THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, your stockbroker or registered institution 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 to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CONDITIONAL ACQUISITION OF THE ONLINE MOVIE TICKETING BUSINESS AND YULEBAO AND (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTION AND (3) NOTICE OF SPECIAL GENERAL MEETING

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

SOMERLEY CAPITAL LIMITED

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 24 of this circular. A letter from Somerley Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 64 of this circular.

A notice convening the Special General Meeting to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, December 29, 2015 at 11:00 a.m. is set out on pages 82 to 83 of this circular. A form of proxy for use at the Special General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/alibabapictures).

Whether or not you are able to attend the Special General Meeting, please complete and sign the enclosed 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 Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting if you so wish.

December 9, 2015

CONTENTS

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

"Affiliate"	with respect to any person that is not an individual, any other person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such person; provided, however, that for the purposes of the Framework Agreement, AGH and its Affiliates (other than the Target Group), on the one hand, and the Target Group, on the other hand, shall not be deemed to be Affiliates of each other
"AGH"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange
"AGH SBC Reimbursement Agreement"	the SBC Reimbursement Agreement to be entered into at Completion between the Company and AGH in relation to certain of the Transferred Employees
"Ali CV"	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands, a wholly-owned subsidiary of Alibaba Investment and an indirect wholly-owned subsidiary of AGH
"Alibaba Group"	AGH and its subsidiaries (other than the Target Group and the Group)
"Alibaba Investment"	Alibaba Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of AGH
"Ancillary Documents"	(i) the Cooperation Agreement; (ii) the Data Platform Participation Agreement; (iii) the IP Licence Agreement; (iv) the Technology Services Agreement; and (v) the Transitional Arrangement Agreement, each of which is ancillary to the Proposed Acquisition
"Ant Financial"	Zhejiang Ant Small and Micro Financial Services Group Co., Ltd (浙江螞蟻小微金融服務集團有限公司), a company incorporated under the laws of the PRC
"Assignment of IP Assets"	the assignment of the IP Assets to be entered into at Completion between the Company as assignee and AGH as assignor
"Board"	the board of the Directors

"Bipartite Network Operator Agreements"	all agreements entered into prior to, and which remain in force at, Completion between network system operators and a member of the Alibaba Group in relation to the provision of online ticketing services used in the Online Movie Ticketing Business
"Business Day"	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong and the PRC are open for the transaction of normal business
"Cinema Operator Agreements"	all agreements entered into prior to, and which remain in force at, Completion between cinema operators and a member of the Alibaba Group or the Target Group in relation to the provision of online ticketing services used in the Online Movie Ticketing Business
"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 acquisition of the Target Business on the terms and subject to the conditions of the Framework Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Control"	the power or authority, whether exercised or not, to direct the business, management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors (or similar governing body) of such person; the term "Controlled" has the meaning correlative to the foregoing
"Cooperation Agreement"	the agreement relating to the provision by AGH (or its Affiliates) to the Company (or its Affiliates) of (i) the use of certain user entry points; and (ii) advertising of services and products (if any), to be entered into at Completion between the Company and AGH
"Data Platform Participation Agreement"	the data usage and sharing agreement to be entered into at Completion between the Company and AGH
"Director(s)"	the director(s) of the Company

"Framework Agreement"	the agreement entered into between the Company and AGH on November 4, 2015 pursuant to which AGH shall sell, and the Company shall purchase, the Target Business
"Group"	the Company and its subsidiaries, and where the context requires, shall include those entities, ownership or control of which will be transferred to the Company at Completion
"HK Subsidiary"	Aurora Media (HK) Limited (晨曦媒體(香港)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Target Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising Ms. Song Lixin and Mr. Tong Xiaomeng, being the independent non-executive Directors, formed to advise the Independent Shareholders on the Proposed Acquisition and the Shared Services Agreement
"Independent Financial Adviser" or "Somerley Capital"	Somerley Capital Limited, a corporation licensed under the Securities and Futures Commission to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders on the Proposed Acquisition, the Shared Services Agreement and the duration of the IP Licence Agreement
"Independent Shareholders"	Shareholders, other than Ali CV and its respective associates
"IP Assets"	the intellectual property rights to be assigned by AGH to the Company pursuant to the Assignment of IP Assets
"IP Licence Agreement"	the agreement to be entered into at Completion between the Company and AGH whereby each will license certain intellectual property rights to the other
"Jones Lang LaSalle"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer
"Junhan"	Hangzhou Junhan Equity Investment Partnership (杭州君瀚股權投資合夥企業（有限合夥）), a limited partnership company incorporated under the laws of the PRC

"Latest Practicable Date"	December 4, 2015 being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-exempt Continuing Connected Transaction"	the continuing connected transaction contemplated under the Shared Services Agreement
"Online Movie Ticketing Business"	the Online Movie Ticketing Business as described in the section headed "Letter from the Board – 1. Principal Terms of the Proposed Acquisition" in this circular
"Other Continuing Connected Transactions"	the continuing connected transaction transactions contemplated under the Technology Services Agreement, the Transitional Arrangement Agreement and the IP Licence Agreement
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Pre-Completion Restructuring"	the restructuring of the Target Business as set out in the Framework Agreement
"Proposed Acquisition"	the transactions contemplated under the Framework Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.25 in the share capital of the Company
"Share Award(s)"	in respect of the AGH SBC Reimbursement Agreement, the share-based awards relating to ordinary shares in AGH
"Share Purchase Agreement"	the agreement to be entered into at Completion between the Company and AGH pursuant to which AGH shall sell, and the Company shall purchase, the entire issued share capital of the Target Company

"Shared Services Agreement"	the agreement in relation to office space and support services, customer service support, business intelligence services, maintenance service for the Yulebao database, office system and support services, procurement function support services and SMS platform services, entered into on November 4, 2015 between the Company and AGH
"Shareholder(s)"	holder(s) of the Share(s)
"Special General Meeting"	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote on, the Proposed Acquisition and the Non-exempt Continuing Connected Transaction
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the same meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the same meaning ascribed to it under the Listing Rules
"Target Business"	the Online Movie Ticketing Business and Yulebao as described in the sub-section headed "Letter from the Board – 1.1 Framework Agreement – (iii) Businesses to be acquired" in this circular
"Target Company"	Aurora Media (BVI) Limited, a company incorporated in the British Virgin Islands
"Target Group"	the Target Company, the HK Subsidiary and the WFOE
"Technology Services Agreement"	the agreement in relation to the provision by AGH (or its Affiliates) to the Company (or its Affiliates) of technology services, including the provision of servers, co-location, bandwidth and cloud computing services (if applicable), and with respect to the Online Movie Ticketing Business, the provision by AGH (or its Affiliates) to the Company (or its Affiliates) of access to certain systems (including the transaction system, marketing system, pricing system, BD task flow management system, basic data management system and interface and client relationship management system), to be entered into at Completion between the Company and AGH
"Transaction Documents"	(i) the Share Purchase Agreement; (ii) the Assignment of IP Assets; and (iii) the AGH SBC Reimbursement Agreement

"Transferred Contracts"	the contracts of AGH or its Affiliates relating to the Target Business entered into prior to, and which remain in force at, Completion comprising (a) the Cinema Operator Agreements; (b) the Bipartite Network Operator Agreements; (c) the Tripartite Network Operator Agreements; (d) certain ticketing device procurement agreements; (e) certain marketing promotion agreements; and (f) the Yulebao Investment Contracts
"Transferred Employees"	certain employees of AGH or its Affiliates whose primary responsibilities, as of the date of the Framework Agreement, are to support the Target Business
"Transitional Arrangement Agreement"	the agreement in relation to the post-Completion reimbursement to AGH by the Company of salaries and/or benefits (including without limitation social security payments) paid to all or some of the Transferred Employees, to be entered into at Completion between the Company and AGH
"Tripartite Network Operator Agreements"	all agreements entered into prior to, and which remain in force at, Completion by and among a network system operator, cinema operators and a member of the Alibaba Group in relation to the provision of online ticketing services used in the Online Movie Ticketing Business
"US$"	United States dollar, the lawful currency of the United States of America
"WFOE"	Hangzhou Chenxi Multimedia Technology Limited* (杭州晨熹多媒體科技有限公司), a wholly foreign-owned enterprise incorporated in the PRC, a wholly-owned subsidiary of HK Subsidiary and an indirect wholly-owned subsidiary of the Target Company
"Yulebao"	Yulebao as described in the section headed "Letter from the Board – 1. Principal Terms of the Proposed Acquisition" in this circular
"Yulebao Investment Contracts"	all agreements entered into prior to, and which remain in force at, Completion between members of the Alibaba Group and certain other parties for investing in the production of movies, television shows, variety shows or other entertainment content (including productions by independent artists and movies producers)
"%"	per cent.

* *English name for identification purpose only.*

This circular contains translations between US$ and RMB amounts at US$1 = RMB6.3363, being the exchange rate prevailing on November 3, 2015. The translations should not be taken as a representation that the RMB could actually be converted into US$ at that rate or at all.

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. Shao Xiaofeng *(Chairman)*
Mr. Liu Chunning
Mr. Zhang Qiang *(Chief Executive Officer)*

Non-executive Director:
Mr. Li Lian Jie

Independent non-executive Directors:
Ms. Song Lixin
Mr. Tong Xiaomeng

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

Principal place of business in Hong Kong:
26/F, Tower One
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

December 9, 2015

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CONDITIONAL ACQUISITION OF THE ONLINE MOVIE TICKETING BUSINESS AND YULEBAO AND (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to the announcement of the Company dated November 4, 2015, in which the Company announced that it had entered into: (i) the Framework Agreement with AGH in relation to the conditional acquisition by the Company of the Target Business; and (ii) the Shared Services Agreement in relation to the Non-exempt Continuing Connected Transaction.

The purpose of this circular is to provide you with (i) further details of the Proposed Acquisition, the Framework Agreement, the Non-exempt Continuing Connected Transaction and the Ancillary Documents; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the Special General Meeting.

1. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

1.1 Framework Agreement

(i) Date

November 4, 2015

(ii) Parties

Purchaser: The Company

Vendor: AGH

(iii) Businesses to be acquired

Subject to the terms and conditions of the Framework Agreement, the Company has agreed to acquire the Target Business from AGH by (a) acquiring the entire issued share capital of the Target Company pursuant to the Share Purchase Agreement; (b) accepting the assignment of the IP Assets pursuant to the Assignment of IP Assets; (c) making arrangements with AGH in relation to certain of the Transferred Employees pursuant to the AGH SBC Reimbursement Agreement; and (d) accepting the Transferred Contracts from AGH.

The Target Business comprises the Online Movie Ticketing Business and Yulebao.

(a) Online Movie Ticketing Business

The Online Movie Ticketing Business involves the operation of an online platform which enables consumers to purchase movie tickets online from third party movie theatres. The business acts as an agent between the consumers and the theatres.

In addition, the Online Movie Ticketing Business provides (i) online promotion of movie releases for movie theatres and movie producers; (ii) movie-related entertainment information; and (iii) online sale of movie-related merchandise to consumers, and enables consumers to redeem or receive gifts provided by reward-points operators related to movie tickets.

(b) Yulebao

Yulebao is a financing and investment platform through which users can invest in the production of movies, television shows, variety shows or other entertainment content (including productions by independent artists and movie producers) selected by Yulebao through online purchase of investment products offered by financial institutions with which Yulebao collaborates. It also provides an interactive, fans-based platform which allows individual investors to participate in activities related to the projects in which they have invested, such as film set visits and opportunities to attend movie premieres.

(iv) Consideration

The consideration for the sale and purchase of the Target Business shall be an amount equal to the aggregate of:

(a) the equity value of the entire issued share capital of the Target Company, being US$349,969,160, subject to the following adjustments:

(i) adding an amount equal to the amount of cash in the WFOE as of the date of Completion, which shall not exceed US$99,900,000; and

(ii) adding an amount equal to certain operating expenses (which largely comprise marketing expenses and staff costs (excluding share-based compensation)) as agreed between the Company and AGH incurred by AGH in relation to the Target Business for the period between July 1, 2015 and the date of Completion (the estimate of which is approximately RMB369,348,321 (being approximately US$58,290,851) as of November 4, 2015, for the period between July 1, 2015 and December 31, 2015);

(b) adding the value of the IP Assets (which is determined by reference to the cost basis valuation conducted by an independent valuer in the PRC), being US$30,840;

(c) adding the amount to be paid by the Company to AGH pursuant to the AGH SBC Reimbursement Agreement (the estimate of which is approximately US$11,418,430 as of November 4, 2015); and

(d) adding the amount of reimbursement to AGH for business taxes paid by AGH before July 1, 2015 in respect of the Yulebao Investment Contracts, which shall not exceed RMB1,579,522 (being approximately US$249,281).

The consideration will be subject to post-Completion adjustment to reflect the difference (if any) in the estimated and actual amount (made up to the date of Completion) of items (a)(i), (a)(ii), (c) and (d) above.

As Alibaba Group established and grew the Target Business, and did not acquire it from a third party, there is no original acquisition cost for the Target Business.

The consideration payable under the Framework Agreement is the agreed value of the Target Business with reference to the business valuation with respect to the Target Business conducted by Jones Lang LaSalle, and was arrived at after arm's length negotiations between the Company and AGH, taking into account various factors, including:

(a) the market position and significant growth potential of the Target Business;

(b) the strategic value of the Target Business to the Company's existing business; and

(c) the industry and operational expertise of the Target Business.

The Company will settle the consideration using the Group's available internal resources including from the proceeds raised in the placing of new shares in the Company on June 3, 2015, further details of which can be found in the Company's announcement dated June 4, 2015.

(v) Conditions precedent

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) the passing by the Independent Shareholders of the Company at a duly convened Shareholders' meeting of the Company of resolutions approving:

(i) the Framework Agreement;

(ii) each of the Transaction Documents; and

(iii) the transactions contemplated under each of the Transaction Documents and Framework Agreement, including without limitation:

(1) the transfers of the Target Business under the restructuring of the Target Business as set out in the Framework Agreement to be completed after Completion; and

(2) the Non-exempt Continuing Connected Transaction;

(b) the completion of the following Pre-Completion Restructuring steps:

(i) the delivery of all of the business equipment relating to the Target Business with the intent that legal title to, and beneficial interest in, such equipment shall pass by and upon delivery to the WFOE; and

(ii) the completion of the transfer of the following contracts to the WFOE (or an entity designated by the Company):

(1) all Transferred Contracts that are ticketing device procurement agreements;

(2) at least 80% of the Transferred Contracts that are marketing promotion agreements;

(3) at least 80% of the Cinema Operator Agreements;

(4) all of the Bipartite Network Operator Agreements ; and

(5) at least 80% of the Tripartite Network Operator Agreements.

(c) the Company not having been notified by AGH of any circumstance which would cause any warranty given by AGH (if such warranties were repeated with reference to the facts and circumstances then existing) to become untrue or inaccurate or misleading in any material respect; and

(d) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Pre-Completion Restructuring, or any part thereof unlawful, invalid or unenforceable under the applicable laws, rules and regulations.

The Company shall be entitled in its absolute discretion, by written notice to AGH, to waive the conditions precedent set out in paragraphs (b) to (d) (inclusive) either in whole or in part. The Company would only exercise its discretion to waive any of such conditions precedent if the Board is of the view that such waiver is in the interest of the Company and the Shareholders as a whole and the waiver would not adversely affect its recommendation in section 8 in this letter. In particular (and without prejudice to the foregoing), the Company would consider exercising its discretion to waive the condition precedent under paragraph (b) where it would avoid an undue delay in Completion and having regard to the following matters:

(i) with respect to the condition precedent under paragraph (b)(i), the business equipment relating to the Target Business constitutes a very small part of the assets being acquired under the Proposed Acquisition; and

(ii) with respect to the condition precedent under paragraph (b)(ii), AGH has agreed to continue to seek the transfer after Completion of any contracts that have not been transferred to the WFOE (or an entity designated by the Company) by Completion and the terms of the Framework Agreement enable the Company to take over the rights and obligations of such non-transferred contracts from Completion.

If any of the conditions precedent has not been fulfilled (or, other than the condition precedent set out in paragraph (a), waived) on or before March 31, 2016 or such other date as may be agreed in writing between the Company and AGH, the Framework Agreement shall automatically terminate with immediate effect.

(vi) Completion

Completion is scheduled to take place on the date that is three (3) Business Days after the date on which the last of the conditions precedent is satisfied or waived (or such other date as the Company and AGH may agree).

1.2 AGH SBC Reimbursement Agreement

Pursuant to the Framework Agreement, the Company and AGH will enter into the AGH SBC Reimbursement Agreement in relation to certain of the Transferred Employees at Completion.

Pursuant to the AGH SBC Reimbursement Agreement, the Company agrees to reimburse AGH at Completion for the unvested Share Awards granted by AGH to certain of the Transferred Employees. The estimated amount to be paid by the Company to AGH is US$11,418,430 as of November 4, 2015. The actual amount payable at Completion will be determined with reference to (i) the latest available fair value of the underlying share in AGH; and (ii) the rate at which such Share Awards are expected to be forfeited prior to their vesting as estimated and reviewed at least annually by the management of AGH. Certain pro rata adjustments will be applied to the first tranche of the Share Awards to be vested after Completion.

The Company also expects to enter into a separate agreement with Junhan in relation to the reimbursement of the unvested share-based awards granted by Junhan to certain of the Transferred Employees as part of the employee benefits under their employment with AGH on terms similar to those provided under the AGH SBC Reimbursement Agreement. Junhan is an equity holder of Ant Financial and the share-based awards tie to the value of the equity in Ant Financial. Junhan has historically granted such share-based awards to eligible employees of AGH. To the best of the Directors' knowledge as at the date of this circular, Junhan is a third party independent of the Company and is not connected persons of the Company and its subsidiaries or their respective associates.

2. CONTINUING CONNECTED TRANSACTIONS

In connection with the Proposed Acquisition, the Company and AGH entered into the Shared Services Agreement on November 4, 2015 in relation to the Non-exempt Continuing Connected Transaction. Details of the Shared Services Agreement are set out in the sub-section headed "2.1 Non-exempt Continuing Connected Transaction subject to the reporting, announcement and Independent Shareholders' approval requirements" below.

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

(i) the Cooperation Agreement;

(ii) the Data Platform Participation Agreement;

(iii) the IP Licence Agreement;

(iv) the Technology Services Agreement; and

(v) the Transitional Arrangement Agreement.

The Company and AGH have agreed the proposed terms of the Ancillary Documents to be entered into at Completion. The Cooperation Agreement, the Data Platform Participation Agreement and the IP Licence Agreement are fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

Details of the Other Continuing Connected Transactions are set out in the sub-section headed "2.2 Other Continuing Connected Transactions subject to the reporting and announcement requirements but exempt from Independent Shareholders' approval requirement" below.

2.1 Non-exempt Continuing Connected Transaction subject to the reporting, announcement and Independent Shareholders' approval requirements

A summary of the key terms of the Shared Services Agreement is set out below.

(i) Date

November 4, 2015

(ii) Parties

(1) AGH

(2) The Company

(iii) Term

The Shared Services Agreement is for an initial term of three years commencing from the date of Completion, unless otherwise terminated in accordance with the terms thereunder.

(iv) Services to be provided

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

(a) office space and support services;

(b) customer services support;

(c) business intelligence services;

(d) maintenance service for the Yulebao database;

(e) office system and support services;

(f) procurement function support services; and

(g) SMS platform services.

(v) Service fee and annual caps

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

The service fees for services (a) to (f) listed above will be calculated on the basis of the actual costs and expenses of AGH for providing the relevant services multiplied by a mark-up percentage. Such mark-up percentage will be based on recommendations of professional third party consultant to be appointed by AGH (being an accountant firm specified under the Shared Services Agreement with appropriate qualifications, which will take into consideration various factors including the applicable tax laws and regulations and the statistics from comparable companies when making such recommendations) in accordance with the principle of arm's length transaction and subject to adjustment annually. The service fees for service (g) listed above will be calculated on the basis of the price per SMS message sent multiplied by the number of SMS messages sent. The price per SMS message charged by AGH to the Group is determined by AGH by reference to the rates charged by AGH to the independent third parties for similar services.

The proposed annual cap in respect of the fees payable by the Group (inclusive of any applicable tax) for the first, second and third 12-month periods during the initial term of three years under the Shared Services Agreement is RMB32 million, RMB37 million and RMB46 million, respectively. In determining this cap, the Board has calculated the average costs of the relevant services based on the historical usage pattern and volume and come up with the estimates of the fees payable by the Group by reference to the average costs and the estimated demand of the Target Business for the relevant services.

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

(vi) Condition Precedent

The Shared Services Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of all of the conditions precedent under the Framework Agreement (including the approval of the Independent Shareholders).

2.2 Other Continuing Connected Transactions subject to the reporting and announcement requirements but exempt from Independent Shareholders' approval requirement

A summary of the key proposed terms of the Technology Services Agreement, the Transitional Arrangement Agreement and the IP Licence Agreement is set out below.

Technology Services Agreement

(i) Parties

(1) AGH

(2) The Company

(ii) Term

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

(iii) Services to be provided

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

(a) technology services including the provision of servers, co-location, bandwidth and cloud computing services (if applicable); and

(b) with respect to the Online Movie Ticketing Business, access to certain systems (including the transaction system, marketing system, pricing system, BD task flow management system, basic data management system and interface and client relationship management system).

(iv) Service fee and annual caps

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

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

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

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

Transitional Arrangement Agreement

(i) Parties

(1) AGH

(2) The Company

(ii) Term

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

(iii) Services to be provided

Pursuant to the Transitional Arrangement Agreement, it is proposed that:

(a) the Company and AGH will agree to transfer certain Transferred Employees who would have not been transferred at Completion within three years after the date of Completion to the Company or its affiliates; and

(b) the Company will agree to reimburse AGH for salaries and benefits paid by AGH (or its affiliates) to such Transferred Employees prior to their transfer to the Company or its affiliates.

(iv) Reimbursement amount and annual caps

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

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

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

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

IP Licence Agreement

(i) Parties

(1) AGH

(2) The Company

(ii) Term

It is proposed that the IP Licence Agreement will commence from the date of Completion and will be effective perpetually, unless otherwise terminated in accordance with its proposed terms.

(iii) Rights granted

Under the IP Licence Agreement, it is proposed that:

(a) the Company will grant AGH a royalty-free, non-exclusive and perpetual licence to use certain trade marks and patents comprised in the Target Business as at Completion for any purpose in connection with AGH's business; and

(b) AGH will grant the Company a royalty-free, non-exclusive and perpetual licence to continue to use certain trade marks and patents currently used in the Target Business.

(iv) Licence fee

It is proposed that no licence fee will be payable by either AGH or the Company for the use of the licensed rights.

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

3. INFORMATION ABOUT THE TARGET GROUP

The Target Company is a holding company, incorporated in the British Virgin Islands. It is the sole shareholder of the HK Subsidiary which is in turn the sole shareholder of the WFOE. Following the completion of the Pre-Completion Restructuring and upon Completion, the WFOE and/or any other entity designated by the Company will operate the Target Business.

3.1 Financial Information

The unaudited combined net asset value of the Target Group as of September 30, 2015 was approximately RMB605.8 million (assuming the Pre-Completion Restructuring was completed as of September 30, 2015). Total assets of the Target Group as of September 30, 2015 were approximately RMB1,159.1 million, a significant majority of which was cash at the WFOE for general operational purposes, especially for marketing efforts and the receivables representing the investment principal and interest related to Yulebao. Total liabilities of the Target Group as of September 30, 2015 were approximately RMB553.3 million, mainly represented by the payables of Yulebao, accrued expenses, accounts payable and other liabilities.

The Target Business commenced operations from 2014 and therefore does not have financial information for the financial year ended December 31, 2013. For the financial year ended December 31, 2014, the unaudited consolidated net losses before and after taxation and extraordinary items of the Target Business were approximately RMB141.8 million and RMB141.8 million, respectively. The Target Business is currently in the development phase. It did not generate any revenue for the financial year ended December 31, 2014 due to the high marketing expenses incurred by the Target Business in order to attract more users and further grow its market share.

4. INFORMATION ABOUT THE COMPANY

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). The Company is the flagship unit of Alibaba Group's movie, television and other entertainment businesses and its core businesses includes 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.

5. INFORMATION ABOUT AGH AND ALIBABA GROUP

AGH is the ultimate sole shareholder of Ali CV, a substantial shareholder and a connected person of the Company holding approximately 49.49% of the Shares in issue as of the date of this circular. Accordingly, AGH is also a connected person of the Group. AGH is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange.

Alibaba Group's mission is to make it easy to do business anywhere. It is the largest online and mobile commerce company in the world in terms of gross merchandise volume. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses.

Alibaba Group's major businesses include:

- Taobao Marketplace (www.taobao.com), China's largest online shopping destination;
- Tmall.com (www.tmall.com), China's largest third-party platform for brands and retailers;
- Juhuasuan (www.juhuasuan.com), China's most popular online group buying marketplace;
- Alitrip (www.alitrip.com), a leading online travel booking platform;
- AliExpress (www.aliexpress.com), a global online marketplace for consumers to buy directly from China;
- Alibaba.com (www.alibaba.com), China's largest global online wholesale platform for small businesses;
- 1688.com (www.1688.com), a leading online wholesale marketplace in China; and
- AliCloud (www.alicloud.com), a provider of cloud computing services to businesses and entrepreneurs.

6. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION, THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION AND THE OTHER CONTINUING CONNECTED TRANSACTIONS

The Company principally engages in the production and distribution of movies and TV dramas, as well as entertainment-related e-commerce. The Company's mission is to redefine the media and entertainment industry by creating an innovative and integrated online and offline platform that is capable of investing in, producing and distributing movies and TV dramas to consumers.

Although China's movie and TV drama industry has grown rapidly due to the increase in entertainment investment, improvement in content quality and greater consumer spending in recent years, the industry currently remains predominantly offline and inefficient, which the Company believes represents an enormous market opportunity for the Company.

The large online user base and extensive resources of the Online Movie Ticketing Business and the innovative business model of Yulebao are critical to complement and strengthen the Company's existing capabilities in offline production and distribution of movies and TV dramas. The Company believes that the Proposed Acquisition will create a unique platform that integrates both offline and online media and entertainment across the production and distribution value chain of movies and TV dramas. The Company believes that it will continue to play an important role in implementing Alibaba Group's entertainment strategy in movie, television and other entertainment businesses.

Online ticketing has quickly become one of the mainstream methods for discovering information and purchasing movie tickets in China. The Company believes the acquisition of the Online Movie Ticketing Business will complement the Company by adding comprehensive online promotion and distribution capabilities, providing access to a much larger and growing online user base, and enhancing the Company's understanding of audience behaviors and trends.

Yulebao operates an interactive financing and investment platform to offer the audience an opportunity to become an early investor in their favorite movies and TV dramas. By engaging producers, actors, users and fans at the onset of production and throughout the content creation and distribution process, the Company will be able to better understand and evaluate user preferences to create more customized content, marketing campaigns and distribution plans. In addition, Yulebao will provide an additional financing option for the movie production business of the Company.

In view of the above strategies, the Board believes that the proposed integration of the Online Movie Ticketing Business and Yulebao will bring significant strategic benefits and create additional value for Shareholders of the Company.

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

As it may take more time and efforts for the Company to complete the administrative process for the transfer of the Transferred Employees following Completion, it is expected that not all of the Transferred Employees will be transferred to the Company or its Affiliates on or before Completion. The Transitional Arrangement Agreement will ensure a smooth transition of those Transferred Employees who will be transferred from AGH or its affiliates to the Company or its affiliates only after Completion while they continue to work for the Target Business following Completion. It is contemplated that a majority of such Transferred Employees will be transferred to the Company or its Affiliates within six months following Completion. There are also a small number of the Transferred Employees (approximately 12 of them) who may take up to three years to complete the transfer in order to avoid their residency status in the PRC from being adversely affected. The Transitional Arrangement Agreement will help the Company to retain that group of the Transferred Employees so they could continue to work for the Target Business during the transitional period following Completion and it is expected that a majority of them will be transferred within six to twelve months following Completion.

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

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

7. LISTING RULES IMPLICATIONS

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

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

Ali CV is a substantial shareholder and a connected person of the Company, holding approximately 49.49% of the Shares in issue as of the date of this circular. AGH is the ultimate sole shareholder of Ali CV. Accordingly, AGH is also a connected person of the Group and the Proposed Acquisition will constitute a connected transaction for the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps on amounts payable by the Group under the Shared Services Agreement exceeds 5%, the transactions contemplated under the Shared Services Agreement will also constitute a non-exempt continuing connected transaction which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

As all of the applicable percentage ratios in respect of the annual caps on amounts payable by the Group under the Cooperation Agreement, the Data Platform Participation Agreement and the IP Licence Agreement are less than 0.1%, the Cooperation Agreement, the Data Platform Participation Agreement and the IP Licence Agreement will constitute continuing connected transactions which are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Special General Meeting will be convened by the Company at which ordinary resolutions will be proposed to seek approval from the Independent Shareholders by way of poll for the Proposed Acquisition and the Non-exempt Continuing Connected Transaction. Ali CV which holds and has over a total of 12,488,058,846 Shares, representing approximately 49.49% of the issued share capital of the Company, and its associates shall abstain from voting at the Special General Meeting. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolution approving the Proposed Acquisition and the Non-exempt Continuing Connected Transaction.

8. RECOMMENDATION

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

9. GENERAL INFORMATION

Your attention is drawn to the general information as set out in Appendix I to this circular.

10. SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Special General Meeting is set out on pages 82 to 83 of this circular. At the Special General Meeting, ordinary resolutions will be proposed to approve the Proposed Acquisition and the Non-exempt Continuing Connected Transaction.

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 Special General Meeting.

An announcement on the poll vote results will be made by the Company after the Special General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the Special General Meeting is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/alibabapictures). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's head office and principal place of business in Hong Kong at 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

Yours faithfully,
On Behalf of the Board
Alibaba Pictures Group Limited
Shao Xiaofeng
Chairman

阿里巴巴·影业集团™
Alibaba·Pictures

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)

December 9, 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CONDITIONAL ACQUISITION OF THE ONLINE MOVIE TICKETING BUSINESS AND YULEBAO AND (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We refer to the circular issued by the Company to its shareholders dated December 9, 2015 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to the Proposed Acquisition and the entry into of (and the proposed annual caps on amounts payable by the Group under) the Non-exempt Continuing Connected Transaction; whether the Proposed Acquisition and the Non-exempt Continuing Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolutions regarding the Proposed Acquisition and the Non-exempt Continuing Connected Transaction, taking into account the recommendations from Somerley Capital.

Somerley Capital has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Proposed Acquisition and the Non-exempt Continuing Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolutions.

Having considered the terms of the Proposed Acquisition and the Non-exempt Continuing Connected Transaction, the advice and recommendation from Somerley Capital and the relevant information contained in the letter from the Board, we are of the opinion that the Proposed Acquisition and the Non-exempt Continuing Connected Transaction are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and the terms of the Proposed Acquisition and the Non-exempt Continuing Connected Transaction are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Special General Meeting to approve the Proposed Acquisition and the entry into of the Non-exempt Continuing Connected Transaction.

Yours faithfully,
Independent Board Committee
Ms. Song Lixin and Mr. Tong Xiaomeng
Independent non-executive Directors

The following is the letter of advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

9 December 2015

To: The Independent Board Committee and the Independent Shareholders of Alibaba Pictures Group Limited

Dear Sirs,

(1) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CONDITIONAL ACQUISITION OF THE ONLINE MOVIE TICKETING BUSINESS AND YULEBAO; (2) NON-EXEMPT CONTINUING CONNECTED TRANSACTION; AND (3) DURATION OF THE IP LICENCE AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Acquisition and the Non-exempt Continuing Connected Transaction (together with the Proposed Acquisition, the "Transactions") and the IP Licence Agreement. Details of the Transactions and the IP Licence Agreement are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 9 December 2015 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 4 November 2015, the Company and AGH entered into the Framework Agreement in relation to the Proposed Acquisition. The aggregate consideration payable under the Framework Agreement is estimated to be approximately US$519.9 million, subject to certain post-Completion adjustments. Details of the consideration for the Proposed Acquisition are set out in the section headed "1.1(iv) Consideration" in the letter from the Board in the Circular. In connection with the Proposed Acquisition, on 4 November 2015, the Company and AGH entered into the Shared Services Agreement in relation to the Non-exempt Continuing Connected Transaction. In addition, the Company and AGH will also enter into the IP Licence Agreement at Completion pursuant to the Framework Agreement. Other principal terms of the Proposed Acquisition, the Non-exempt Continuing Connected Transaction and the IP Licence Agreement are set out in the sections headed "1. Principal Terms of the Proposed Acquisition", "2.1 The Non-exempt Continuing Connected Transaction subject to the reporting, announcement and Independent Shareholders' approval requirements" and the paragraph headed "IP Licence Agreement" in the letter from the Board in the Circular.

Ali CV is a substantial shareholder and a connected person of the Company, holding approximately 49.49% of the Shares in issue as at the date of the Circular. AGH, being the sole shareholder of Ali CV, is also a connected person of the Company. The Proposed Acquisition will therefore constitute a connected transaction for the Company. In addition, as one or more of the applicable percentage ratios in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps on amounts payable by the Group under the Shared Services Agreement exceeds 5%, the transactions contemplated under the Shared Services Agreement will constitute a non-exempt continuing connected transaction under Chapter 14A of the Listing Rules.

The Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. As Ali CV has a material interest in the Transactions, Ali CV and its associates will be required under the Listing Rules to abstain from voting at the SGM on the relevant resolutions in relation thereto.

As the proposed term of the IP Licence Agreement will exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed us as the Independent Financial Adviser to explain the reasons for requiring a term exceeding three years and to confirm whether it is normal business practice for similar types of contracts.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Song Lixin and Mr. Tong Xiaomeng, has been established to advise and make recommendations to the Independent Shareholders on the Transactions. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. We have also been appointed to explain the reasons for requiring a term exceeding three years of the IP Licence Agreement and to confirm whether it is normal business practice for similar types of contracts.

During the past two years, we have acted as an independent financial adviser to (i) the Company (formerly known as ChinaVision Media Group Limited) (circular dated 23 May 2014); and (ii) Alibaba Health Information Technology Limited, a member of the Alibaba Group (circulars dated 20 October 2015 and 22 May 2015 and announcement dated 15 April 2015). The past engagements were limited to providing independent advisory services to the relevant companies pursuant to the Listing Rules or the Code on Takeovers and Mergers, for which we received normal professional fees. Accordingly, we do not consider the past engagements give rise to any conflict of interest for us in acting as the Independent Financial Adviser in this case.

We are not associated with the Company, Ali CV, AGH or any of their respective close associates, associates or core connected persons (all as defined in the Listing Rules) and accordingly we are considered eligible to give independent advice on the terms of the Transactions and the duration of the IP Licence Agreement. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, Ali CV, AGH or their respective close associates, associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the announcement of the Company dated 4 November 2015, the Framework Agreement, the Share Purchase Agreement, the Assignment of IP Assets, the AGH SBC Reimbursement Agreement, the Shared Services Agreement, the IP Licence Agreement, the annual report of the Company for year ended 31 December 2014, the interim report of the Company for the six months ended 30 June 2015 (the "2015 Interim Report"), certain financial information of the Target Business and information contained in the Circular. We have also discussed with the management of the Group the Target Business and the future prospects of the Group as enlarged by the Proposed Acquisition (the "Enlarged Group"). We have also discussed with Jones Lang LaSalle the business valuation of the Target Business.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Target Business.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Business of the Group

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

As stated in the 2015 Interim Report, by gradually enhancing the organisation of the four segments of the Group, the Group will be able to play a significant role in each key segment of the entertainment industry, and create a platform encompassing the entire industry chain covering investment, content creation, production, promotions, marketing, sales and distribution of movies and television ("TV") programs, as well as selling of peripheral products.

Set out below is a brief discussion on these key operating segments:

Content Production

This segment focuses on the creation and distribution of intellectual property of Chinese mainland film and TV series. Currently, Content Production is the largest segment of the Group. For the six months ended 30 June 2015, segment revenue from Content Production accounted for approximately 50.2% of the total segment revenue of the Group. During the corresponding period in 2014, segment revenue from Content Production (formerly known as "Production and distribution of film and TV other copyrights") accounted for approximately 80.0% of the total segment revenue of the Group. Content Production has been going through transformation as a result of the management's rethinking and revamping of the Company's business strategy since Alibaba Group made its strategic investment in the Group in mid-2014 (the "Strategic Transformation"). During the period after the Strategic Transformation and until 30 June 2015, a majority of Content Production's projects were either in the investment stage or the production stage. As a result, Content Production has been running segment losses of approximately RMB66.0 million and RMB59.1 million for the year ended 31 December 2014 and the six months ended 30 June 2015 respectively.

Internet-based Promotion and Distribution

Being the second largest operating segment of the Group, this segment includes on-line distribution of film and TV copyrights, the provision of local cinema ticketing systems, and connecting cinemas with third parties (e-commerce platforms) through cinema tickets software. As set out in the 2015 Interim Report, the Group plans to gradually realise the internet distribution model in its strategic blueprint through comprehensive improvements to the internet capabilities of movie theaters, broadcasting platforms and other partners. Being a new and fast-growing segment of the Group, for the six months ended 30 June 2015, segment revenue from Internet-based Promotion and Distribution accounted for approximately 45.0% of the total segment revenue of the Group. In June 2015, the Group acquired Yueke Software Engineering Company Limited ("Yueke"), one of China's largest suppliers of cinema-ticketing systems, for a consideration of RMB830 million. The Group believes that combining Yueke's core products and services with the Group's internet-based technologies will help movie theaters connect with Alibaba Group's large user base, and extend the theaters' current customer base to the much larger base of e-commerce consumers. As discussed with the management of the Group, Yueke will complement the Online Movie Ticketing Business. These two businesses together are expected to provide a comprehensive online promotion and distribution platform by connecting a vast online user base with a large number of theaters and broadcasters.

Entertainment e-Commerce

This segment involves the Group's construction of e-commerce entertainment platforms, through which the Group will create more growth potential for movie theatres, including through remaking conventional movie theatre platforms into e-commerce models and applying the Group's proprietary internet tools and application environments. Further, the Group can reap benefits from synergies with Alibaba Group's ecosystem. The ecosystem's e-commerce platforms and payment systems can support the commercial development, brand licensing and merchandise sales for film and television products.

International Operations

This segment represents the Group's investment in high quality world media and entertainment intellectual property, while also exploring other opportunities for collaboration. This segment is currently in an early stage of development. During the six months ended 30 June 2015, the Group established an operation team in Los Angeles, the United States, and began to establish collaborative relationships with the world's top entertainment companies. On 24 June 2015, the Company announced that it had signed an agreement with Paramount Pictures Corporation to directly invest in the Hollywood blockbuster Mission: Impossible – Rogue Nation, and become an official partner for the promotion of the movie in China. The Company expects to have more collaborative projects with Paramount Pictures Corporation including online movie ticketing and selling of peripheral products of movies.

2. Recent financial results of the Group

The following is a summary of the results of the Group for each of the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015:

	For the six months ended 30 June		**For the year ended 31 December**	
	2015	**2014**	**2014**	**2013**
	RMB million	*RMB million*	*RMB million*	*RMB million*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	22.9	49.1	126.6	349.4
Net profit/(loss) for the year/ period attributable to the Shareholders	(151.8)	(350.8)	(417.3)	179.7

Revenue of the Group decreased by approximately 63.8% from approximately RMB349.4 million in 2013 to approximately RMB126.6 million in 2014. The decrease was mainly due to the transitions during the Strategic Transformation whereby the Group had commenced transformation and adjustment of the business strategies and exploring synergies with Alibaba Group's businesses and resources. During the integration, the Group and Alibaba Group have explored a user-demand oriented e-commerce customisation model through the internet and big data, in addition to developing a cross-industry in-depth cooperation model for e-commerce and cultural and creative industry by taking advantage of the deployment of online to offline film related business. For the year ended 31 December 2014, the net loss attributable to the Shareholders was approximately RMB417.3 million, representing a significant reversal of the net profit attributable to the Shareholders of approximately RMB179.7 million recorded for 2013. The loss incurred during 2014 was mainly attributable to (i) a significant drop in revenue for the year of approximately RMB222.8 million; (ii) asset impairment provisions of approximately RMB269.3 million (of which (1) approximately RMB102.2 million was related to impairment on film and TV copyrights; (2) approximately RMB55.9 million was related to impairment provision for trade and other receivables; and (3) approximately RMB111.2 million was related to an impairment of the investment in an associate); (iii) fair value losses in warrants of approximately RMB53.2 million; (iv) a decrease in gains from the disposal of a subsidiary in 2014 as compared with 2013; and (v) a decrease in gains from sales of art works in 2014 as compared with 2013.

Owing to further transitional effort of the Group for the six months ended 30 June 2015, revenue of the Group during this period decreased by approximately 53.4% to approximately RMB22.9 million from approximately RMB49.1 million for same period in last year. Net loss attributable to the Shareholders for the period was approximately RMB151.8 million, which was mainly attributable to (i) the Group's business transformation and the fact that most of the projects were still at the investment stage and did not contribute revenue during the period; and (ii) the grant of share options by the Group in the first half of 2015 pursuant to the share option scheme adopted by the Shareholders on 11 June 2012, resulting in approximately RMB72.9 million in share option expenses. As set out in the 2015 Interim Report, the Group confirmed that it has basically completed the transformation and adjustment of its strategy and business segments as at 30 June 2015.

Independent Shareholders' attention is drawn to the significant cash position held by the Group as at 30 June 2015. As at that date, the Group's total cash and cash equivalents and bank deposits with a maturity of over three months were RMB14.6 billion. The substantial cash position of the Group was largely due to the net proceeds of approximately RMB9.6 billion obtained from completion of a placing of 4,199,570,000 Shares at the placing price of HK$2.90 per share to certain institutional investors on 11 June 2015 (the "Placing"). The Company regarded the Placing as a valuable opportunity for the Company to raise funds to better position itself strategically and financially to capitalise on new content creation opportunities and potential monetisation platforms in online entertainment and media-related areas, and expedite the development of the Group's businesses. As set out in the 2015 Interim Report, since the completion of the Placing to 30 June 2015, the Group paid approximately RMB156 million for film and TV investments and distribution expenses, and approximately RMB50 million for general operating expenses and taxes. The Group expected that not less than RMB2 billion would be spent on potential strategic acquisitions, not less than RMB1 billion for film and TV investments, and RMB900 million for the repayment of borrowings used for the acquisition of Yueke. The remaining proceeds will be used for other potential acquisitions, business development and for the general corporate purposes of the Group. The Proposed Acquisition can be seen as falling under the potential strategic acquisitions category.

3. Reasons for and benefits of the Proposed Acquisition

The Directors consider that the proposed integration of the Online Movie Ticketing Business and Yulebao will bring significant strategic benefits and create additional value for Shareholders of the Group. For a detailed account of the above reasons for and benefits of the Proposed Acquisition, Independent Shareholders' attention is drawn to the section headed "6. Reason for and benefits of the Proposed Acquisition, the Non-exempt Continuing Connected Transaction and the other continuing connected transactions" in the letter from the Board in the Circular.

As mentioned in the future outlook section in the 2015 Interim Report, China's cultural industry is in a position of strong growth. However, there is no entertainment company that can play a leading role at a fundamental level, not to mention across the entire ecosystem chain. Nor is there one that can drive efficiencies and increase in production across the entire industry.

The Group believes the acquisition of the Online Movie Ticketing Business will complement the Group's business by adding comprehensive online promotion and distribution capabilities, providing access to a much larger and growing online user base, and enhancing the Group's understanding of customer behaviour and trends. The Online Movie Ticketing Business will strengthen the Group's partnership mechanisms with theaters and broadcasters and tap into the potential business growth in the movie market via online ticket sales.

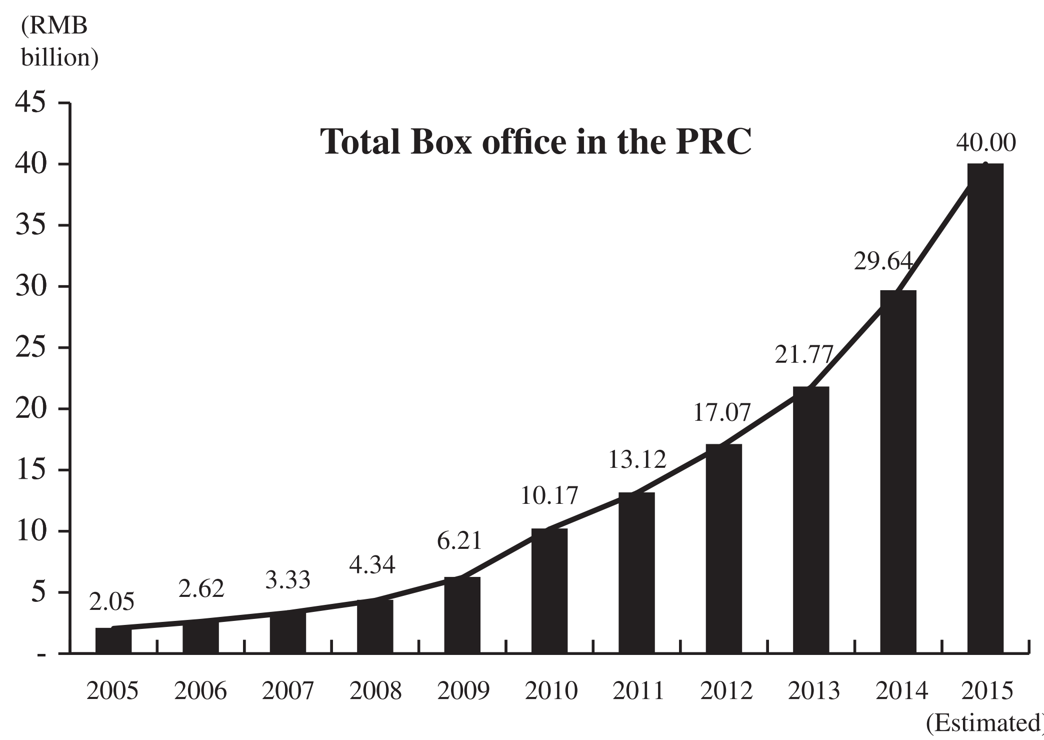
At the same time, as mentioned in the 2015 Interim Report, the Group will begin production work on more projects in 2015 by growing its business relationships with the industry to speed up implementation of the intellectual property-based content production strategy. Yulebao operates an interactive financing and investment platform offering an opportunity to become an early investor in their favourite movies and TV dramas. By engaging producers, actors, users and fans at the onset of production and throughout the content creation and distribution process, the Group will be able to better understand and evaluate user preferences to create more customised content, marketing campaigns and distribution plans. In addition, Yulebao will provide an additional financing option for the movie production business of the Company. The integration of Yulebao into the Group offers a platform for raising funds and for assessment of the popularity of content among the consumers for content production business.

We consider that the Proposed Acquisition is a reasonable extension of the Group's existing principal activities and will complement the Group's existing business segments.

4. Industry outlook

With increasing disposable income and improvement in the general economic conditions of the PRC, there has been a growing trend amongst the Chinese community in pursuing higher living standards. Consumption spending flourished in recent years and demand for entertainment services increased significantly. The Chinese film-making industry, for instance, has recorded rapid growth in revenue and China is now recognised as the second largest film market in the world.

According to Sootoo Research (the "Sootoo Research"), one of the leading commentary network and research centres in China focusing on the trend on businesses with the Internet-application, in 2014, the accumulated box office in China reached approximately RMB29.6 billion, with approximately 830 million customers paying visits to theatres throughout China during the year. In the first half of 2015, the accumulated box office reached approximately RMB20.0 billion. It is estimated that the total box office in 2015 would be approximately RMB40.0 billion, representing approximately 20-times the total box office in 2005.



Source: Sootoo Research

As internet technologies and e-commerce are gradually penetrating traditional culture and entertainment industry, online ticketing has become more and more common in theatre chains. Online ticketing refers to the service which allows users to purchase tickets for entertainment activities via the Internet.

With easy accessibility and the wide application in online payment systems in China, it is expected that the online ticket sales model will not only complement the traditional sales in theatres, but become the mainstream sales platform. According to the "2014 China Online Ticketing Report" (the "Report") published by iResearch, one of the leading organisations focusing on in-depth research in China internet industry, compared to traditional ticketing business, online ticketing in the entertainment sector is superior in user experience and has transparent pricing mechanism and less incremental cost. Sootoo Research also forecasted that online movie ticket sales would account for approximately 50% of the total box office in China in 2015.

The Report further elaborated that the China online ticketing market achieved gross merchandise value ("GMV", a term commonly used in online retailing to indicate a total sales dollar value for merchandise sold through a particular marketplace over a certain time frame) of approximately RMB11.7 billion from entertainment in 2013, representing a growth rate of approximately 62.1% on a year-on-year basis. It estimated that GMV would reach approximately RMB17.79 billion in 2014 and would approach approximately RMB50 billion in 2018.

Given the above, the use of internet technologies and application of online-to-offline business has shown a substantial development potential for the online movie ticketing market. Several well-known technology leaders have already tapped into this market.

In respect of raising funds for film-making in the PRC, the film-making industry traditionally relies on a handful of large movie producers to provide the necessary financing for movie production. Given the market characteristics, small and medium sized film-makers may find obtaining the financing for movie production difficult. It is not uncommon for film directors to pitch individual investors with their scripts for funding in the PRC. Difficulties are greater for those positioned to niche movie markets. Moreover, the inherent uncertainty in the box office makes film-making a less attractive investment. The business model of Yulebao, which involves the investment of end customers in the movie production, may provide an alternative and unconventional way of fund raising for such film-makers.

5. Principal terms of agreements

(A) Principal terms of the Framework Agreement

(i) Date

4 November 2015

(ii) Parties

Purchaser:	The Company
Vendor:	AGH

(iii) Businesses to be acquired

Subject to the terms and conditions of the Framework Agreement, the Company has agreed to acquire the Target Business from AGH by (a) acquiring the entire issued share capital of the Target Company pursuant to the Share Purchase Agreement; (b) accepting the assignment of the IP Assets pursuant to the Assignment of IP Assets; (c) making arrangements with AGH in relation to certain of the Transferred Employees pursuant to the AGH SBC Reimbursement Agreement; and (d) accepting the Transferred Contracts from AGH.

The Target Business comprises the Online Movie Ticketing Business and Yulebao. Information on the Online Movie Ticketing Business and Yulebao is set out in the section headed "6. Information on the Target Group and the Target Business" in this letter.

(iv) Consideration

The consideration for the sale and purchase of the Target Business (the "Consideration") shall be an amount equal to the aggregate of:

(a) the equity value of the entire issued share capital of the Target Company, being US$349,969,160, subject to the following adjustments:

   (i) adding an amount equal to the amount of cash in the WFOE as of the date of Completion, which shall not exceed US$99,900,000; and

   (ii) adding an amount equal to certain operating expenses (which largely comprise marketing expenses and staff costs (excluding share-based compensation)) as agreed between the Company and AGH incurred by AGH in relation to the Target Business for the period between 1 July 2015 and the date of Completion (the estimate of which was approximately RMB369,348,321 (being approximately US$58,290,851) as of 4 November 2015, for the period between 1 July 2015 and 31 December 2015);

(b) adding the value of the IP Assets, being US$30,840;

(c) adding the amount to be paid by the Company to AGH pursuant to the AGH SBC Reimbursement Agreement (the estimate of which was approximately US$11,418,430 as of 4 November 2015); and

(d) adding the amount of reimbursement to AGH for business taxes paid by AGH before 1 July 2015 in respect of the Yulebao Investment Contracts (as defined in the Framework Agreement), which shall not exceed RMB1,579,522 (being approximately US$249,281).

The consideration will be subject to post-Completion adjustment to reflect the difference (if any) in the estimated and actual amount (made up to the date of Completion) of items (a)(i), (a)(ii), (c) and (d) above.

As set out in the letter from the Board in the Circular, the consideration payable under the Framework Agreement is the agreed value of the Target Business with reference to the business valuation with respect to the Target Business conducted by Jones Lang LaSalle, and was arrived at after arm's length negotiations between the Company and AGH, taking into account various factors, including:

(a) the market position and significant growth potential of the Target Business;

(b) the strategic value of the Target Business to the Company's existing business; and

(c) the industry and operational expertise of staff of the Target Business.

The Company will settle the consideration using the Group's available internal resources including the proceeds of the placing of new shares in the Company in June 2015.

Details of the assessment of the Consideration, including the post-Completion adjustments, are set out in the section headed "7. Assessment of the Consideration" in this letter.

(v) Conditions precedent

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of the conditions precedent, being principally:

(a) the passing by the Independent Shareholders of the Company at a duly convened Shareholders' meeting of the Company of resolutions approving:

(i) the Framework Agreement;

(ii) each of the Transaction Documents; and

(iii) the transactions contemplated under each of the Transaction Documents and Framework Agreement, including without limitation:

(1) the transfers of the Target Business under the restructuring of the Target Business as set out in the Framework Agreement to be completed after Completion; and

(2) the Non-exempt Continuing Connected Transaction;

(b) the completion of the following Pre-Completion Restructuring steps:

(i) the delivery of all of the business equipment relating to the Target Business with the intent that legal title to, and beneficial interest in, such equipment shall pass by and upon delivery to the WFOE; and

(ii) the completion of the transfer of the following contracts to the WFOE (or an entity designated by the Company):

(1) all Transferred Contracts that are ticketing device procurement agreements;

(2) at least 80% of the Transferred Contracts that are marketing promotion agreements;

(3) at least 80% of the Cinema Operator Agreements;

(4) all of the Bipartite Network Operator Agreements; and

(5) at least 80% of the Tripartite Network Operator Agreements.

Other conditions precedent to the Framework Agreement are set out in the letter from the Board in the Circular. The Company shall be entitled in its absolute discretion, by written notice to AGH, to waive all conditions precedents (except for paragraph (a) above) either in whole or in part. The Company would only exercise its discretion to waive any of such conditions precedent if the Board is of the view that such waiver is in the interest of the Company and the Shareholders as a whole and the waiver would not adversely affect its recommendation in respect of the Proposed Acquisition. In particular (and without prejudice to the foregoing), the Company would consider exercising its discretion to waive condition precedent under paragraph (b) where it would avoid an undue delay in Completion and having regard to the following matters:

(i) with respect to the condition precedent under paragraph (b)(i), the business equipment relating to the Target Business constitutes a very small part of the assets being acquired under the Proposed Acquisition; and

(ii) with respect to the condition precedent under paragraph (b)(ii), AGH has agreed to continue to seek the transfer after Completion of any contracts that have not been transferred to the WFOE (or an entity designated by the Company) by Completion and the terms of the Framework Agreement enable the Company to take over the rights and obligations of such non-transferred contracts from Completion.

As set out in the condition precedent under paragraph (b)(ii) above, the parties do not expect that all of the Transferred Contracts will be transferred to the WFOE (or an entity designated by the Company) by Completion. Based on our discussion with the management of the Group, we understand that the total number of the Transferred Contracts is over 2,000 and the Transferred Contracts were signed with various third parties. The management of the Group is of the view that the transfer of all Transferred Contracts will be time-consuming and may result in unnecessary delay to Completion. Despite not all Transferred Contracts will be transferred by Completion, as mentioned above, AGH has agreed to continue to seek the transfer after Completion of any contracts that have not been transferred to the WFOE (or an entity designated by the Company) by Completion and the terms of the Framework Agreement enable the Company to take over the rights and obligations of such non-transferred contracts from Completion.

If any of the conditions precedent has not been fulfilled (or, other than the condition precedent set out in paragraph (a), waived) on or before 31 March 2016 or such other date as may be agreed in writing between the Company and AGH, the Framework Agreement shall automatically terminate with immediate effect.

(vi) Completion

Completion is scheduled to take place three Business Days after the date on which the last of the conditions precedent is satisfied or waived (or such other date as the Company and AGH may agree).

(B) Principal terms of the Share Purchase Agreement

(i) Parties

Purchaser: The Company

Vendor: AGH

(ii) Asset to be acquired

The Company agrees to acquire the entire issued share capital of the Target Company from AGH pursuant to the Share Purchase Agreement.

(iii) Consideration

The consideration for the sale and purchase of the Target Company shall be the amount as set out in the sub-paragraph (a) in the "(iv) Consideration" paragraph in this section above.

(C) Principal terms of the Assignment of the IP Assets

(i) Parties

Assignor: AGH

Assignee: The Company

(ii) The IP Assets to be assigned

AGH is the applicant for registration of the design patent applications of Online Movie Ticketing Business (the "Design Patents") and the registered proprietor of the trade marks and applicant for registration of the trade mark applications of Yulebao (together with the Design Patents, the "IP Assets"). The IP Assets are design patents and trademarks that are necessary for the operations for the Target Business.

(iii) The Assignment of the IP Assets

In consideration of the payment of US$30,840 from the Company to AGH at Completion, AGH will assign, among other things, all the right, title and interest in and to the IP Assets to the Company.

(D) Principal terms of the AGH SBC Reimbursement Agreement

(i) Parties

AGH and the Company

(ii) Vesting of the Share Awards

Notwithstanding the termination of the employment contracts between the Transferred Employees and AGH or its Affiliates, AGH shall enable the unvested Share Awards to continue to vest, in relation to each of the relevant Transferred Employees, in accordance with the original vesting schedules subject to the terms and conditions in the original notice of grant. The Company agrees to reimburse AGH at Completion for the unvested Share Awards granted by AGH to certain of the Transferred Employees.

(iii) The Formula

The amount to be reimbursed by the Company for each tranche of unvested Share Awards held by each grantee under a particular grant shall be calculated using the formula as set out below (the "Formula"). The estimated amount to be paid by the Company to AGH was approximately US$11.4 million as of 4 November 2015.

R=FV*N*(1-f)*m

where:

(a) "**R**" = the amount to be reimbursed by the Company for each tranche of unvested Share Awards held by each grantee under a particular grant

(b) "**FV**" = the latest available fair value of each underlying share being the closing price of each AGH American depositary share in the United States on the trading day immediately preceding the date of Completion

(c) "**N**" = the number of Share Awards granted under the relevant unvested tranche of a particular grant

(d) "**f**" = 0.08, being the rate at which such Share Awards is expected be forfeited prior to their vesting

(e) "**m**" = pro-rata adjustment factor applied only to the unvested tranche which is the first tranche to be vested after the date of Completion under the relevant grant, calculated as m=d1/d2, where:

- o "**d1**" = the number of days between the day after date of Completion and the date on which the Share Awards in the relevant tranche will vest (both days inclusive)

- o "**d2**" = the number of days between the Vesting Start Date and the date on which the Share Awards in the relevant tranche will vest (both days inclusive)

"Vesting Start Date" means:

(a) the grant date specified in the relevant notice of grant, where the relevant unvested tranche will be the first tranche of Share Awards to vest under the relevant notice of grant; or

(b) the day after the vesting date of the preceding tranche which vested in accordance with the vesting schedule specified in the relevant notice of grant, where the relevant unvested tranche is not the first tranche of Share Awards to vest under the relevant notice of grant

(E) The agreement with Junhan in relation to the reimbursement of employee compensation costs for certain of the Transferred Employees

The Company also expects to enter into a separate agreement with Junhan in relation to the reimbursement of the unvested share-based awards granted by Junhan to certain of the Transferred Employees as part of the employee benefits under their employment with AGH on terms similar to those provided under the AGH SBC Reimbursement Agreement. Junhan is an equity holder of Ant Financial and the share-based awards tie to the value of the equity in Ant Financial. Junhan has historically granted such share-based awards to eligible employees of AGH. Based on our discussion with the management of the Group, the aforesaid reimbursement to Junhan is expected to be not more than 5% of total consideration for the Proposed Acquisition (assuming the amount of cash in the WFOE as of the date of Completion will be US$99.9 million).

6. Information on the Target Group and the Target Business

(A) Business of the Target Group and the Target Business

The Target Company is a holding company, incorporated in the British Virgin Islands. It is the sole shareholder of the HK Subsidiary which is in turn the sole shareholder of the WFOE. Following completion of the Pre-Completion Restructuring and upon Completion, the WFOE and/ or any other entity designated by the Company will operate the Target Business, comprising the Online Movie Ticketing Business and Yulebao.

(i) The Online Movie Ticketing Business

The Online Movie Ticketing Business involves the operation of an online platform which enables consumers to purchase movie tickets online from third party movie theatres. The business acts as an agent between the consumers and the theatres. In addition, the Online Movie Ticketing Business provides (i) online promotion of movie releases for movie theatres and movie producers; (ii) movie-related entertainment information; and (iii) online sale of movie-related merchandise to consumers, and enables consumers to redeem or receive gifts provided by reward-points operators related to movie tickets (collectively, "Promotional Products and Services").

Since the commencement of the Online Movie Ticketing Business in early 2014, there has been significant growth in the business size, particularly in terms of number of movie tickets sold and GMV. For instance, the average daily number of movie tickets sold by the Online Movie Ticket Business and GMV in September 2015 were over 10 times that for the corresponding month in the previous year. Currently, the Online Movie Ticketing Business has not generated any revenue. It is still in a stage of promoting its platform to attract more users and grow the market share and therefore it has been incurring marketing expenses and it is expected to continue to incur such marketing expenses in the near future. Similarly, Promotional Products and Services are currently provided by the Online Movie Ticketing Business on a free-of-charge basis in order to further attract and engage more users to the platform. Therefore currently no revenue has been recorded from the provision of Promotional Products and Services. The management of the Group expects that the Online

Movie Ticketing Business will begin generating revenue when the online movie ticketing industry in China changes structurally, that is when (i) consumers in China have adapted to purchasing movie tickets and obtaining additional movie-related information and services online; and (ii) the competitive landscape of the industry has become more stabilised, with the Online Movie Ticketing Business remaining one of the dominant players.

(ii) Yulebao

Yulebao is a financing and investment platform through which users can invest in the production of movies, television shows, variety shows or other entertainment content (including productions by independent artists and movie producers) selected by Yulebao through online purchase of investment products offered by financial institutions with which Yulebao collaborates.

Since the beginning of 2014, Yulebao has invested in around 30 movies, television shows and variety shows. Under the current business model, Yulebao chooses movies, television shows, variety shows or other entertainment content for investment. Customers interested in investing in a particular movie, television show, variety show or other entertainment content, can make their investment, as low as RMB100, through online purchase of the corresponding investment products offered by financial institutions. The funds collected by the financial institutions are used to invest in the production of the selected movie, television show, variety show or other entertainment content. The amount and duration of investment made by Yulebao are generally from RMB10 million to RMB100 million and are fixed for a period from six months to eighteen months respectively. Upon the maturity of the investment, Yulebao receives the investment principal and a fixed percentage return on the investment principal, which ranges from 15% to 20% per annum, a majority of which is repaid to end users (who purchase entertainment content investment products on Yulebao platform) and financial institutions (which act as funding channels by issuing the investment products) as principal and return, which in aggregate ranges from approximately 8% to 12% per annum. The fixed percentage return receivable by Yulebao is determined based on arms' length negotiation between Yulebao and the producers of the movies, television shows, variety shows or other entertainment content after taking into account, among others, (i) the types of movies, television shows, variety shows or other entertainment content; (ii) the commercial/popularity prospects of the entertainment content; (iii) the amount of the funding required; and (iv) reputation and quality of the cast and production team.

Yulebao also provides an interactive, fans-based platform which allows individual investors to participate in activities related to the projects in which they have invested, such as film set visits and opportunities to attend movie premieres.

There were approximately 188 staff working at AGH or its Affiliates whose primary responsibilities, as at the date of the Framework Agreement, were to support the Target Business. The Transferred Employees will be transferred to the Group upon or after Completion for the continuous operations of the Target Business.

(B) Financial information on the Target Group and the Target Business

The Target Business commenced operations from 2014 and therefore does not have financial information for the financial year ended 31 December 2013. For the financial year ended 31 December 2014, the unaudited consolidated net losses before and after taxation and extraordinary items of the Target Business were approximately RMB141.8 million and RMB141.8 million, respectively.

Most of the losses of the Target Business were attributable to the Online Movie Ticketing Business. While there was a remarkable growth in the operations of the Online Movie Ticketing Business, it has not yet recorded any revenue during 2014 and nine months ended 30 September 2015 for the reasons discussed in sub-section headed "(A) Business of the Target Group and the Target Business" above. The Online Movie Ticketing Business is still expected to record losses in the near future due to further marketing efforts to attract more users and further grow its market share. As discussed with the management of the Group, given the significant build-up of users and the marked increase in market share over the last two years, it is expected that the Target Business will gradually contribute to the profitability of the Group. Although the Target Business is in its early stage of operation with its revenue model to be further developed, in considering the merits of the Proposed Acquisition, Independent Shareholders' attention is drawn to other factors discussed in this letter, particularly, (i) the reasons for and benefits of the Proposed Acquisition; (ii) the valuation of the 100% equity interest in the Target Business by Jones Lang LaSalle; and (iii) the Target Group's potential contribution of profitability to the Group.

The unaudited combined net asset value of the Target Group as of 30 September 2015 was approximately RMB605.8 million (assuming the Pre-Completion Restructuring was completed as of 30 September 2015). Total assets of the Target Group as of 30 September 2015 were approximately RMB1,159.1 million, a significant majority of which was cash at the WFOE for general operational purposes, especially for marketing efforts and the receivables representing the investment principal and interest related to Yulebao. Total liabilities of the Target Group as of 30 September 2015 were approximately RMB553.3 million, mainly represented by the payables of Yulebao, accrued expenses, accounts payable and other liabilities.

7. Assessment of the Consideration

(A) Business valuation

As discussed in the letter from the Board in the Circular, the consideration payable under the Framework Agreement is the agreed value of the Target Business as at 30 June 2015, and was arrived at after arm's length negotiations between the Company and AGH. The Company engaged Jones Lang LaSalle to prepare a business valuation report (the "Valuation Report") which set out an independent valuation on the 100% equity interest in the Target Business (the "Valuation") as at 30 June 2015 (the "Valuation Date") for acquisition reference. The full text of the Valuation Report is set out in Appendix II to the Circular. The Valuation Report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board and with reference to the International Valuation Standards issued by the International Valuation Standards Council.

Independent Shareholders' attention is drawn to the total appraised value of the Target Business of US$371.4 million (equivalent to approximately RMB2,353.3 million) as set out in the Valuation Report, of which US$265.8 million (equivalent to approximately RMB1,684.2 million) was attributable to the Online Movie Ticketing Business and US$105.6 million (equivalent to approximately RMB669.1 million) was attributable to Yulebao. The consideration for the 100% equity interest in the Target Business, together with the IP Assets, is US$350.0 million (equivalent to approximately RMB2,217.8 million) (before post-Completion adjustments), which is at a discount of approximately 5.8% to such total appraised value.

We have reviewed the Valuation Report and interviewed the relevant staff members of Jones Lang LaSalle with particular attention to (i) Jones Lang LaSalle's terms of engagement with the Company; (ii) Jones Lang LaSalle's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by Jones Lang LaSalle in performing the Valuation. From our review of the engagement letter between the Company and Jones Lang LaSalle, we are satisfied that the terms of engagement between the Company and Jones Lang LaSalle are appropriate to the opinion Jones Lang LaSalle is required to give. Jones Lang LaSalle has confirmed that it is independent from the Company and AGH and its related persons. We further understand that Jones Lang LaSalle is certified with the relevant professional qualifications required to perform the Valuation and the person in-charge of the Valuation has approximately 20 years' experience in conducting valuation services to a wide range of clients in different industries. We note that Jones Lang LaSalle mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on public information obtained through its own research as well as the financial and operational information provided by the management of the Group. We were advised by Jones Lang LaSalle that it has assumed such information to be true, complete and accurate and has accepted it without verification.

We note that the Valuation was primarily based on the market approach. The market approach refers to valuation by comparing the Target Business, more specifically, the Online Movie Ticketing Business and Yulebao, with similar assets, which can be found in comparable transactions, with adjustments made to the recent market prices paid for these assets to reflect the condition and utility of the Target Business (if necessary and appropriate), to arrive at the appraised value of the Target Business. We have discussed with Jones Lang LaSalle the methodologies, bases and assumptions adopted during the course of conducting the market approach. As discussed with Jones Lang LaSalle, given the unique characteristics of the Target Business (i.e. innovative and technology-driven and its unique revenue model), it considers the market approach to be the most appropriate valuation approach over the income approach and the cost approach as (i) the income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information would not be available as at the Valuation Date as the Target Business is in an early stage of development and its future revenue model is difficult to project; and (ii) the cost approach does not directly incorporate information about the economic benefits contributed by the Target Business and especially those economic benefits of a technology venture. Jones Lang LaSalle also highlighted other benefits of the market approach, including its simplicity, clarity, speed and the need for few or no assumptions. The market approach involves objectivity in application as publicly available inputs are used under this approach. We agree to Jones Lang LaSalle's adoption of the market approach as the primary valuation methodology.

Jones Lang LaSalle conducted the market approach for valuation of each of the Online Movie Ticketing Business and Yulebao. Its key procedures are set out below:

(i) The Online Movie Ticketing Business

For the valuation of the Online Movie Ticketing Business, Jones Lang LaSalle identified 6 comparable listed companies and comparable transactions where the subject asset derived most, if not all, of its revenue from online-to-offline business similar to the Online Movie Ticketing Business (i.e. being principally engaged in the sale of movie tickets via internet and mobile channels, online group purchase or leisure-oriented online-to-offline business) with its business operated mainly in the PRC and with a market capitalisation/ valuation over RMB10 billion. For the comparable transactions, Jones Lang LaSalle has assessed publicly disclosed information and is satisfied that the relevant information is from publicly reliable sources and is sufficient for valuation purpose. We have discussed with Jones Lang LaSalle its selection criteria and assessed the appropriateness of the comparables selected. Given its highly similar business activities, we are satisfied with the selection of Maizuo.com as the primary valuation proxy for the Online Movie Ticketing Business. On the bases that Jones Lang LaSalle is of the view that (i) the sale of movie tickets via internet and mobile channels is one form of online-to-offline businesses; (ii) the business model of the Online Movie Ticketing Business corresponds well to those of other online-to-offline businesses including online group purchase and leisure-oriented online-to-offline businesses which essentially involve the sale of products/services to customers online; (iii) given the lack of direct comparables (i.e. Maizuo.com, being the only close comparable available), it would be difficult to form a reliable valuation estimate by using Maizuo.com alone; and (iv) it is satisfied that the comparables obtained under online group purchase and leisure-oriented online-to-offline businesses are the closest available comparables after Maizuo.com, we are satisfied with the selection of the remaining 5 comparables as a secondary valuation proxy for Online Movie Ticketing Business. Details of the 6 comparable listed companies/ transactions are set out in Appendix II to the Circular.

For the selection of the valuation multiple, Jones Lang LaSalle opted for the measure of price to GMV ("P/GMV") ratio. Its reason for choosing this valuation multiple is mainly because of the lack of positive profit, cash flows or net assets of some of the comparables makes the application of other valuation multiples difficult. Another reason is that GMV is a commonly adopted performance/valuation measure by the participants in the online-to-offline industry. In comparing the Online Movie Ticketing Business with the comparables, Jones Lang LaSalle separated Maizuo.com from those businesses that conduct online group purchase and/or leisure-oriented online-to-offline business and assigned a 50% weighting to the Maizuo.com's P/GMV ratio. Jones Lang LaSalle explained that the assignment of higher weighting to the P/GMV ratio of Maizuo.com is because Maizuo.com is in the same line of business as the Online Movie Ticketing Business (i.e. sale of movie tickets via internet and mobile channels) so it is the only close comparable to the Online Movie Ticketing Business. The other five comparables are considered secondary to Maizuo.com and Jones Lang LaSalle assigned an equal weighting of 10% to the P/GMV ratio of each of them. During our review of the Valuation Report, we noted that Sankuai Technology Co., Ltd. ("Sankuai"), one of the comparables, operates and manages a website called Meituan.com and is in the businesses of online group purchase and leisure-oriented online-to-offline sales, including sales of movie tickets. Based on our discussion with Jones Lang LaSalle, we understand that sales of movie tickets is not significant to Sankuai's overall business. As such, given that the Online Movie Ticketing Business and Maizuo.com's primary line of business are the same, we agree with Jones Lang LaSalle's approach to use Maizuo.com as the primary valuation proxy for the Online Movie Ticketing Business and we are of the view that the higher weighting assigned to the P/GMV ratio of Maizuo.com is reasonable. For the remainder of the comparables where Jones Lang LaSalle assigned a weighting of 10% to their respective P/GMV ratios, we consider it reasonable to assign an equal weighting to these comparables on the basis that they are the closest available comparables after the sale of movie tickets via internet and mobile channels (i.e. Maizuo.com) and given the complexity and variety of their businesses, it may be difficult to assign precise weightings to each of them.

Jones Lang LaSalle endeavored to gather both "price" and "GMV" data as at Valuation Date. For instance, the price data for the listed comparables is their market capitalisation as at the Valuation Date and GMV data is based on GMV of the relevant comparables between July 2014 and June 2015. Where the relevant data is not available, Jones Lang LaSalle used the next closest available price and GMV data. In this regard, we agree with Jones Lang LaSalle that the closer the valuation data is to the Valuation Date, the more reliable the valuation estimate that can be formed.

On this basis, Jones Lang LaSalle used the weighted average of the P/GMV multiple of the comparables of approximately 1.434 times to multiply the total GMV of the Online Movie Ticketing Business between July 2014 and June 2015 of approximately RMB1,149.4 million, arriving at the appraised value of the Online Movie Ticketing Business of approximately US$265.8 million (equivalent to approximately RMB1,648.2 million).

(ii) Yulebao

For the valuation of Yulebao, Jones Lang LaSalle identified 6 comparable transactions where the subject asset derived most, if not all, of its revenue from peer-to-peer lending or internet finance. Jones Lang LaSalle confirmed that it was unable to identify any listed Greater China companies operating the aforesaid principal business activities. It was able to identify companies listed on the stock exchanges of Shenzhen, Shanghai or Hong Kong that acquired these types of businesses during the 12-month period before date of the Valuation Report. We have discussed with Jones Lang LaSalle its selection criteria and assessed the appropriateness of the comparables selected. On the bases that (i) Jones Lang LaSalle confirmed that it was unable to identify any direct comparables, listed or not, operating the business of an investment and financing platform for entertainment projects; (ii) we are given to understand that the comparables identified are mainly in the business of operating online platforms that arrange lending and investment activities which share a certain resemblance with investment and financing platforms for entertainment projects (i.e. these websites provide financing for organisations and individuals and provide avenues for lenders to lend, such that the parties involved do not go through the traditional financial intermediary such as a bank or other financial institution); and (iii) Jones Lang LaSalle confirmed that the comparables have similar development status and capital structure as Yulebao, we are satisfied with Jones Lang LaSalle's selection of the 6 comparables as a valuation proxy for Yulebao. Details of the 6 comparable transactions are set out in Appendix II to the Circular.

For the selection of valuation multiple, Jones Lang LaSalle opted for the measure of price to total assets ("P/TA") multiple. Its reason for choosing this valuation multiple is because it is common for the market to draw a parallel between total assets and assets under management for companies in the online lending and investment businesses so it is of the view that the P/TA multiple is a commonly adopted performance/valuation measure for the subject industry. Since Yulebao's latest earnings and net asset value are negative, the attempt to use earnings-based or other book value-based valuation multiples is not possible. In this regard, we consider Jones Lang LaSalle's use of P/TA multiple to be reasonable.

Jones Lang LaSalle multiplied the median of the P/TA multiples of the comparables of approximately 1.22 times by the total assets of Yulebao as at 30 June 2015 of approximately RMB536.7 million to arrive at the appraised value of Yulebao of approximately US$105.6 million (equivalent to approximately RMB669.1 million).

Having discussed the above market approach adopted by Jones Lang LaSalle and reviewed with them the reasons for adopting such valuation methodology and the bases and assumptions used for valuing the Target Business, we are of the opinion that the chosen valuation methodology in establishing the Valuation is appropriate for valuation of similar businesses of this kind.

(B) Reimbursement of cash balance and operating expenses

As advised by the management of the Company, the consideration for the acquisition of the Target Business was agreed based on the estimated fair value of the Target Business as at 30 June 2015. Therefore, the operating losses of the Target Business after 30 June 2015 and up to the date of Completion will be borne by the Company.

Furthermore, the Target Business has had a minimal amount of cash in the past and the expenditures of the Target Business were paid for by AGH before cash amounting to US$99.9 million was provided by AGH to the WFOE as its registered capital in September 2015. Given the results of the Target Business after 30 June 2015 will be taken up by the Company, it is considered reasonable for the Company to reimburse (i) the cash balance in the WFOE as at the date of Completion; and (ii) the operating expenses (which largely comprise marketing expenses and staff costs (excluding share-based compensation)) incurred by AGH in relation to the Target Business for the period between 1 July 2015 and the date of Completion.

(C) Value of the IP Assets

The IP Assets are certain design patents and trade marks, either being registered or in the process of registration, that are necessary for the operations of the Target Business. The IP Assets will be assigned to the Company upon Completion. The consideration for the assignment of the IP Assets is US$30,840, being their aggregate fair value as at 30 June 2015 and was determined on the cost basis by an independent valuer in the PRC.

As the IP Assets are part of the Target Business, we are of the view that the consideration for the IP Assets shall be assessed together with the entire Target Business as discussed in the paragraph headed "(A) Business valuation" above in this section.

(D) Amount to be paid by the Company to the Vendor under the AGH SBC Reimbursement Agreement

There were currently approximately 188 staff working at AGH or its Affiliates whose primary responsibilities, as at the date of the Framework Agreement, were to support the Target Business. The Transferred Employees will be transferred to the Group upon or after Completion for the continuous operations of the Target Business.

Certain of the Transferred Employees were granted Share Awards by AGH, being the share-based awards relating to ordinary shares in AGH. As the Transferred Employees will be transferred to the Group and their employment contracts will be terminated with AGH or its Affiliates upon or after Completion, the Share Awards held by the Transferred Employees should be cancelled upon their termination of the employment contracts between the relevant Transferred Employees and AGH or its Affiliates. However, in order to remunerate the Transferred Employees, the unvested Share Awards held by the Transferred Employees will continue to vest in accordance with the original vesting schedules specified in the relevant notice of grant, notwithstanding the termination of the employment contracts between the relevant Transferred Employees and AGH or its Affiliates at or after Completion, pursuant to the AGH SBC Reimbursement Agreement and the

Company agrees to reimburse AGH at Completion for the unvested Share Awards granted by AGH to the aforesaid Transferred Employees. The actual amount of reimbursement will be equal to the fair value of the unvested Share Awards held by these Transferred Employees at Completion, which will be determined with reference to (i) the latest available fair value of the underlying share in AGH; and (ii) the rate at which such Share Awards are expected to be forfeited prior to their vesting. For reference purpose only, the estimated amount to be paid by the Company to AGH in this regard was approximately US$11.4 million as of 4 November 2015.

We have reviewed the information provided by the management of the Company on the Share Awards granted to the aforesaid Transferred Employees. We note that the Share Awards are generally divided in tranches and vest on different dates. Based on the formula for calculating the amount to be paid by the Company to AGH for these Share Awards as set out in the AGH SBC Reimbursement Agreement, we note that the Company is required to make payments to AGH for the estimated fair value of all unvested Share Awards (except for the first unvested tranche) at the date of Completion in full. As it is the interest of the Company to retain the Transferred Employees to ensure the continuous operations of the Target Business, it is acceptable for the Company to reimburse AGH for the unvested Share Awards, such that the unvested Share Awards held by the Transferred Employees will continue to vest in accordance with the original vesting schedules and the Transferred Employees will enjoy the economic benefits of the Share Awards upon vesting.

In the formula for calculating the amount to be paid by the Company to the Vendor under the AGH SBC Reimbursement Agreement, the forfeiture rate was set at 8%. Based on our discussion with the management of the Group, the relevant historical average forfeiture rate for the past four years was less than 8%. Accordingly, the adoption of 8% forfeiture rate in the Formula is considered favourable to the Company.

(E) Amount of reimbursement to AGH for business taxes paid by AGH before 1 July 2015 in respect of the Yulebao Investment Contracts

The Yulebao Investment Contracts are contracts entered into prior to, and which will remain in force at, Completion by members of Alibaba Group and certain other parties for investing in the production of movies, television shows, variety shows or other entertainment content. The Yulebao Investment Contracts, being part of the Transferred Contracts relating to the Target Business, will be transferred to the Group upon Completion. Business taxes in respect of the Yulebao Investment Contracts amounting to not more than approximately RMB1.6 million (equivalent to approximately US$0.2 million) was paid by AGH before 1 July 2015. As the Yulebao Investment Contracts will be transferred to the Company at Completion, we consider it acceptable to reimburse the related business taxes paid by AGH before 1 July 2015.

8. Financial effects of the Proposed Acquisition on the Group

(A) Earnings

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

The net losses attributable to the shareholders of the Target Company was approximately RMB141.8 million for the year ended 31 December 2014. The Proposed Acquisition will not have a positive earnings impact to the Enlarged Group immediately as the Target Business is largely in an early stage of development.

(B) Assets and liabilities

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and, accordingly, all assets and liabilities of the Target Group will be consolidated into the Group.

Based on the net asset value attributable to the shareholders of the Target Company of approximately RMB605.8 million as at 30 September 2015 (assuming the Pre-Completion Restructuring was completed as of 30 September 2015) and the consideration for the Proposed Acquisition of approximately US$519.9 million (equivalent to approximately RMB3,294.2 million (assuming the amount of cash in the WFOE as of the date of Completion would be approximately US$99.9 million (equivalent to approximately RMB633.0 million)), some additional intangible assets such as goodwill of approximately RMB2,662.4 million would be recognised by the Enlarged Group.

The actual impact on the assets and liabilities of the Enlarged Group will be subject to change as such amount will be calculated based on carrying values of assets and liabilities of the Target Group as of the date on which Completion takes place.

(C) Gearing and liquidity

As at 30 June 2015, the Group's net cash position was approximately RMB13,741.1 million, representing total cash and cash equivalents and bank deposits with the maturity over three months of approximately RMB14,641.1 million minus total debt (comprising mainly borrowings) of approximately RMB900.0 million. After taking into account the estimated cash payment of the consideration for the Proposed Acquisition of US$519.9 million (equivalent to approximately RMB3,294.2 million) (assuming the amount of cash in the WFOE as of the date of Completion would be approximately US$99.9 million (equivalent to approximately RMB633.0 million)) and the Target Group's net cash position of approximately US$99.9 million (equivalent to approximately RMB633.0 million)) as of the date of Completion, the Enlarged Group's net cash position would decrease to approximately RMB11,079.9 million, representing a decrease of approximately 19.4%.

As at 30 June 2015, the Group had net current assets of approximately RMB14,427.7 million. After taking into account the estimated cash payment of the consideration for the Proposed Acquisition of approximately US$519.9 million (equivalent to approximately RMB3,294.2 million) and the Target Group's net current assets of approximately RMB589.3 million as at 30 September 2015 (assuming the Pre-completion Restructuring was completed as of 30 September 2015), the Enlarged Group's net current assets would decrease to approximately RMB11,722.8 million, which is still a very large sum.

9. The Non-exempt Continuing Connected Transaction

(A) Reasons for and benefits of entering into of the Shared Services Agreement

Pursuant to the Shared Services Agreement, AGH agrees to procure that the service providers (being AGH and its affiliates set out under the Shared Services Agreement or otherwise designated by AGH) provide: (i) office space and support services; (ii) customer services support; (iii) business intelligence services; (iv) maintenance service for the Yulebao database; (v) office system and support services; (vi) procurement function support services; and (vii) SMS platform services (collectively, the "Shared Services") to support the Target Business.

As stated in the letter from the Board, the Shared Services will provide ancillary support (such as sharing back office services and technology infrastructure) to the Target Business's provision of service to its customers. Although it will not be difficult to source similar types of services from third party service providers, Alibaba Group has been providing the Target Business with the services contemplated under the Shared Services Agreement so it is familiar with the Target Business's requirements and is able to provide reliable and timely services for the Target Business. The Company may, however, from time to time review the terms of the services contemplated under the Shared Services Agreement against the terms and services offered by third party service providers and re-assess commercial desirability of such arrangements. Entering into the Shared Services Agreement in this 3-year transitional period will allow the Company to leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company. Given the above, we consider the 3-year term of the Shared Services Agreement to be acceptable.

(B) Principal terms of the Shared Services Agreement

On 4 November 2015, the Company entered into the Shared Services Agreement with AGH in relation to the Shared Services. Details of the Shared Services Agreement are set out below.

(i) Date

4 November 2015

(ii) Parties

(a) The Company; and

(b) AGH

(iii) Principal terms

Pursuant to the Shared Services Agreement, AGH agrees to procure the service providers (being AGH and its affiliates set out under the Shared Services Agreement or otherwise designated by AGH) to provide the Shared Services to support the Target Business.

(iv) Pricing basis and payment terms

Details of the provision of the Shared Services, including specifications, quality standard, frequency, pricing and payment terms, will be set out in the execution documents to be entered into between the relevant parties.

Except for the SMS platform services, the service fees for the Shared Services will be calculated on the basis of the actual costs and expenses of AGH for providing the relevant services multiplied by a mark-up percentage (the "Mark-up Percentage"). The Mark-up Percentage will be based on recommendations of professional third party consultant (the "Tax Adviser") to be appointed by AGH (being an accountant firm specified under the Shared Services Agreement with appropriate qualifications, which will take into consideration various factors including the applicable tax laws and regulations and the statistics from comparable companies when making such recommendations) in accordance with the principle of an arm's length transaction and subject to adjustment annually. The Tax Adviser will be drawn from one of the following professional tax advisory service providers appointed by Alibaba Group, namely Deloitte Touche Tohmatsu, Ernst & Young, KPMG and PricewaterhouseCoopers (including their local affiliates), which is considered independent of both Alibaba Group and the Company. On the basis that the Mark-up Percentage is determined on the principle of arm's length transaction with reference to various factors including the applicable tax laws and regulations and the statistics from comparable companies, we consider the determination of the Mark-up Percentage is on normal commercial terms and fair and reasonable.

The service fees for the Shared Services (except for the SMS platform services) will also be subject to payment of Funds for Water Conservancy Construction (水利建設基金), Urban Construction Tax (城市建設稅), Educational Surtax (教育費附加稅), Value-added Tax (the "VAT") (altogether, the "Taxes"), which accounts for 0.1%, 0.42%, 0.3% and 6% of the service fees respectively.

The service fees for the SMS platform services will be calculated on the basis of the price per SMS message sent multiplied by the number of SMS messages sent, plus the VAT of 6%. The price per SMS message charged by AGH to the Group is determined by AGH by reference to the rates charged by AGH to independent third parties for similar services. Based on discussion with management, the Group will compare the rates, which are published at the website of Alidayu (www.alidayu.com), an open platform under Ali Telecom, Alibaba Group's telecommunications arm, that Alibaba Group charges to independent third parties for similar services to ensure the service fees for the SMS platform services payable by the Group are fair and reasonable.

The service fees shall be charged on a quarterly basis and settled within ten Business Days upon receipt of the invoices(s).

(v) Conditions precedent

The Shared Services Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of all of the conditions precedents under the Framework Agreement (including the approval of the Independent Shareholders).

(vi) Term

The Shared Services Agreement is for an initial term of three years commencing from the date of Completion, unless otherwise terminated in accordance with the terms thereunder.

(vii) Termination

Unless otherwise specified by the Shared Services Agreement, subject to the consent of the other party, either party has a right to terminate the Shared Services Agreement after giving a 90-day written notice. In the event that the other party issues objection, the Shared Services Agreement shall remain enforceable for 180 days after the issuance of the written notice.

As set out in the letter from the Board in the Circular, the terms of the Shared Services Agreement are a result of arm's length negotiations between the Company and AGH, and are no more favourable to AGH, nor are they any less favourable to the Group, than those available from independent third parties.

(C) The Annual Caps

Set out below are the breakdown of the annual caps (the "Annual Caps") for the first, second and third 12-month periods (the "First 12-month", "Second 12-month" and "Third 12-month" respectively) during the initial term of three years of the Shared Services Agreement (the "Cap Period"):

	Notes	**First 12-month** *(RMB'000)*	**Second 12-month** *(RMB'000)*	**Third 12-month** *(RMB'000)*
Office Space and Support Services Caps	(i)	2,800	3,300	4,000
Customer Services Support Caps	(ii)	10,800	14,000	17,600
Business Intelligence Services Caps	(iii)	5,700	6,900	8,400
Office System and Support Services Caps	(iv)	4,300	6,000	8,300
Procurement Support Services Caps	(v)	100	–	–
SMS Platform Services Caps	(vi)	7,400	5,900	7,700
Total *(Note)*		32,000	37,000	46,000

Note: The total of the Annual Caps for the First 12-month, the Second 12-month and the Third 12-month are rounded up to the nearest million.

As stated in the letter from the Board, in determining the Annual Caps, the Board has calculated the average costs of the relevant services based on the historical usage pattern and volume, arriving at with the estimates of the fees payable by the Group by reference to the average costs and the estimated demand of the Target Business for the relevant services.

(i) Office Space and Support Services Caps

Pursuant to the Shared Services Agreement, certain staff of the Online Movie Ticketing Business and Yulebao (the "Staff") will continue working at Alibaba Group's premises and use Alibaba Group's facilities. In order to facilitate the operations of the Online Movie Ticketing Business and Yulebao after Completion, Alibaba Group will continue the provision of office space and related facilities, office supplies and related support services, including but not limited to, cleaning and security services. The cost of the office space and related facilities will be borne by the Company according to the number of the Staff working in Alibaba Group's premises.

In order to assess the fairness and reasonableness of the annual caps for the office space and support services (the "Office Space and Support Services Caps"), we have reviewed the following:

(a) The number of the Staff

Based on our discussion with the management of the Group, it is expected that the number of the Staff to work at Alibaba Group's premises and use Alibaba Group's facilities after Completion will be 75.

(b) The estimated average cost of the office space and support services

Based on our review of the computation of the estimated cost, the average cost of the office space and support services represents the sum of the budgeted cost of the office space and supporting services at the various facilities and depreciation expenses, divided by the total number of employees of Alibaba Group and the Staff working at the relevant premises.

(c) Expected 20% yearly growth rate

The 20% growth rate for each of the 12-month period in the Cap Period represents the increase in general market price. Based on our discussion with the management of the Group, the expected 20% yearly growth rate mainly comprises expected increase in office rent, property management fee and utility fees, which will increase the office expense to be borne by the Company.

(d) The Taxes

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

(e) The Mark-up Percentage

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

Having considered the basis on which the Office Space and Support Services Caps was determined as described above, we are of the view that the Office Space and Support Services Caps are fair and reasonable as far as the Independent Shareholders are concerned.

(ii) Customer Services Support Caps

Pursuant to the Shared Services Agreement, Alibaba Group shall provide the customer services support in relation to the Online Movie Ticketing Business and Yulebao, which include answering customers' telephone and handling customers' complaints and claims, as well as communicating with business partners such as movie theatres.

In order to assess the fairness and reasonableness of the annual caps for the customer services support (the "Customer Services Support Caps"), we have reviewed the following:

(a) Estimated number of incoming calls for the Online Movie Ticketing Business

The estimated number of incoming calls was based on historical level of usage and expected business growth of the Online Movie Ticketing Business. The management of the Target Business expects the ratio of incoming calls on enquiries and complaints to the number of online movie tickets sold will gradually decline as customers become more familiar with the operational model of purchasing tickets online and a higher stability of the operating system of the Online Movie Ticketing Business being achieved over the Cap Period. Notwithstanding the above, the management of the Target Business still expects that the total number of incoming calls will still increase as the number of online movie tickets sold is anticipated to increase over the Cap Period.

Given the estimated number of incoming calls was determined with reference to the historical level of usage and significant growth of online movie ticket sales of over 10 times by the Online Movie Ticketing Business in September 2015 (as compared to the corresponding month in prior year), we consider the estimated increase in number of incoming calls is reasonable.

(b) The estimated average cost per each incoming call for the Online Movie Ticketing Business

According to the management of the Target Business, the cost per incoming call is derived from the total cost of customer services, which primarily consists of cost of customer service staff, divided by the actual number of incoming calls. The customer services staff's primary responsibilities include answering customers' enquiries and communicating with movie theatres and other business partners. The management of the Target Business estimates the average cost per incoming call over the Cap Period will decrease as the work of answering customers' enquiries will be outsourced to independent third-party service providers. We have reviewed the quote obtained from the independent third-party service provider and consider the determination of the cost per incoming call reasonable.

(c) The cost of customer services support for Yulebao

Given its different nature, substantially fewer customer enquiries and complaints are expected to be handled for Yulebao, as the customer services staff will primarily be communicating with film producers and insurance companies. Accordingly, a significantly lower estimate for Yulebao customer services cost, as compared with that for the Online Movie Ticketing Business, is considered reasonable.

(d) The Taxes

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

(e) The Mark-up Percentage

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

Having considered the basis on which the Customer Services Support Caps was determined as described above, we are of the view that the Customer Services Support Caps are fair and reasonable as far as the Independent Shareholders are concerned.

(iii) Business Intelligence Services Caps

Pursuant to the Shared Services Agreement, Alibaba Group shall provide business intelligence services, which include but are not limited to, industry and market research, analysis and consulting services, and the maintenance service of Yulebao's database (the "BI Services").

In order to assess the fairness and reasonableness of the annual caps for the business intelligence services (the "Business Intelligence Services Caps"), we have reviewed the following:

(a) The number of staff providing the BI Services

Based on our discussion with the management of the Group, 6 staff of Alibaba Group are currently responsible for the BI Services. Upon Completion, these staff will continue to provide the BI Services.

(b) The average cost of the BI Services

The estimated average cost of the BI Services per staff includes salaries, share-based compensation, which was derived from the existing staff cost of the BI Services.

(c) Expected 20% yearly growth rate

Based on our discussion with the management of Alibaba Group, the 20% yearly growth rate is mainly attributable to the increase in the professional staff remuneration and potential increase in number of staff providing the BI Services as a result of business growth.

(d) The Taxes

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

(e) The Mark-up Percentage

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

Having considered the basis on which the Business Intelligence Services Caps was determined as described above, we are of the view that the Business Intelligence Services Caps are fair and reasonable as far as the Independent Shareholders are concerned.

(iv) Office System and Support Services Caps

Pursuant to the Shared Services Agreement, the Company shall continue using Alibaba Group's office systems, including but not limited to, office software, administrative system, payment system and procurement system. Alibaba Group shall also provide information technology support services, including but not limited to, maintenance of internal communication system and computer system equipment (altogether, the "Supporting Services").

In order to assess the fairness and reasonableness of the annual caps for the office system and support services (the "Office System and Support Services Caps"), we have reviewed the following:

(a) The number of staff after Completion

Upon Completion, the staff of the Company, including the Staff, will use the information technology system of Alibaba Group. The cost of the Supporting Services incurred by Alibaba Group will be apportioned to the Company according to the number of the staff. As at the Latest Practicable Date, the total number of staff of the Company, the Online Movie Ticketing Business and Yulebao was 519.

(b) The average cost of the Supporting Services

The average cost of the Supporting Services per staff per month is determined based on the sum of the total costs in relation to the Supporting Services (which primarily includes the cost of the staff providing such supporting services) incurred by Alibaba Group divided by the total number of employees of Alibaba Group and the Group (including those of the Online Movie Ticketing Business and Yulebao). We have reviewed the historical average cost of the Supporting Services and considered the average cost computation reasonable.

(c) Expected 40% yearly growth rate

The 40% growth rate comprises 20% yearly increase in the number of staff of the Group and 20% yearly increase in average cost of the Supporting Services. As disclosed in the 2015 Interim Report, the number of employees of the Group has increased by approximately 43.1% from 209 as at 31 December 2014 to 299 as at 30 June 2015. Based on our discussion with the management of the Group, the expected increase in average cost of the Supporting Services is expected to be in line with the growth in cost of staff providing such Support Services.

(d) The Taxes

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

(e) The Mark-up Percentage

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

Having considered the basis on which the Office System and Support Services Caps was determined as described above, we are of the view that the Business Intelligence Services Caps are fair and reasonable as far as the Independent Shareholders are concerned.

(v) Procurement Support Services Caps

Pursuant to the Shared Services Agreement, Alibaba Group shall provide the Company with the necessary support during the procurement process. Such support services include, but are not limited to, quotation, negotiation with suppliers and preparation of the necessary documents.

In order to assess the fairness and reasonableness of the annual caps for the procurement support services (the "Procurement Support Services Caps"), we have reviewed the following:

(a) The estimated procurement amount to be made by the Company

To facilitate the expansion of the Online Movie Ticketing Business, a ticket issuing machine, which allows customers to collect tickets at the scene (the "Machine(s)"), will be placed in each movie theatre during the First 12-month. In order to cope with the business growth of the Online Movie Ticketing Business, the Group plans to install more Machines in the First 12-month. Based on our discussion with the management of the Group, given that the Group currently does not possess sufficient procurement capability to purchase the Machines and therefore it is on the Group's interest to leverage on Alibaba Group's centralised procurement function. The estimated procurement amount is derived based on the Group's near-term procurement plan and expected cost per Machine based on historical price. The procurement support service cost will be apportioned according to the procurement amount of the Machine against the total procurement amount incurred by Alibaba Group.

(b) The Mark-up Percentage

Please refer to the paragraph headed "Pricing basis and payment terms" in this section above for details.

Having considered the basis on which the Procurement Support Services Caps was determined as described above, we are of the view that the Procurement Support Services Caps are fair and reasonable as far as the Independent Shareholders are concerned.

(vi) SMS Platform Services Caps

The Online Movie Ticketing Business will send short message service messages (the "SMS Message(s)") to customers at completion of online movie ticket purchases and on the day that the movie shows. Pursuant to the Shared Services Agreement, Alibaba Group shall provide the Company with the SMS Platform Service to send the SMS Messages to the customers according to the Company's instruction.

In order to assess the fairness and reasonableness of the annual caps for the SMS platform services (the "SMS Platform Services Caps"), we have reviewed the following:

(a) The estimated number of SMS Messages to be sent

The estimated number of SMS Messages to be sent is based on the historical number of SMS messages sent, the future business plan and growth of the Target Business. As advised by the management of the Target Business, notifications via SMS Messages are currently issued at the time of purchase and before the start of the movie. With the expectation of growing popularity of the Online Movie Ticketing Business, it is expected only notifications at the time of purchase will be needed. It is further expected that the notification via SMS Messages will be replaced by using notification through mobile phone applications and therefore the number of SMS Messages to be sent is expected to decline over the Cap Period.

(b) The cost for each SMS message sent

Pursuant to the Shared Services Agreement, the cost for each SMS message sent will be the price of the same service that Alibaba Group charges to the independent third parties, plus the VAT of 6%.

Having considered the basis on which the SMS Platform Services Caps was determined as described above, we are of the view that the SMS Platform Services Caps are fair and reasonable as far as the Independent Shareholders are concerned.

10. Duration of the IP Licence Agreement

(A) Principal terms of the IP Licence Agreement

The Company will enter into the IP Licence Agreement with AGH at Completion whereby each will license certain intellectual property rights to the other. Details of the IP Licence Agreement are set out below.

(i) Parties

(1) AGH

(2) The Company

(ii) Term

It is proposed that the IP Licence Agreement will commence from the date of Completion and will be effective perpetually, unless otherwise terminated in accordance with its proposed terms.

(iii) Rights granted

Under the IP Licence Agreement, it is proposed that:

(a) the Company will grant AGH a royalty-free, non-exclusive and perpetual licence to use certain trade marks and patents comprised in the Target Business as at Completion for any purpose in connection with AGH's business; and

(b) AGH will grant the Company a royalty-free, non-exclusive and perpetual licence to continue to use certain trade marks and patents currently used in the Target Business.

(iv) Licence fee

It is proposed that no licence fee will be payable by either AGH or the Company for the use of the licensed rights.

(B) Reasons for and benefits of entering into of the IP Licence Agreement

As set out in the IP Licence Agreement, AGH is the registered proprietor of certain trade marks and patents currently used in the Target Business, which support the operations of the Target Business. The longer the duration of granting of such trade marks and patents by AGH at no fee to the Company, in our view, the better the terms are for the Company.

Pursuant to the terms of the Framework Agreement and the Assignment of IP Assets, AGH will assign the IP Assets to the Company upon Completion. The IP Assets are essentially the trade marks and patents used by the Target Business other than those to be licensed by AGH to the Company as mentioned above. According to management of the Group, the IP Assets to be re-granted to AGH will enable AGH to continue to promote the Target Business for and on behalf of the Company, via the Alibaba ecosystem. Likewise, in our view, the longer the duration of granting of such trade marks and patents by the Company to AGH, in our view, the better the terms are for the Company.

Pursuant to the terms of the Framework Agreement, each party to the IP Licence Agreement has agreed to grant to each other a licence to use such trade marks and patents currently used in the Target Business, on the terms set out in the IP Licence Agreement. The IP Licence Agreement, being part and parcel to the Proposed Acquisition, enables the Group to benefit from the dual-channel promotion of the Target Business to the online users across both the Group's business and the Alibaba Group's business.

(C) Assessing the duration of the IP Licence Agreement

In assessing the duration of the IP Licence Agreement, we have conducted research on the website site of the Stock Exchange to identify and review the announcements of a number of intellectual property right licensing agreements entered into by companies listed on the Stock Exchange with a long duration (the "Comparable IP Licensing Transactions") in the three years preceding the Latest Practicable Date. We are of the view that the three-year review period provides a good indication of the recent terms agreed under intellectual property right licensing agreements by companies listed on the Stock Exchange. Details of the Comparable IP Licensing Transactions are set out below:

	Parties	**Duration of agreement**	**Type of transaction**	**Source**
1.	China Resources Enterprise, Limited ("CRE") (stock code: 291) as licensee and Tesco PLC, a public limited company listed on the Main Market of the London Stock Exchange, as licensor	Perpetual unless terminated by either party	A non-exclusive royalty-free perpetual license to use the licensor's intellectual property	Announcement of CRE dated 2 October 2013

	Parties	Duration of agreement	Type of transaction	Source
2.	Shunfeng Photovoltaic International Limited ("Shunfeng") (stock code: 1165) as licensee and Taiwan Carbon Nanotube Technology Corporation, a company incorporated in Taiwan, as licensor	Perpetual unless terminated by either party	Grant of the license to use the various logos, invention rights, applied technologies, products, results and all intellectual property rights worldwide except Japan, Taiwan, Hong Kong, Macau and the PRC	Announcement of Shunfeng dated 25 August 2014
3.	Yashili International Holdings Limited ("Yashili") (stock code: 1230) and Oushi Mengniu (Inner Mongolia) Diary Products Co., Ltd ("Oushi Mengniu"), a subsidiary of China Mengniu International Company Limited ("Mengniu") (stock code: 2319), as licensees and Mengniu as licensor	50 years or the operation period of Oushi Mengniu, whichever longer	Grant of the non-transferable and non-exclusive right to use the trademarks in the manufacturing, sale, promotion, marketing, advertising and distribution of pediatric milk formula products and milk powder products for adults	Announcement of Yashili dated 25 September 2015
4.	Vinda International Holdings Limited ("Vinda") (stock code: 3331) as licensee and SCA Hygiene Products AB, whose parent company is listed on NASDAQ OMX Stockholm, as licensor	Perpetual (some of the agreements are subject to condition)	Grant of exclusive right to use the brand "Tempo", "Tork" and "Tena" in certain consumer products in certain countries in Asia	Announcement of Vinda dated 29 October 2015

As illustrated in the table above, during the period under review, there have been 4 announced Comparable IP Licensing Transactions with perpetual or very long duration.

On the bases that (i) the relevant trade marks and patents to be granted to the Company support the operations of the Target Business; (ii) the granting of the relevant trade marks and patents to AGH will enable the Group to benefit from the dual-channel promotion of the Target Business to the online users across both the Group's business and the Alibaba Group's business; (iii) the IP Licence Agreement is part and parcel to the Proposed Acquisition; and (iv) there have been 4 announced Comparable IP Licensing Transactions with perpetual or very long duration during the period under review, demonstrating that such long duration is not uncommon in the market, we consider that it is reasonable for the IP Licence Agreement to have a long duration and that it is normal business practice for agreements of the type of the IP Licence Agreement to be of such duration.

DISCUSSION AND ANALYSIS

The Company is the flagship of Alibaba Group's movie, television and other entertainment businesses. It has been a stated strategy and commitment of the Group to play a significant role in each key segment of the entertainment industry, and create a platform encompassing the entire industry chain covering investment, content creation, production, promotions, marketing, sales and distribution of movies and TV programs, as well as selling peripheral products.

In the six months ended 30 June 2015, the Group's turnover has decreased compared to the corresponding period in the previous year and net losses were sustained. The Group nevertheless continues to have a very strong balance sheet, in particular a cash reserve of approximately RMB14.6 billion as at 30 June 2015 after the Placing. The significant amount of cash resources means the Group is well placed to achieve strategic acquisitions, including the Proposed Acquisition.

The demand for entertainment services in China has increased significantly in recent years and China is now recognised as the second largest film market in the world. The use of internet technologies and application of online-to-offline business has demonstrated a substantial development potential for the online movie ticketing market. Several well-known technology leaders have already tapped into this market.

The Online Movie Ticketing Business involves the operation of an online platform which enables consumers to purchase movie tickets online from third party movie theatres. Yulebao is a financing and investment platform through which users can invest in the production of movies, television shows, variety shows or other entertainment content (including productions by independent artists and movie producers) selected by Yulebao through online purchase of investment products offered by financial institutions with which Yulebao collaborates. The Proposed Acquisition is in furtherance of the ordinary and usual course of business of the Group and represents a logical expansion of business in line with the stated strategy and plan of the Group.

The consideration for the sale and purchase of the entire equity interest in the Target Company, together with the IP Assets, is approximately US$350 million (before post-Completion adjustments), which represents a discount of approximately US$21.4 million or approximately 5.8% to the fair market value of the Target Business of approximately US$371.4 million as valued by Jones Lang LaSalle, of which approximately US$265.8 million (equivalent to approximately RMB1,684.2 million) was attributable to Online Movie Ticketing Business and US$105.6 million (equivalent to approximately RMB669.1 million) was attributable to Yulebao. The valuation methodology adopted by Jones Lang LaSalle in arriving the fair market value of the Target Business is the market approach, which we consider to be an appropriate approach in establishing valuation of similar businesses. Jones Lang LaSalle's market approach is centered around (i) selection and collation of appropriate comparable companies/transactions based on targeted criteria; and (ii) deciding on the most value-indicative valuation multiple. Given the uniqueness of the Target Business, Jones Lang LaSalle comments that though there may be certain limitations in its approach, it has nevertheless endeavored to select the closest comparables available to the Target Business. It has also explained convincingly its rationale in choosing the valuation multiples over other possible ones. Based on our discussion with Jones Lang LaSalle and review of the Valuation Report, we are of the view that the basis of selection of the comparable companies/transactions and valuation multiples and weightings of the comparable companies/transactions (applicable for Online Movie Ticketing Business only) for the valuation of the Target Business are reasonable.

The Non-Exempt Continuing Connected Transaction, being the transactions contemplated under the Shared Services Agreement, is essential and an integral part of the Proposed Acquisition. The terms of the Non-Exempt Continuing Connected Transaction are in line with the market practices. Given that the Non-Exempt Continuing Connected Transaction will be required in the future to meet the continual commercial needs of the Target Business, we are of the view the Non-Exempt Continuing Connected Transaction is in the ordinary and usual course of business of the Enlarged Group.

OPINION AND RECOMMENDATION

Based on the abovementioned principal factors and reasons, we consider that the Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We are also of view that the terms of the Transactions are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions approving the Transactions at the Special General Meeting.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M.N. Sabine
Chairman

Mr. Sabine is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors (except for Mr. Liu Chunning who is not contactable) 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 Group. The Directors (except for Mr. Liu Chunning who is not contactable), 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. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive of the Company

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 underlying Shares

Name of Director	Capacity	Number of underlying shares held	Approximate percentage of the Company's issued share capital *(Note 2)*
Zhang Qiang	Beneficial owner	210,119,800 *(Note 1)*	0.83%

Notes:

(1) These represent share options in respect of 210,119,800 underlying Shares granted by the Company to Mr. Zhang Qiang.

(2) As at the Latest Practicable Date, the Company had a total of 25,234,561,410 Shares in issue.

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.

3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

(i) Competing interests

As at the Latest Practicable Date, none of the Directors and their respective 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.

(ii) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Group.

(iii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

(iv) Service contracts

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

4. MATERIAL ADVERSE CHANGE

The Directors (except for Mr. Liu Chunning who is not contactable) were not aware of, as at the Latest Practicable Date, any material adverse change in the financial and trading position of the Group since December 31, 2014, being the date to which the latest published audited financial statements of the Company were made up.

5. EXPERT AND CONSENTS

The following is the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Somerley Capital	A corporation licensed under the Securities and Futures Commission to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Jones Lang LaSalle	professional valuer

The letters and/or opinions from the above experts are given as of the date of this circular for incorporation herein. The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter and/or opinions (as the case may be) and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which had been, since December 31, 2014, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, up to and including December 23, 2015:

(i) Framework Agreement;

(ii) Shared Services Agreement;

(iii) Agreed form of the Share Purchase Agreement;

(iv) Agreed form of the Assignment of IP Assets;

(v) Agreed form of the AGH SBC Reimbursement Agreement;

(vi) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 24 of this circular;

(vii) the letter from Somerley Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 64 of this circular;

(viii) the business valuation report from Jones Lang LaSalle, the text of which is set out on pages 69 to 81 of this circular;

(ix) the written consents referred to in the section headed "Expert and consents" of this Appendix I; and

(x) this circular.

The following is the business valuation report on the Target Business prepared by Jones Lang LaSalle, which has been prepared for the purpose of inclusion in this circular.

9 December 2015

The Board of Directors
Alibaba Pictures Group Limited
26th Floor, Tower One, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Dear Sirs,

In accordance with the instructions received from Alibaba Pictures Group Limited (the "Company"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited has undertaken a valuation exercise requires to express an independent opinion on the market value of 100% equity interest in the Target Business as at 30 June 2015 (the "Valuation Date") as defined in the circular of the company dated 9 December 2015 (the "Circular"). This valuation report is dated 9 December 2015.

The purpose of this valuation is to express an independent opinion of the market value of the Target Business for acquisition reference. Capitalized terms in this valuation report follow the same definition as in the Circular, unless otherwise defined.

Our valuation was carried out on a market value basis. Market value is defined as "*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*"

INTRODUCTION

On November 4, 2015, the Company and Alibaba Group Holding Limited ("AGH") entered into a framework agreement in relation to the conditional acquisition by the Company of the Target Business.

The Target Business comprises (1) the Online Movie Ticking Business and (2) Yulebao.

Online Movie Ticking Business

The Online Movie Ticketing Business involves the operation of an online platform which enables consumers to purchase movie tickets online from third party movie theatres. The business acts as an agent between the consumers and the movie theatres. In addition, the Online Movie Ticketing Business provides (i) online promotion of movie releases for movie theatres and movie producers; (ii) movie-related entertainment information; and (iii) online sale of movie related merchandise to consumers, and enables consumers to redeem or receive gifts provided by reward-points operators related to movie tickets.

Yulebao

Yulebao is a financing and investment platform through which users can invest in the production of movies, television shows, variety shows or other entertainment content (including productions by independent artists and movie producers) selected by Yulebao through online purchase of investment products offered by financial institutions with which Yulebao collaborates. It also provides an interactive, fans-based platform which allows individual investors to participate in activities related to the projects in which they have invested, such as film set visits and opportunities to attend movie premieres.

BASIS OF OPINION

We have conducted our valuation in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of economic condition of the Target Business and an assessment of key assumptions, estimates, and representations made by the Company. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation of the Target Business concerned;
- The financial condition and financial performance of the Target Business;
- Market-driven valuation multiples of companies engaged in similar lines of business;
- Consideration and analysis on the micro and macro economy affecting the Target Business;
- Analysis on business planning, management standard and synergy of the Target Business; and
- Assessment of the leverage and liquidity of the Target Business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on 100% equity interest in the Target Business.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the unique characteristics of the Target Business, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the Target Business.

In view of the above, we have adopted the market approach for the valuation. The Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative if necessary and appropriate. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

Commonly applied market approach techniques include guideline public company method and the guideline transaction method. The former requires the research of the benchmark multiples of comparable public companies while the latter requires the research of benchmark multiples implied from transactions involving comparable private companies.

Online Movie Ticketing

Online Movie Ticketing and the comparable companies/transactions identified are engaged in the management and operation of platforms facilitating online to offline commerce in China. These companies are typically involved in the operation of an online platform which enables consumers to purchase products or services online from third party vendors or service providers. The business acts as an agent between the consumers and vendors or service providers. As the majority of these companies do not have positive profits, cash flow or net assets, the key performance indicator of these companies is commonly measured by Gross Merchandise Value ("GMV"). GMV is the main driver of the revenue of this type of companies and therefore their valuation is closely linked to this indicator. As such, the valuation multiples of price to gross merchandise value ("P/GMV") of the comparable companies and transactions have been selected as the key multiples for reference in this valuation exercise. In the calculation of the P/GMV ratios, we have referred to the trading prices of the comparable public companies as at the Valuation Date and the recent transaction prices of the private companies, as well as the recent publicly available GMV data. The P/GMV ratios are then calculated by dividing the prices of the public companies and transactions by their respective GMV.

Yulebao

As we cannot identify any comparable listed company for Yulebao listed in Greater China, the market value of Yulebao was developed only through the application of guideline transaction method.

Yulebao and the identified comparable transactions are engaged in management and operation of platforms in which an individual lender can lend money to an unrelated party without going through a traditional financial intermediary, commonly known as Peer-to-Peer Lending ("P2P Lending") or internet finance in China. The business acts as an agent between the lenders and borrowers. As the majority of these companies do not have positive profits, cash flow or net assets, the key performance indicator in this industry is based on their funds collected from investors through their online platforms. Fund collected is the main driver of the revenue of this type of companies and therefore their valuation is closely linked to this indicator. Furthermore, as most of the assets of these companies would be the fund collected from lenders, the valuation multiples of Price to Total Assets ("P/TA") of the comparable transactions have been selected as the key multiples for reference in this valuation exercise.

VALUATION ASSUMPTIONS

In determining the value of the equity interest in the Target Business, we make the following key assumptions:

- We have assumed that the business can be sustained with the effort of the management of the Target Business and the Company;
- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Business;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have assumed the public information obtained is true, complete and accurate, and have accepted the information without any verification;

- We have assumed the accuracy of the financial and operational information provided to us by the Target Business and the Company and relied to a considerable extent on such information in arriving at our opinion of value and we have accepted the information without any verification;

- We have assumed the capital structure of the Target Business will not change; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION OF ONLINE MOVE TICKETING

MARKET MULTIPLES

In determining the financial multiple, a list of guideline transactions and comparable listed companies was identified. The selection criteria include the followings:

1. The comparators include both listed and unlisted companies and mainly have their business operated in China;

2. Relevant information about the comparators are publicly disclosed, and sufficient data, including prices and GMV, can be acquired from publicly reliable sources;

3. For guideline transactions of private companies, we have performed an internet search for capital transactions of companies engaged in sales of movie tickets via internet and mobile channels in China by making reference to a research report by Analysys International on China's online movie ticket sales (source: http://www.analysys.cn/yjgd/10859.shtml); and

4. The comparable listed companies, being searchable in Bloomberg, derive most, if not all, of their revenues from online to offline business similar to the industry of Online Movie Ticketing, i.e., principally engaging in sales of movie tickets via internet and mobile channels, online group purchase or leisure-oriented online-to-offline businesses in China, with market capitalization over RMB10 billion.

The guideline transactions and comparable listed companies satisfying the above criteria are exhaustively listed below:

Name	Business	Price (RMB Mil)	GMV (RMB Mil)	Weighting	P/GMV Ratio
Maizuo.com (賣座網)	Sales of movie tickets via internet and mobile channels	522.28	326.56	50%	1.60 (1)
Meituan.com (美團網)	Online group purchase; leisure-oriented online-to-offline business	43,407.00	46,000.00	50%	0.94 (2)
Dianping.com (大眾點評)		25,114.05	18,160.00		1.38 (3)
JD.Com Inc (JD.US) (7)		294,384.00	355,400.00		0.83 (4)
Alibaba Group Holding Ltd (BABA.US) (7)		1,281,213.00	2,616,000.00		0.49 (5)
Jumei International Holding Ltd (JMEI.US) (7)		20,263.20	7,508.79		2.70 (6)
				Weighted average	1.434

Notes:

1. Shenzhen Huayu Xunke Technology Co,.Ltd operates and manages a website called Maizuo.com. The major business of Maizuo.com is the sales of movie tickets via internet and mobile channels. As this company is the same business as Online Movie Ticketing, it is the most directly comparable company and we have assigned a weighting of 50% in the valuation. Further, as the other comparable companies/transactions in the valuation are in businesses similar to (but not identical to) Online Movie Ticketing, they are less directly related to Online Movie Ticketing and we have assigned a total weighting of 50% to this group with an equal weighting within the group due to the complexity and variety of businesses and other features in the group. According to an announcement by Huayi Brothers Media Corporation (300027 CH) in June 2014, Huayi Brothers Media Corporation acquired 51% equity of Maizuo.com at RMB266.36 million. This implied a 100% valuation of Maizuo.com at RMB522.28 million. GMV of Maizuo.com of RMB326.56 million is calculated by multiplying the value of China's total movie tickets sales between July 2013 and June 2014 at RMB24.19 billion according to Entgroup Inc. by the market share of Maizuo.com in 2014 at 1.35% according to Entgroup Inc.

2. Sankuai Technology Co., Ltd operates and manages a website called Meituan.com. It is in the businesses of online group purchase and leisure-oriented online-to-offline sales, including sales of movie tickets. The sales of movie tickets, however, are not significant to Sankuai's overall business. As reported by Bloomberg News, Meituan.com announced in January 2015 that it had raised US$700 million (equivalent to approximately RMB4.3 billion, at US$1=RMB6.2) with a 100% valuation at US$7 billion (equivalent to approximately RMB43.4 billion), and GMV of RMB46 billion in 2014. We have not considered the proposed merger between Meituan.com and Dianping.com (as announced by these two companies on 8 October 2015) in the valuation as we have not identified sufficient information from reliable sources on this transaction.

3. Shanghai Han Tao Information Consultation Co. Ltd operates and manages a website called Dianping.com. Dianping.com is an online to offline platform for urban and lifestyle services, including providing merchant information and consumer reviews as well as offering group-purchase, online restaurant reservation, take-out delivery, e-coupon promotions, and other O2O services. The Wall Street Journal reported that Dianping.com raised US$850 million (equivalent to approximately RMB5.3 billion) with a 100% valuation at US$4.05 billion (equivalent to approximately RMB25.1 billion) in April 2015 (source: http://www.wsj.com/articles/chinas-dianping-valued-at-4-billion-1427962959). As reported by tmtpost.com, Dianping.com recorded a GMV of RMB18.16 billion in 2014 (source: http://www.tmtpost.com/1448434.html). We have not considered the proposed merger between Meituan.com and Dianping.com (as announced by these two companies on 8 October 2015) in the valuation as we have not identified sufficient information from reliable sources on this transaction.

4. JD.com Inc.is an online direct sale company and offers a wide range of products through its website and mobile application, and it is also in the business of retail-oriented online-to-offline sales. According to Bloomberg, the market capitalization of JD.com Inc. as at the Valuation Date was RMB294.38 billion. According to JD.com Inc.'s quarterly earnings reports, the GMV between July 2014 and June 2015 was RMB355.40 billion. For this comparable public company, it is considered that the discount of lack of marketability and the control premium to be applied to the subject would offset each other so we have adopted the market capitalization directly in the valuation.

5. Alibaba Group Holding Ltd. provides internet infrastructure, e-commerce, and retail O2O service. According to Bloomberg, the market capitalization of Alibaba Group Holding Ltd. as at the Valuation Date was RMB1,281.21 billion. According to Alibaba Group Holding Ltd.'s quarterly earnings reports, the GMV between July 2014 and June 2015 was RMB2,616 billion. For this comparable public company, it is considered that the discount of lack of marketability and the control premium to be applied to the subject would offset each other. As such, we have adopted the market capitalization directly in the valuation.

6. Jumei International Holding Ltd. provides online sale of beauty product and is also in the business of retail-oriented online-to-offline sales. According to Bloomberg, the market capitalization of Jumei International Holding Ltd as at the Valuation Date was RMB20.26 billion. The GMV between July 2014 and June 2015 was RMB7.51 billion according to their quarterly earnings reports. For this comparable public company, it is considered that the discount of lack of marketability and the control premium to be applied to the subject would offset each other. As such, we have adopted the market capitalization directly in the valuation.

7. Being a public company.

The weighted average of the P/GMV ratio is then calculated at 1.434 and adopted as the effective P/GMV Ratio for Online Movie Ticketing.

The estimated market value of Online Movie Ticketing is then computed based on the GMV between July 2014 and June 2015 of Online Movie Ticketing and the effective P/GMV Ratio. The result is as follows:

Total GMV between July 2014 and June 2015 of Online Movie Ticketing	RMB1,149.4 million
Effective P/GMV ratio	1.434
Exchange rate at 30 June 2015 (US$/RMB)	6.20
Estimated market value of Online Movie Ticketing	US$265.8 million

Yulebao

In determining the valuation multiple for Yulebao, a list of guideline transactions was identified. The selection criteria include the followings:

1. The comparators derive most, if not all, of their revenues from the similar industry of Yulebao, i.e., principally engaging in management and operation of a platform for Peer-to-Peer Lending ("P2P Lending") or internet finance, in China;

2. The comparators have a similar development status and capital structure as Yulebao;

3. The guideline transactions, announced in the last twelve months, are searchable in Choice with the following keywords: "P2P Lending (P2P借貸)" and "internet finance (互聯網金融)". Choice is a reputable financial terminal covering the financial markets in Hong Kong and China. It provides a searchable database of the announcements and circulars from public companies, in additional to commentaries, analyses, researches, etc.;

4. The guideline transactions are publicly disclosed on the websites of the stock exchanges of Shenzhen, Shanghai or Hong Kong; and

5. Sufficient data are available for these transactions.

The guideline transactions satisfying the above criteria are exhaustively listed below:

Investor (Ticker)	Target	Announced Date	Price (RMB mil)	Total Assets (RMB mil)	P/TA Ratio
Shengda Mining Co., Ltd. 盛達礦業股份有限公司 (000603.CH)	P2P internet financing service platform ("Hexindai.com") P2P互聯網金融服務平台「和信貸」	2 June 2015	500	1,335	0.37
Tibet Summit Industry Co., Ltd. 西藏珠峰工業股份有限公司 (600338.CH)	Shanghai Jiecai Financing information service Co., Ltd. (main business is internet financing) 上海捷財金融信息服務有限公司(主營業務為互聯網金融)	28 October 2015	120	146	0.82
Pacific Plywood Holdings Limited 太平洋實業控股有限公司 (767.HK)	P2P Financing Platform "Caijia" in the PRC 中國P2P融資平台「財加」	10 July 2015	2,003	1,800 *	1.11
Jolywood (Suzhou) Sunwatt Co., Ltd. 蘇州中來光伏新材股份有限公司 (300393.CH)	Zhejiang Tongmi internet tech co., Ltd. (main business is operating a P2P financing platform) 浙江銅米網絡科技有限公司(主營業務為P2P融資平台)	21 April 2015	30	22	1.34
Hubei Kaile Science and Technology Co., Ltd. 湖北凱樂科技股份有限公司 (600260.CH)	Beijing Zhonglian Venture Capital e-commerce co., Ltd. (main business is internet financing) 北京中聯創投電子商務有限公司(主營業務為互聯網金融)	15 May 2015	300	149	2.02
Beijing Kalends Science and Technology Co., Ltd. 北京昆侖萬維科技股份有限公司 (300418.CH)	Kunlun Online (HK) Co., Ltd. (main business is internet financing in PRC) 昆侖在線(香港)股份有限公司(主營業務為國內互聯網金融)	12 June 2015	620	179	3.46

(Source: public announcements from the above companies)

The above company names in English are for identification purpose only.

** being the total principal under management by the target, its total assets value had not been disclosed*

The P/TA ratios refer to value of the equity ("Price") of the guideline company to the respective value of the total assets ("TA") on the balance sheet of such guideline company. The median of the P/TA ratio, which eliminates the impact of extreme values, is then calculated at 1.22 and adopted as the effective P/TA Ratio for Yulebao.

The market value of the Yulebao is then produced based on the total asset of Yulebao as at 30 June 2015 and the estimated effective P/TA Ratio. The result is as follows:

Total assets of Yulebao at 30 June 2015	RMB536.7million
Effective P/TA ratio	1.22
Exchange rate at 30 June 2015 (US$/RMB)	6.2
Estimated market value of Yulebao	US$105.6 million

VALUATION COMMENTS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Business, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Group over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

LIMITING CONDITIONS

This report is issued subject to our Limiting Conditions as attached.

Based on the results of our investigations and analyses, we are of the opinion that as at 30 June 2015 the market value of 100% equity interest in the Target Business is reasonably stated at the amount of US$371.4 million.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of CPA Australia and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries, in Mainland China, Hong Kong, the United States and Singapore for over 20 years.

APPENDIX A – LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Company/engagement parties and our reports were only used as part of the Company's/engagement parties' analysis in reaching their conclusion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. The values expressed herein are valid only for the purpose stated in the report and in the engagement letter or proposal as of the Valuation/Reference Date. The report should not be otherwise be referred to or quoted, in whole or in part, in any form of communication, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, and those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments; the resulting value may differ significantly.

16. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Company/engagement parties and other sources.

阿里巴巴·影业集团™
Alibaba·Pictures

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 a special general meeting (the "Special General Meeting") of Alibaba Pictures Group Limited (the "Company") will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, December 29, 2015 at 11:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. **"THAT**

(a) the framework agreement ("Framework Agreement") entered into between the Company and Alibaba Group Holding Limited ("AGH") on November 4, 2015 pursuant to which AGH shall sell, and the Company shall purchase, the online movie ticketing business and Yulebao ("Target Business") be and is hereby confirmed, approved and ratified;

(b) the share purchase agreement to be entered between the Company and AGH pursuant to which AGH shall sell, and the Company shall purchase, the entire issued share capital of Aurora Media (BVI) Limited be and is hereby approved;

(c) the assignment of intellectual property assets to be entered into between the Company as assignee and AGH as assignor be and is hereby approved;

(d) the AGH SBC reimbursement agreement to be entered into between the Company and AGH in relation to certain employees of AGH or its affiliates whose primary responsibilities, as of November 4, 2015, were to support the Target Business be and is hereby approved;

(e) the transactions contemplated under (a) to (d) above, including without limitation:

(1) the transfer of the Target Business under the restructuring of the Target Business as set out in the Framework Agreement to be completed after completion of the acquisition of the Target Business; and

(2) the continuing connected transaction contemplated under the shared services agreement in relation to office space and support services, customer service support, business intelligence services, maintenance service for the Yulebao database, office system and support services, procurement function support services and SMS platform services, entered into on November 4, 2015 between the Company and AGH ("Shared Services Agreement"),

be and are hereby confirmed, approved and ratified;

(f) to authorise any director(s) of the Company for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the Framework Agreement and the Shared Services Agreement and the amendment, variation or modification of the terms and conditions of the Framework Agreement and the Shared Services Agreement on such terms and conditions as any director(s) of the Company may think fit."

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

Hong Kong, December 9, 2015

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 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 or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, 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. All voting by the members at the Meeting shall be conducted by way of poll.

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