to enhance the capital base of the Company.

As Mr. Fan Luyuan, Mr. Yu Yongfu and Mr. Shao Xiaofeng are members of the Alibaba Partnership and Mr. Fan Luyuan 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 Subscription Agreement and the transactions contemplated thereunder. As such, Mr. Fan Luyuan, Mr. Yu Yongfu and Mr. Shao Xiaofeng have abstained from voting on the relevant resolutions of the Board. Save as aforesaid, none of the other Directors has a material interest in the Subscription Agreement which requires any of them to abstain from voting on the Board resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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In the circumstances, the Board considers that the Subscription, compared with a rights issue or an open offer, is the preferred financing method for the Group taking into account the Company's share price and the stock market conditions, the time and procedures needed for each of the financing options. Meanwhile, the Subscription enables the Group to keep its borrowings and interest expenses low, which would in turn maximize the Shareholders' value.

### USE OF PROCEEDS

The gross proceeds of the Subscription will be approximately HK\$1,250,000,000. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$1,247,500,000 and the net subscription price per Share is approximately HK\$1.25. The net proceeds from the Subscription will mainly be used for content investment, the further expanding of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes.

### IMPLICATIONS OF THE LISTING RULES

The Subscriber is a controlling Shareholder of the Company, and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the information currently available to the Company, as at the Latest Practicable Date, the Subscriber was interested in an aggregate of 12,488,058,846 Shares, representing approximately 49.00% of the total issued share capital of the Company. Upon Completion, the shareholding of the Subscriber is expected to increase from approximately 49.00% to approximately (i) 50.92% of the then issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming none of the Outstanding Share Options will have been exercised and there will be no other change in the number of the issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issue of the Subscription Shares) or (ii) 50.63% of the then issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming all of the Outstanding Share Options will have been exercised and there will be no other change in the number of the issued Shares between the Latest Practicable Date and the date of Completion, save for the allotment and issue of the Subscription Shares and the exercise of the Outstanding Share Options).

### EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the Latest Practicable Date, the Company had 25,488,023,910 Shares in issue and 151,505,000 outstanding share options (i.e. the Outstanding Share Options) granted by the Company.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Completion assuming none of the Outstanding Share Options will have been exercised (and assuming there will be no change in the issued share capital of the Company for the period between the Latest Practicable Date and the date of Completion save for the allotment and issue of the Subscription Shares); and (iii) immediately following the Completion assuming all of the Outstanding Share Options will have been exercised (and assuming there will be no other

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## LETTER FROM THE BOARD

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change in the issued share capital of the Company for the period between the Latest Practicable Date and the date of Completion, save for the allotment and issue of the Subscription Shares and the exercise of the Outstanding Share Options):

Shareholder	Shareholding as at		Shareholding upon		Shareholding upon	
	the Latest Practicable Date		the Completion assuming none		the Completion assuming all of	
	<i>Number of</i>	<i>Approximate</i>	of the Outstanding Share		the Outstanding Share Options	
	<i>Shares</i>	<i>%</i>	Options will have been		will have been exercised	
			<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
			<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Subscriber	12,488,058,846	49.00	13,488,058,846	50.92	13,488,058,846	50.63
<b>Sub-total</b>	<u>12,488,058,846</u>	<u>49.00</u>	<u>13,488,058,846</u>	<u>50.92</u>	<u>13,488,058,846</u>	<u>50.63</u>
<b>Director(s)</b>						
Zhang Wei	1,440,609	0.01	1,440,609	0.01	18,440,609	0.07
Shao Xiaofeng	10,000,000	0.04	10,000,000	0.04	10,000,000	0.04
	<i>(Note)</i>					
<b>Sub-total</b>	<u>11,440,609</u>	<u>0.04</u>	<u>11,440,609</u>	<u>0.04</u>	<u>28,440,609</u>	<u>0.11</u>
Other shareholders	12,988,524,455	50.96	12,988,524,455	49.04	13,123,029,455	49.26
<b>Total</b>	<u><b>25,488,023,910</b></u>	<u><b>100.00</b></u>	<u><b>26,488,023,910</b></u>	<u><b>100.00</b></u>	<u><b>26,639,528,910</b></u>	<u><b>100.00</b></u>

*Note:* Such 10,000,000 Shares are directly held by a discretionary trust of which Mr. Shao Xiaofeng is a founder who can influence how the trustee exercises his discretion. Mr. Shao Xiaofeng is taken to be interested in all such 10,000,000 Shares of the Company.

### FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not carried out any other capital raising activities during the 12 months immediately preceding the Latest Practicable Date.

### SGM

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

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## LETTER FROM THE BOARD

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Based on the information, belief and knowledge of the Company, save for the Subscriber and its associates (if any), no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder and is therefore required to abstain from voting for the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate) at the SGM. As at the Latest Practicable Date, the Subscriber was interested in an aggregate of 12,488,058,846 Shares, representing approximately 49.00% of the total issued share capital of the Company.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for the SGM is enclosed with this circular. If you are not able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Monday, February 18, 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, February 18, 2019.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement, the transactions contemplated thereunder (including the grant of Specific Mandate). The Company has appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the transactions contemplated thereunder, including the Specific Mandate.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this circular after considering the advice of the Independent Financial Adviser), is of the view that although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole; and considers that (i) the execution, delivery and performance of the

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## LETTER FROM THE BOARD

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Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares will be issued; and (iv) the Subscription are in the interests of the Company and the Shareholders as a whole, and accordingly, recommends that the Independent Shareholders to vote in favour of the relevant resolution relating thereto at the SGM.

**As the Subscription may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Alibaba Pictures Group Limited**  
**Fan Luyuan**  
*Chairman & Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) for inclusion in this circular.*



### 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)**

January 31, 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF  
NEW SHARES BY THE CONTROLLING SHAREHOLDER  
AND  
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, details of which are set out in the circular issued by the Company to the Shareholders dated January 31, 2019 (the “Circular”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 4 to 13 and pages IFA-1 to IFA-16 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Song Lixin**  
*Independent*  
*non-executive Director*

**Tong Xiaomeng**  
*Independent*  
*non-executive Director*

**Johnny Chen**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*



**PLATINUM** Securities Company Limited

21/F LHT Tower  
31 Queen's Road Central  
Hong Kong

**Telephone** (852) 2841 7000  
**Facsimile** (852) 2522 2700  
**Website** [www.platinum-asia.com](http://www.platinum-asia.com)

January 31, 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF  
NEW SHARES BY THE CONTROLLING SHAREHOLDER  
(2) PROPOSED SHARE ISSUANCE UNDER SPECIFIC MANDATE**

### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate) (the “Transactions”). Details of the Transactions are contained in the circular of the Company dated January 31, 2019 (the “Circular”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced on December 9, 2018 that the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscriber, 1,000,000,000 new Shares at the Subscription Price (i.e. HK\$1.25 per Subscription Share).

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

As at the Latest Practicable Date, the Subscriber was interested in an aggregate of 12,488,058,846 Shares, representing approximately 49.00% of the total issued share capital of the Company and therefore is a controlling Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transactions, despite not in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) the Subscription Agreement;
- (ii) the announcement of the Company dated December 9, 2018;
- (iii) the audited annual report of the Company for the year ended December 31, 2016 (the “2016 Annual Report”);
- (iv) the unaudited interim report of the Company for the six months ended June 30, 2017 (the “2017 First Interim Report”) and the twelve months ended December 31, 2017 (the “2017 Second Interim Report”); and
- (v) the audited annual report of the Company for the fifteen months ended March 31, 2018 (the “2017/18 Annual Report”) (*Note*)
- (vi) the unaudited interim report of the Company for the six months ended September 30, 2018 (the “2018/19 Interim Report”)

*Note: On December 12, 2017, the Company announced to change the financial year end date from December 31 to March 31 to coincide with the nature business cycle of certain business lines of the Company, including its online movie ticketing services and entertainment content promotion and distribution business. Accordingly, the last financial year covers a fifteen-month period from January 1, 2017 to March 31, 2018 with the comparative financial year covering a twelve-month period from January 1, 2016 to December 31, 2016.*

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete and accurate and not misleading in all material respects as of the date hereof and we and the Independent Shareholders will be notified by the Company of any material changes thereof as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, has been established to advise the Independent Shareholders as to whether the terms of the Transactions, despite not in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Transactions, we have taken into account the following principal factors:

#### **1. Information on the Company**

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 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 online-to-offline (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial highlights of the Group*

Set out below are the highlights of certain financial information on the Group as extracted from the 2017 Second Interim Report and 2017/18 Annual Report:

#### *Consolidated statement of profit or loss*

	<b>For the six months ended September 30 2018</b>	<b>For the fifteen months ended March 31, 2018</b>		<b>For the twelve months ended December 31, 2017</b>		<b>2016</b>
	<i>RMB million</i> (unaudited)	<i>RMB million</i> (audited)	<i>RMB million</i> (unaudited)	<i>RMB million</i> (unaudited)	<i>RMB million</i> (unaudited)	<i>RMB million</i> (audited)
Revenue	1,532	3,303	1,432	2,366	905	
Gross profit	794	2,340	599	1,756	186	
Selling and marketing expenses	(872)	(3,223)	(1,774)	(2,087)	(1,080)	
Finance (expenses)/ income, net	262	(184)	515	(139)	534	
Loss for the period	(154)	(1,795)	(1,457)	(1,052)	(976)	
Loss attributable to owners of the Company	(126)	(1,659)	(1,392)	(950)	(959)	

#### *Consolidated statement of financial position*

	<b>As at September 30, 2018</b>	<b>As at March 31, 2018</b>	<b>As at December 31, 2017</b>
	<i>RMB million</i> (unaudited)	<i>RMB million</i> (audited)	<i>RMB million</i> (unaudited)
Cash and cash equivalents	2,338	1,686	2,549
Borrowings	726	26	1,008
Net asset value	14,098	14,097	14,859

The Group experienced a material business growth in 2017 as its revenue amounted to approximately RMB2,366 million for the twelve months ended December 31, 2017, representing a significant increase of approximately 161% year-on-year as compared with approximately RMB905 million for the twelve months ended December, 31 2016. Having changed its financial year end from December 31 to March 31, the Group is reporting its financial results for the fifteen months ended on March 31, 2018 (“Reporting Period”). During this Reporting Period, the Group’s total revenue recorded approximately RMB3,303 million, representing a growth of approximately 131% as compared with approximately RMB1,432 million for the fifteen months ended March 31, 2017 (“Previous Period”). Each of the three business segments achieved strong revenue growth which was mainly led by the internet-based promotion distribution business for a fifteen-month growth of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately 129% which amounted to approximately RMB2,659 million in terms of the revenue during the Reporting Period. For the six months ended September 30, 2018, the revenue of the Group recorded approximately RMB1,532 million.

Despite the overall business growth, the Group suffered from a loss attributable to owners of the Company of approximately RMB950 million for the twelve months ended December 31, 2017, slightly reduced as compared with approximately RMB959 million for the twelve months ended December 31, 2016. The Chinese new year holiday period is usually a peak season for box office in the PRC and is considered as a strategic time for the Group's online movie ticketing platform ("Tao Piao Piao") to exert its effort to strengthen its market-leading position as well as to boost revenue. Regardless the efforts devoted by the Group, net loss attributable to the owners of the Company for the Reporting Period was enlarged to approximately RMB1,659 million, representing an increase in net loss of approximately 19% from approximately RMB1,392 million for the Previous Period. In our understanding from the management of the Company, the increase in net loss was materially influenced by the significant increase of the selling and marketing expenses, owing to an increase of approximately 93% to approximately RMB2,087 million for the twelve months ended December 31, 2017 as compared with the corresponding period of the prior year and relevant expenses were further enlarged by approximately RMB1,136 million in the first three months of 2018. For the six months ended September 30, 2018, the Group recorded loss attributable to owners of the Company of approximately RMB126 million.

The cash and cash equivalents of the Group amounted to approximately RMB2,338 million as at September 30, 2018, representing an increase of approximately 39% compared with approximately RMB1,686 million as at March 31, 2018. We note that the Group was in a net cash position given its total borrowings as at September 30, 2018 only recorded approximately RMB726 million. The net asset value of the Group was approximately RMB14,098 million as at September 30, 2018, which is in line with the net asset value as at March 30, 2018.

As advised by the management of the Company, the Group is in the industry which is experiencing strong and continuous growth. In the light of the significant improvement in revenue of each of the three business segments performance, the market expansion and integration made by the Company, we consider that the continuous growth and healthy financial position are going to support Group's operations and meet its foreseeable capital expenditures.

### **2. Information on the Subscriber**

The Subscriber is the controlling Shareholder of the Company. As at the Latest Practicable Date, the Subscriber was wholly-owned by AGH, through its controlled corporation, AIL, and was an investment holding company. AGH's American depository shares are listed on the New York Stock Exchange (stock code: BABA). Alibaba Group's mission is to make it easy to do business anywhere and Alibaba Group aims to achieve sustainable growth for 102 years. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

As at the Latest Practicable Date, the Subscriber was interested in an aggregate of 12,488,058,846 Shares, representing approximately 49.00% of the total issued share capital of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for and benefits of the Subscription

With reference to the letter of the Board, as Alibaba Group strives to strategically unify its digital media and entertainment holdings and pursue stronger synergies, the Subscription will further strengthen the collaboration between the Company and Alibaba Group's other media content and distribution businesses, such as Youku, Damai and Alibaba Literature, to deliver better user experiences for audiences in the PRC. We are advised that the management of Company is of the view that it is considered as a vote of confidence, backing the Company's ability to tap into the promising growth prospects of the PRC's film industry by leveraging Alibaba Group's edge in big data and e-commerce.

The Subscription will accelerate the Company's growth by further strengthening the capital base and financial position of the Company and laying down a more solid foundation for future business development. As the net proceeds from the Subscription are expected to be applied to the general working capital of the Group, it will further enhance the Company's working capital position and improve the Group's net debt ratio and net current liabilities position. The Subscription could raise a substantial amount of additional capital and funding to equip the Group with more resources to stay competitive against its competitors, scale up the business, execute the growth strategies in the four key business segments of the Group, namely, (i) content, (ii) distribution and promotion, (iii) intellectual property (IP) merchandising and financing, and (iv) the continual building of an integrated ecosystem for the movie industry.

#### *Use of proceeds*

The gross proceeds of the Subscription will be approximately HK\$1,250,000,000. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$1,247,500,000. We understand that the net proceeds from the Subscription will mainly be used for content investment, the further expanding of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes.

Based on the above, we concur with the view of the management of the Company that the Subscription represents an opportunity to raise capital for the Company as to maintain a sufficient cash position of the Group to enhance the capital base of the Company and to expand the existing business of the Group, which we consider it is in the interest of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. The Subscription Agreement

The principal terms of the Subscription Agreement are set out as follows:

#### *Date*

December 9, 2018

#### *Parties*

- (i) the Company (as the issuer); and
- (ii) Ali CV (as the subscriber)

#### *Conditions Precedent*

Completion is conditional upon the following conditions being satisfied (or unless, in the case of the conditions (b) and (e) below, waived by the Subscriber):

- (a) the passing resolution(s) at the SGM to be convened by the Company by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of Specific Mandate to the Directors to allot and issue the Subscription Shares;
- (b) the passing of resolutions at a general meeting to be convened by the Company by the Shareholders to approve the appointment of such person(s) as nominated by the Subscriber as Director(s);
- (c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of the definite share certificate(s) representing allotment of the Subscription Shares to the Subscriber or its nominee(s));
- (d) either (i) the SFC confirming in a written ruling that the transaction contemplated under the Subscription Agreement would not trigger a requirement on any party to make a general offer for all the Shares (or other confirmation from the SFC satisfactory to the Subscriber), or (ii) a whitewash waiver (as contemplated under Note 1 to Rule 26 of the Takeovers Code) being obtained from the SFC and approved by the Independent Shareholders in accordance with the Takeovers Code; and
- (e) in addition to conditions (c) and (d) above, the Company having obtained each necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the SFC, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated thereunder, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver not having been revoked or withdrawn.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In the event that the above conditions are not fulfilled or waived (if applicable) on or before February 28, 2019 (or such later date as may be agreed between the parties), then the Subscription Agreement and all rights and obligations hereunder will cease and terminate.

### *Completion*

Subject to the conditions having been fulfilled or waived (if applicable), Completion will take place within three (3) Business Days following the day on which the last of conditions has been fulfilled (or waived, as the case may be), and in any event no later than March 5, 2019 (or such other time or date as the parties may agree in writing).

On the date of Completion, the Subscriber shall pay to the Company the total consideration of HK\$1,250,000,000 in cash for the Subscription and the Subscription Shares shall be allotted and issued to the Subscriber free from all encumbrances. The Subscription Shares shall rank *pari passu* in all respects with the Shares then in issue and in particular will rank in full for all dividends and other distributions declared, made or paid at any time after Completion.

### *Nomination of Directors*

According to the Subscription Agreement, subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and the Bye-laws and for so long as the Subscriber continues to be the single largest Shareholder or a controlling Shareholder, the Subscriber shall have the right to nominate such number of person(s) to be appointed as executive and/or non-executive Director(s) to ensure that the Directors nominated by the Subscriber shall constitute a simple majority of the total number of Directors, and the Company shall use its best endeavours to take all necessary steps to give effect to such rights of the Subscriber.

The Company considers that the nomination right of the Subscriber provided in the Subscription Agreement is in line with the nomination right of the other existing registered Shareholders provided under the Bye-laws, forms part of its rights as a duly registered Shareholder in accordance with the Bye-laws, and is subject to the requirements related to the Board under the Bye-laws and the Listing Rules. The Company will give effect to the director nomination rights of its Shareholders (including but not limited to the subscriber) and any appointment as approved by the Shareholders in accordance with the Bye-laws and applicable laws and regulations.

- *Our views on the terms of Nomination of Directors*

Given the Subscriber is and continues to be a duly registered Shareholder, we consider that such nomination right given to the Subscriber under the Subscription Agreement is on normal commercial terms and is in the ordinary and usual course of business of the Company. We also concur with the view of the Company that the nomination right given to the Subscriber under the Subscription Agreement is in line with the Bye-laws and forms part of its rights as a duly registered Shareholder in accordance with Bye-laws.

Therefore, we are of the view that the nomination right under the Subscription Agreement is fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Specific Mandate to issue the Subscription Shares*

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

#### **5. The Subscription Price**

The Subscription Price of HK\$1.25 per Subscription Share represents:

- (i) a premium of approximately 1.63% to the closing price of HK\$1.23 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.58% to the closing price of HK\$1.31 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (iii) a premium of approximately 1.13% to the average closing price of approximately HK\$1.24 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Last Trading Day;
- (iv) a premium of approximately 7.20% to the average closing price of approximately HK\$1.17 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- (v) a premium approximately 81.16% to the Group's audited consolidated net asset value per Share as at March 31, 2018 of approximately RMB0.55 (equivalent to approximately HK\$0.69).

We understand from the management of the Company that the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other things, recent market prices of the Shares, comparable companies and the business prospects of the Group.

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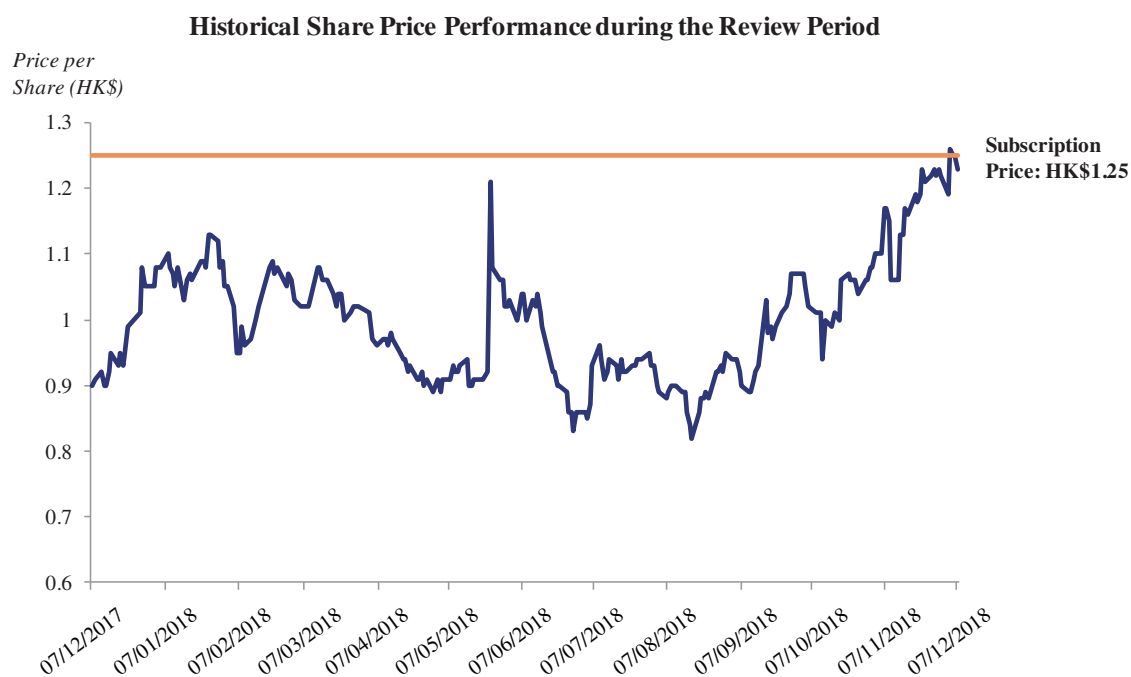
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To assess the fairness and reasonableness of the Subscription Price, we set out the following analyses for illustrative purpose:

### *Review of Company's share prices*

The diagram shown below demonstrating the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 7 December 2017, being approximately 12-month up to and including the Last Trading Day (the “Review Period”), a one-year review period on the Share price is a commonly used tenure for analysis and demonstration purposes that is fair and reasonable for shareholders’ reference in regard to the Subscription Price:



Source: Bloomberg

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the daily closing prices of the Shares fluctuated between HK\$0.82 per Share and HK\$1.26 per Share with an average closing price of HK\$1.00 per Share. We noted that the Subscription Price of HK\$1.25 is within the range of the lowest and highest closing prices of the Shares and is above the average closing price of the Shares as quoted on the Stock Exchange, representing a premium of approximately 52.4% over the lowest closing price of HK\$0.82 recorded on August 17, 2018, a slightly discount of approximately 0.8% to the highest closing price of HK\$1.26 recorded on December 4, 2018 and a premium of approximately 25% over the average closing price of HK\$1.00 during the Review Period. As such, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Comparable Transactions analysis*

As part of our analysis, we have also identified companies listed on the main board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) during the Review Period which have announced a connected transaction involving a share subscription by connected person(s) under specific mandate, excluding any transactions involving other aspects that may affect pricing considerations such as issues of consideration shares or convertible securities and issues involving whitewash waiver applications. We have identified 17 comparable transactions (the “Comparable Transactions”), which we consider an exhaustive list of relevant Comparable Transactions that illustrates same transaction nature as the Transactions based on the abovementioned criteria so as to provide an overall understanding to the Shareholders regarding the recent market practice of such similar type of the transactions. Therefore, we consider that the Comparable Transactions are fair and reasonable which demonstrates representative samples.

It should be noted that all the subject companies involved in the Comparable Transactions might have different principal activities, market capitalisation, profitability, financial position and use of proceeds as compared with those of the Company. Circumstances leading to the subject companies to proceed with the issue or subscription of new shares may also be different from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Subscription Price.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Comparable Transactions analysis on Subscription Price*

Date of Announcement	Company Name	Ticker	Subscription price (HK\$/share)	The subscription price/issuance price at premium/(discount) over/to			
				Last trading day prior to/on the date of the relevant announcement/agreement	The average closing price of last 5 consecutive trading days up to and including the date of the relevant announcement/agreement	The average closing price of last 10 consecutive trading days up to and including the date of the relevant announcement/agreement	The average closing price of last 30 consecutive trading days up to and including the date of the relevant announcement/agreement
26/11/2018	Zhuguang Holdings Group Company Limited	1176	1.30	(6.90%)	(7.80%)	(9.10%)	(8.17%)
06/11/2018	Minshang Creative Technology Holdings Limited	1632	1.10	(38.90%)	(32.50%)	(29.58%)	(17.29%)
26/10/2018	Elife Holdings Limited	223	0.11	6.06%	9.83%	9.03%	10.26%
05/10/2018	Xinyang Maojian Group Limited	362	0.32	(1.59%)	(2.54%)	(3.81%)	(5.28%)
09/09/2018	FDG Electric Vehicles Limited	729	0.09	(5.26%)	(5.26%)	(8.16%)	(8.26%)
20/08/2018	Ban Loong Holdings Limited	30	0.18	0.00%	(1.21%)	0.00%	(0.92%)
30/07/2018	China Putian Food Holding Limited	1699	0.14	(27.10%)	(24.70%)	(25.10%)	(22.28%)
24/07/2018	Shougang Concord International Enterprises Company Limited	697	0.25	28.87%	30.21%	33.05%	24.69%
03/07/2018	CMBC Capital Holdings Limited	1141	0.36	(18.40%)	(19.50%)	(20.97%)	(25.49%)
31/05/2018	China Grand Pharmaceutical and Healthcare Holdings Limited	512	5.00	(21.10%)	(20.20%)	(21.18%)	(15.88%)
24/05/2018	China Baofeng (International) Limited	3966	2.60	(13.33%)	(13.91%)	(17.51%)	(20.24%)
17/04/2018	Asia Resources Holdings Limited*	899	0.25	201.20%	175.90%	178.09%	157.29%
04/04/2018	Ausuntria Dairy Corporation Ltd	1717	5.18	(20.67%)	(17.91%)	(15.50%)	(16.89%)
02/03/2018	Frontier Services Group Limited	500	1.30	(31.58%)	(28.42%)	(28.14%)	(25.59%)
24/01/2018	Beijing Enterprises Water Group Limited	371	5.90	(1.50%)	(2.20%)	(2.00%)	(2.72%)
10/01/2018	New Sports Group Limited	299	0.50	(21.88%)	(27.11%)	(31.79%)	(29.78%)
03/01/2018	Huiyin Smart Community Company Limited	1280	0.50	(29.58%)	(28.77%)	(28.16%)	(25.52%)
			<b>Maximum</b>	28.87%	30.21%	33.05%	24.69%
			<b>Minimum</b>	(38.90%)	(32.50%)	(31.79%)	(29.78%)
			<b>Average</b>	(12.68%)	(12.00%)	(12.43%)	(11.84%)
	<b>The Transactions</b>		<b>1.25</b>	<b>1.63%</b>	<b>1.13%</b>	<b>1.78%</b>	<b>7.20%</b>

Source: the Stock Exchange and the respective announcements of the Comparable Transactions

\* Given the majority of the premium/discounts of the Comparable Transactions are less than 100%, we consider this as outlier and have been excluded from the assessment.

As shown in the table above, the subscription prices of the Comparable Transactions ranged from: (i) a discount of approximately 38.90% to a premium of approximately 28.87% to/over the respective closing prices of their shares on the last trading days prior to/on the date of the announcement/agreement in relation to the relevant share subscription (the “Comparable Transactions Range I”), with an average of a discount of approximately 12.68% (the “Comparable Transactions Average I”); (ii) a discount of approximately 32.50% to a premium of approximately 30.21% to/over the average closing prices of their shares on the last 5 consecutive trading days up to and including the date of the relevant announcement/agreement in relation to the relevant share subscription (the “Comparable Transactions Range II”), with an average of a discount of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately 12.00% (the “Comparable Transactions Average II”); (iii) a discount of approximately 31.79% to a premium of approximately 33.05% to/over the average closing prices of their shares on the last 10 consecutive trading days up to and including the date of the relevant announcement/agreement in relation to the relevant share subscription (the “Comparable Transactions Range III”), with an average of a discount of approximately 12.43% (the “Comparable Transactions Average III”); and (iv) a discount of approximately 29.78% to a premium of approximately 24.69% to/over the average closing prices of their shares on the last 30 consecutive trading days up to and including the date of the relevant announcement/agreement in relation to the relevant share subscription (the “Comparable Transactions Range IV”), with an average of a discount of approximately 11.84% (the “Comparable Transactions Average IV”).

The Subscription Price represents a premium of 1.63% over the closing price of the Shares on December 7, 2018, being the Last Trading Day immediately prior to the entering into of the Subscription Agreement (the “Subscription Price Premium I”), a premium of 1.13% over the average closing price of the Shares on last 5 consecutive trading days up to and including the Last Trading Day (the “Subscription Price Premium II”), a premium of 1.78% over the average closing price of the Shares on last 10 consecutive trading days up to and including the Last Trading Day (the “Subscription Price Premium III”) and a premium of 7.20% to the average closing price of the Shares on last 30 consecutive trading days up to and including the Last Trading Day (the “Subscription Price Premium IV”).

We note that all of the Subscription Price Premium I, Subscription Price Premium II, Subscription Price Premium III and Subscription Price Premium IV are within the Comparable Transactions Range I, Comparable Transactions Range II, Comparable Transactions Range III and Comparable Transactions Range IV, as well as above the Comparable Transactions Average I, the Comparable Transactions Average II, the Comparable Transactions Average III and Comparable Transactions IV, respectively. We are of the view that Subscription Price (at such price discount) is fair and reasonable to the Company so far as the Independent Shareholders are concerned.

### **6. Alternatives to the Subscription**

Based on our discussion with the management of the Company, we understand that the Company had considered various other means of fund raising approaches, such as debt financing and equity financing (e.g. rights issue or open offer) (collectively, the “Financing Alternatives”). However, after due and careful consideration by the Board, the Board is of the view that the Subscription is the most preferable method as compared with debt financing and other equity financing methods after taking into account that (i) debt financing would incur additional finance costs and increase the gearing of the Group and (ii) fluctuation of the Share price and the current volatile stock market in Hong Kong owing to unstable global economy may lead to uncertainties and associated more time consuming in regard to conduct rights issue or open offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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After taking into consideration that (i) the amount of gross proceeds to be raised by the Company through the Subscription, (ii) a shorter timeframe required to complete the Subscription as compared with rights issue or open offer, (iii) a more cost effective method to raise funds as compared with the Financing Alternatives, and (iv) a less dilutive method to the Shareholders to raise funds, in the event the Company has to issue more new Shares but at a further discount to the Subscription Price which may require by the independent investor(s) or independent underwriter(s) so as to raise the same amount of gross proceeds as the Subscription, we are of the view that the Subscription is a more preferred fundraising method than the Financing Alternatives.

### **7. Financial effects of the Subscription**

#### **7.1 Effect on net assets value (“NAV”)**

As disclosed in the 2018/19 Interim Report, the NAV of the Group was approximately RMB14,098 million as at September 30, 2018. Upon Completion, it is expected to generate net proceeds of approximately RMB1,248 million and accordingly increasing the issued capital and reserve of the Company.

#### **7.2 Effect on cash and working capital**

As disclosed in the 2018/19 Interim Report, the unaudited cash and cash equivalents of the Group amounted to approximately RMB2,338 million. Upon Completion, the cash position and the current asset of the Group will be improved given the cash will be increased by the net proceeds to be received. As such, the Subscription is expected to have a positive impact on the cash flow of the Group. Meanwhile, assuming the total borrowings of the Group remain unchanged and the total equity would be enlarged by the allotment and issuance of the Subscription Shares, the gearing ratio of the Group is expected to be improved upon Completion accordingly.

Based on the above, the Subscription will overall have a positive impact on the NAV and working capital of the Company, which we think it is in the interest of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 8. Effects on shareholding structure

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately following the Completion assuming none of the Outstanding Share Options will have been exercised (and assuming there will be no change in the issued share capital of the Company for the period between the Latest Practicable Date and the Completion, save for the allotment and issue of the Subscription Shares):

Shareholder	Shareholding as at Latest Practicable Date		Shareholding upon the Completion assuming none of the Outstanding Share Options will have been exercised	
	Number of Shares	%	Number of Shares	%
Subscriber	12,488,058,846	49.00	13,488,058,846	50.92
<b>Sub-total</b>	<u>12,488,058,846</u>	<u>49.00</u>	<u>13,488,058,846</u>	<u>50.92</u>
<b>Director(s)</b>				
Zhang Wei	1,440,609	0.01	1,440,609	0.01
Shao Xiaofeng	10,000,000	0.04	10,000,000	0.04
	<i>(Note)</i>			
<b>Sub-total</b>	<u>11,440,609</u>	<u>0.04</u>	<u>11,440,609</u>	<u>0.04</u>
Other shareholders	12,988,524,455	50.96	12,988,524,455	49.04
<b>Total</b>	<u><b>25,488,023,910</b></u>	<u><b>100.00</b></u>	<u><b>26,488,023,910</b></u>	<u><b>100.00</b></u>

*Note:*

*Such 10,000,000 Shares are directly held by a discretionary trust of which Mr. Shao Xiaofeng is a founder who can influence how the trustee exercises his discretion. Mr. Shao Xiaofeng is taken to be interested in all such 10,000,000 Shares of the Company.*

As shown in the above table, the existing public Shareholders' interest will be slightly diluted from approximately 50.96% as at the Latest Practicable Date to approximately 49.04% upon the Completion, representing a dilution of approximately 1.92%.

Having considered (i) the reasons and benefits of the Subscription in the paragraph headed "3. Reasons for and benefits of the Subscription" including the strategic benefits would be brought to the Company and the Shareholders as a whole by leveraging on Alibaba Group's extensive resources and increasing the synergy effects, (ii) the positive financial effects in the paragraph "7 Financial effects of the Subscription", and (iii) that there are no better alternatives to the Subscription as stated in the paragraph headed "6. Alternatives to the Subscription", we consider such dilution of the public shareholding owing to the Subscription is acceptable.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Subscription Agreement together with the proposed issue and allotment of the Subscription Shares, despite not in the ordinary and usual course of business of the Company, are (i) on normal commercial terms, (ii) fair and reasonable and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholder, to vote in favour of the resolution to be proposed at the SGM to approve the Transactions.

Yours faithfully,

For and on behalf of

**Platinum Securities Company Limited**

**Li Lan**

*Director and Co-head of Corporate Finance*

*Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over twelve years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

### (a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Completion are set out below:

#### (i) As at the Latest Practicable Date

*Authorised:*

<u>30,000,000,000</u>	Shares of HK\$0.25 each	<u>HK\$7,500,000,000.00</u>
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*Issued and fully paid or credited as fully paid:*

<u>25,488,023,910</u>	Shares of HK\$0.25 each	<u>HK\$6,372,005,977.50</u>
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#### (ii) Immediately following the Completion

*Authorised:*

<u>30,000,000,000</u>	Shares of HK\$0.25 each	<u>HK\$7,500,000,000.00</u>
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*Issued and fully paid or credited as fully paid:*

<u>25,488,023,910</u>	Shares of HK\$0.25 each	<u>HK\$6,372,005,977.50</u>
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<u>1,000,000,000</u>	Subscription Shares to be allotted and issued under the Subscription Agreement	<u>HK\$250,000,000.00</u>
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<u>26,488,023,910</u>	Shares in issue upon Completion and assuming none of the Outstanding Share Options have been exercised	<u>HK\$6,622,005,977.50</u>
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<u>26,639,528,910</u>	Shares in issue upon Completion and assuming all Outstanding Share Options have been exercised	<u>HK\$6,659,882,227.50</u>
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All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of the Subscription Shares.

**(b) Share options**

As at the Latest Practicable Date, the Company had 151,505,000 Outstanding Share Options granted by the Company.

Save as disclosed in the section headed “SHARE CAPITAL AND SHARE OPTIONS” in this appendix and as at the Latest Practicable Date, the Company had no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

**3. DISCLOSURE OF INTERESTS**

**(i) Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

**Long positions in the Shares and underlying Shares of the Company**

Name of Director	Long/Short position	Nature of interest	Number of ordinary shares held	Derivatives		Aggregate interests	Percentage of aggregate interests to total Issued share capital of the Company <i>(Note 1)</i>
				Share options	Awarded Shares		
Zhang Wei	Long position	Beneficial Owner	1,440,609	17,000,000 <i>(Note 2)</i>	4,000,000 <i>(Note 3)</i>	22,440,609	0.09%
Shao Xiaofeng	Long position	Founder of a Discretionary trust	10,000,000 <i>(Note 4)</i>	-	-	10,000,000	0.04%

*Notes:*

1. Based on a total of 25,488,023,910 Shares of the Company in issue as at the Latest Practicable Date.
2. 10,000,000 share options were granted to Ms. Zhang Wei on April 13, 2016, of which 5,000,000 share options were cancelled upon the grant of 2,000,000 awarded Shares on July 28, 2017. Subsequently 5,000,000 and 7,000,000 share options were granted to Ms. Zhang Wei on October 24, 2017 and May 21, 2018, respectively. There were 17,000,000 share options held by Ms. Zhang Wei, but not exercised, as at the Latest Practicable Date.
3. 2,000,000 awarded Shares were granted to Ms. Zhang Wei on July 28, 2017 in replacement of the 5,000,000 share options (out of 10,000,000 share options) granted to her on April 13, 2016. Subsequently, 2,000,000 and 2,500,000 awarded Shares were granted to Ms. Zhang Wei on October 27, 2017 and May 21, 2018. There were 4,000,000 awarded Shares held by Ms. Zhang Wei, but not vested to her, as at the Latest Practicable Date.
4. Such 10,000,000 Shares are directly held by a discretionary trust of which Mr. Shao Xiaofeng is a founder who can influence how the trustee exercises his discretion. Mr. Shao Xiaofeng is taken to be interested in all such 10,000,000 Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

**Long positions in Shares and underlying Shares of the Company**

Name	Capacity in which interests are held	Number of Shares/ underlying Shares held	Long position/ Short position	Approximate percentage of issued share capital <sup>2</sup>
Ali CV	Beneficial owner <sup>1</sup>	12,488,058,846	Long position	49.00%
AIL	Held by controlled corporation <sup>1</sup>	12,488,058,846	Long position	49.00%
AGH	Held by controlled corporation <sup>1</sup>	12,488,058,846	Long position	49.00%

*Notes:*

1. This represents the interest in 12,488,058,846 Shares held by Ali CV as beneficial owner (excluding the Subscription Shares). As at the Latest Practicable Date, Ali CV was wholly-owned by AGH, through its controlled corporation, AIL. Accordingly, AGH and AIL were deemed to have the same interest held by Ali CV.
2. As at the Latest Practicable Date, the Company had a total of 25,488,023,910 Shares in issue.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

**4. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS****(a) Competing interests**

As at the Latest Practicable Date, none of the Directors and their respective close associates was considered to have an interest in any business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since March 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**(c) Interests in contracts or arrangements**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

**(d) Service contracts**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with any member of the Group which did not expire or was not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**5. EXPERTS AND CONSENTS**

The qualifications of the expert who have given opinions and advice in this circular as follows:

<b>Name</b>	<b>Qualification</b>
Platinum Securities Company Limited	a corporation licensed under the SFO to carry out type 1 and type 6 regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription

The expert named above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since March 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since March 31, 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m.) at the principal place of business of the Company in Hong Kong situated at 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong up to and including February 22, 2019:

- (a) the Subscription Agreement;
- (b) the letter from the Board, the text of which is set out on pages 4 to 13 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-16 of this circular;
- (e) the written consents as referred to in the paragraph headed “EXPERTS AND CONSENTS” in this appendix; and
- (f) this circular.

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## NOTICE OF SGM

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# 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)

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “Meeting”) of Alibaba Pictures Group Limited (the “Company”) will be held at Units 2302-2305, 23/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Friday, February 22, 2019 at 10:30 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution:

### ORDINARY RESOLUTION

1. “**THAT:**

- i. the subscription agreement dated December 9, 2018 (the “Subscription Agreement”, a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into between the Company and Ali CV Investment Holding Limited (the “Subscriber”) pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 1,000,000,000 new shares of the Company (the “Subscription Shares”) at the subscription price of HK\$1.25 per Subscription Share and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
- ii. all the transactions contemplated under the Subscription Agreement, including but not limited to the grant of the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “Specific Mandate”), be and are hereby approved and the directors of the Company (the “Director(s)”) be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and
- iii. any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).”

By Order of the Board  
**Alibaba Pictures Group Limited**  
**Ng Lok Ming, William**  
*Company Secretary*

Hong Kong, January 31, 2019



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## NOTICE OF SGM

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*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*  
26/F Tower One  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company (the “Shares”) may appoint more than one proxy to represent him to attend and vote on his behalf.
2. Where there are joint registered holders of any Share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint registered holders are present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect of such Share.
3. To be valid, the form of proxy, duly completed and signed in accordance with the instructions printed thereon, together with any power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.
4. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Monday, February 18, 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, February 18, 2019.
5. All voting by the members at the Meeting shall be conducted by way of poll.

*As at the date of this notice, the board of Directors 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.*