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**DISCLOSEABLE TRANSACTION
INVESTMENT IN HANGZHOU XINGJI**

The Board is pleased to announce that the Company through Tianjin Ali Pictures, an indirect wholly-owned subsidiary of a variable interest entity of the Company, has entered into the Xingji Investment Agreement to make a proposed investment in Hangzhou Xingji which operates the Hangzhou Star Cinema in Hangzhou, the PRC.

THE XINGJI INVESTMENT AGREEMENT

Pursuant to the Xingji Investment Agreement:

- (a) Hangzhou Kunwei conditionally agreed to transfer, and Tianjin Ali Pictures conditionally agreed to acquire, approximately 60.94% equity interest in Hangzhou Xingji for a consideration of RMB39,000,000; and
- (b) Tianjin Ali Pictures conditionally agreed to make a capital contribution of RMB61,000,000 to Hangzhou Xingji.

Upon Completion, the equity interest of Hangzhou Xingji will be owned as to 80% by Tianjin Ali Pictures and 20% by Mr. Lu.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Xingji Investment are more than 5% but less than 25%, the Xingji Investment constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING

COMPLETION IS SUBJECT TO THE FULFILMENT (OR WAIVER, AS MAYBE APPLICABLE) OF THE CONDITIONS UNDER THE XINGJI INVESTMENT AGREEMENT. ACCORDINGLY, THE XINGJI INVESTMENT MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD THEREFORE EXERCISE CAUTION WHEN DEALINGS IN THE SHARES.

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THE XINGJI INVESTMENT AGREEMENT

Date: August 22, 2016

Parties:

- (1) Hangzhou Xingji, as target company
- (2) Mr. Lu, as existing shareholder of Hangzhou Xingji
- (3) Hangzhou Kunwei, as existing shareholder of Hangzhou Xingji and transferor
- (4) Tianjin Ali Pictures, an indirect wholly-owned subsidiary of a variable interest entity of the Company, as transferee

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Hangzhou Xingji, Hangzhou Kunwei and their respective ultimate beneficial owners and Mr. Lu are third parties independent of the Company and its connected persons.

Subject matter: As at the date of this announcement, the equity interest of Hangzhou Xingji is owned as to approximately 60.94% by Hangzhou Kunwei and approximately 39.06% by Mr. Lu.

Pursuant to the Xingji Investment Agreement:

- (a) Hangzhou Kunwei conditionally agreed to transfer, and Tianjin Ali Pictures conditionally agreed to acquire, approximately 60.94% equity interest in Hangzhou Xingji for a consideration of RMB39,000,000; and
- (b) Tianjin Ali Pictures conditionally agreed to make a capital contribution of RMB61,000,000 to Hangzhou Xingji.

Upon Completion, the equity interest of Hangzhou Xingji will be owned as to 80% by Tianjin Ali Pictures and 20% by Mr. Lu.

Consideration for the Equity Transfer: The consideration for the Equity Transfer is RMB39,000,000, which shall be payable by Tianjin Ali Pictures to Hangzhou Kunwei as follows:

- (a) RMB5,000,000 as prepayment within seven business days after the date of signing of the Xingji Investment Agreement;
- (b) RMB30,100,000 shall be payable on the date of Completion; and
- (c) RMB3,900,000 (subject to adjustment as explained below) shall be payable within seven business days after fulfillment or waiver of the post-completion undertakings as specified in the Xingji Investment Agreement.

The payment of the balance of RMB3,900,000 may be adjusted accordingly with reference to the difference between the operating assets and the operating liabilities of Hangzhou Xingji as audited by the certified public accountants appointed by Tianjin Ali Pictures within three months after Completion.

Capital Contribution: The amount of Capital Contribution is RMB61,000,000, which shall be payable by Tianjin Ali Pictures to Hangzhou Xingji as follows:

- (a) RMB5,000,000 as prepayment within seven business days after the date of signing of the Xingji Investment Agreement;
- (b) RMB37,700,000 shall be payable on the date of Completion; and
- (c) RMB18,300,000 shall be payable within seven business days after fulfillment or waiver of the post-completion undertakings as specified in the Xingji Investment Agreement.

Basis of consideration for Equity Transfer and Capital Contribution: The amount of consideration for the Equity Transfer and Capital Contribution was arrived at after arm's length negotiations among the parties to the Xingji Investment Agreement, having taken into account, among other things, (i) the unaudited net asset value of Hangzhou Xingji in the amount of approximately RMB13,702,424 as at July 31, 2016; (ii) the value of the Hangzhou Star Cinema currently operated by Hangzhou Xingji; (iii) the experience of Hangzhou Xingji in cinema management; and (iv) the development of new cinema projects in the future and the potential for synergies between the Group's and Hangzhou Xingji's business profiles.

The consideration for the Equity Transfer and Capital Contribution will be settled by using the Group's available internal resources.

Conditions precedent: Pursuant to the Xingji Investment Agreement, Completion is conditional upon the satisfaction or waiver (as the case may be) of certain conditions, including among others, as stated below:

- (a) the warranties and representations given by Mr. Lu, Hangzhou Kunwei, and Hangzhou Xingji remaining true, accurate, complete and not misleading in all respects at the time of making and at the date of Completion;
- (b) both Tianjin Ali Pictures and Hangzhou Xingji having obtained all necessary approval and authorization from relevant governmental authorities and all necessary consents and waiver from third parties in respect of the Xingji Investment Agreement and the transactions contemplated thereunder, including but not limited to the existing shareholders' waiver of pre-emptive rights to the Equity Transfer and the Capital Contribution and the shareholders' approval of Hangzhou Xingji in respect of the Xingji Investment by Tianjin Ali Pictures; and
- (c) Hangzhou Xingji having completed all necessary registration and filing with the relevant Administration for Industry & Commerce in the PRC.

Completion:

Completion shall take place within seven business days after fulfilment or waiver of all conditions precedent or on any other date as agreed by Hangzhou Xingji and Tianjin Ali Pictures. If Completion does not take place within 60 days after the signing of the Xingji Investment Agreement, Tianjin Ali Pictures may terminate the Xingji Investment Agreement and Hangzhou Xingji and Hangzhou Kunwei shall return any prepayment received from Tianjin Ali Pictures immediately. If Completion does not take place within 60 days after the signing of the Xingji Investment Agreement due to reasons of Tianjin Ali Pictures, Hangzhou Xingji and Hangzhou Kunwei may terminate the Xingji Investment Agreement and request for a compensation of not more than RMB3,000,000 from Tianjin Ali Pictures.

Shareholders' rights:

Pursuant to the Xingji Investment Agreement, Tianjin Ali Pictures shall enjoy certain shareholder's rights upon Completion. Such rights include, among others:

- (a) right to make a full contribution to the increase in registered capital if Mr. Lu refuses to contribute in proportion to the existing shareholding;
- (b) pre-emptive right and approval right in the case of transfer of equity interest in Hangzhou Xingji by Mr. Lu to a third party;
- (c) drag along right in the case of transfer of equity interest in Hangzhou Xingji by Tianjin Ali Pictures to a third party;
- (d) right to appoint two out of three directors, the supervisor and the chief financial officer of Hangzhou Xingji (Mr. Lu shall be the chief executive officer of Hangzhou Xingji until December

31, 2019);

- (e) veto right on new Cineplex projects proposed by the chief executive officer of Hangzhou Xingji; and
- (f) right to acquire the equity interest of Mr. Lu in Hangzhou Xingji if Mr. Lu ceases to be the chief executive officer before December 31, 2019 due to his resignation or reasons as set out in the Xingji Investment Agreement and if so offered by Mr. Lu. If Mr. Lu is dismissed due to reasons other than those set out in the Xingji Investment Agreement, Tianjin Ali Pictures is obliged to acquire the equity interest of Mr. Lu in Hangzhou Xingji if so offered by Mr. Lu.

The Xingji Investment Agreement also provides that for so long as Mr. Lu owns not less than 15% equity interest in Hangzhou Xingji, there will be no increase in registered capital unless Mr. Lu consents to it.

INFORMATION ABOUT HANGZHOU XINGJI

Information about Hangzhou Xingji

Hangzhou Xingji is a company established in the PRC and is principally engaged in the operation and management of Hangzhou Star Cinema, movie screening and other related business.

Based on the unaudited financial statements of Hangzhou Xingji, the net asset value of Hangzhou Xingji as at July 31, 2016 was RMB13,702,424.

Based on the unaudited financial statements of Hangzhou Xingji, the net profit before/after taxation of Hangzhou Xingji for the years ended December 31, 2014 and 2015 are as follows:

	For the year ended December 31, 2014 (RMB)	For the year ended December 31, 2015 (RMB)
Net profit before tax and extraordinary items	154,987	751,022
Net profit after tax and extraordinary items	109,112	563,266

Information about Hangzhou Kunwei

Hangzhou Kunwei is a limited partnership established in the PRC and is principally engaged in industrial investment and investment management. Hangzhou Kunwei is ultimately owned by Wang Peipei and Mr. Lu, each as a limited partner.

INFORMATION ABOUT THE COMPANY AND TIANJIN ALI PICTURES

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). The Company is the flagship unit of Alibaba Group's movie, television and other entertainment businesses and its core businesses include four main segments: film and television production centered on IP (intellectual property); internet-based promotion and distribution combining internet technologies and traditional off-line distribution; the building and operation of e-commerce platforms for entertainment as an extension of the Alibaba Group ecosystem; and international operations that consolidate global resources, technologies and talents in order to compete in the global entertainment industry.

Tianjin Ali Pictures is an indirect wholly-owned subsidiary of a variable interest entity of the Company whose principal business activities include exhibition of movies, construction of cinemas, corporate management consulting, selling and leasing of audio and visual, cultural and entertainment facilities.

REASONS FOR AND BENEFIT OF ENTERING INTO THE XINGJI INVESTMENT AGREEMENT

Hangzhou Xingji owns, operates and manages the Hangzhou Star Cinema, which houses eleven theaters, including one 4D theater and one China Film Giant Screen (CFGS) theater. Given the Group's existing platform which spans production, promotion and distribution, online ticketing and cinema ticketing management system, for the furtherance of the vertical integration of the Group's industry value chain, the Group envisages to invest in and develop its own downstream entertainment venue for end consumers. The Xingji Investment will allow the Group to explore the possibilities of using its existing data, internet knowhow and resources to enhance the operational efficiency of cinemas, thereby creating a business approach towards capturing more potential growth of the movie industry in the PRC. The Board believes that the Xingji Investment will create benefits and strategic synergies between the Group and Hangzhou Xingji, which can complement the existing business segments of the Group and enhance the Group's competitiveness as a whole. The Directors are of the view that the terms of the Xingji Investment Agreement are fair and reasonable and the agreement is in the interests of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Capital Contribution”	the capital contribution by Tianjin Ali Pictures to the increase in the registered capital of Hangzhou Xingji pursuant to the Xingji Investment Agreement
“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
“Completion”	completion of the Xingji Investment pursuant to the terms and conditions of the Xingji Investment Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hangzhou Xingji”	杭州星際影視文化有限公司 (Hangzhou Xingji Media Culture Company Limited [*]), a company established under the laws of the PRC
“Hangzhou Star Cinema”	杭州星際影城 (Hangzhou Star Cinema [*])
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Hangzhou Kunwei”	杭州坤維投資合夥企業（有限合夥）(Hangzhou Kunwei Investment Partnership Corporation (Limited Partnership) [*]), a limited partnership established under the laws of the PRC
“Mr. Lu”	陸波(Lu Bo [*]), an existing shareholder of Hangzhou Xingji
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Equity Transfer”	the acquisition of approximately 60.94% equity interest in Hangzhou Xingji from Hangzhou Kunwei by Tianjin Ali Pictures pursuant to the Xinji Investment Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Tianjin Ali Pictures”	天津阿里巴巴影業管理有限公司 (Tianjin Ali Pictures Movie Management Company Limited*), an indirect wholly-owned subsidiary of a variable interest entity of the Company established in the PRC
“Xingji Investment”	the investment in Hangzhou Xingji by Tianjin Ali Pictures by way of Equity Transfer and Capital Contribution pursuant to the Xingji Investment Agreement
“Xingji Investment Agreement”	the investment agreement dated August 22, 2016 entered into between (i) Hangzhou Xingji; (ii) Hangzhou Kunwei; (iii) Mr. Lu and (iv) Tianjin Ali Pictures in relation to the Xingji Investment
“%”	per cent

** English name for identification purpose only.*

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

Hong Kong, August 22, 2016

As at the date of this announcement, the Board comprises Mr. Shao Xiaofeng, Mr. Zhang Qiang, Mr. Deng Kangming, Ms. Zhang Wei and Mr. Fan Luyuan, being the executive Directors; Mr. Li Lian Jie, being the non-executive Director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.