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ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that it has adopted the Scheme in which all employees (including any executive, non-executive and independent non-executive Directors) of the Group and/or an Associated Entity will be eligible to participate. Pursuant to the Scheme Rules, Shares will be acquired by the independent Trustee at the cost of the Company and be held in trust for the Selected Employees until the end of each vesting period.

The number of Shares to be awarded under the Scheme throughout its duration is limited to 2% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a Selected Employee under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed.

The Board is pleased to announce that it has adopted the Scheme on the Adoption Date. A summary of some of the principal Scheme Rules is set out below.

Purposes and Objectives

To recognise the contributions by certain persons, including employees of the Group

and/or an Associated Entity and to provide incentives thereto to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

Administration

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed.

Duration

Subject to any early termination determined by the Board, the Scheme shall be valid and effective for a term commencing on the Adoption Date and ending on the expiry of the Trust Period.

Maximum Limit

The Board shall not make any further Award which will result in the aggregate number of Shares awarded by the Board or held by the Trustee under the Scheme to be in excess of 2% of the issued share capital of the Company from time to time. The maximum number of Shares (including both vested and non-vested Shares) which may be awarded to a Selected Employee under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Restrictions

No Award shall be made by the Board and no instructions to acquire Shares shall be given to the Trustee under the Scheme where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Pursuant to the Scheme Rules, the Board may from time to time cause to be paid a Contributed Amount to the Trust by way of settlement or otherwise contributed by the Company, any Subsidiary or Associated Entity as directed by the Board which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of the Shares.

In the event that the Awarded Shares are to be allotted and issued as new Shares under the General Mandate or a specific mandate for the purpose of the Trust, the Board shall cause an

amount not less than the nominal value of such new Shares to be allotted and issued be transferred from the Company's resources as soon as practicable but in any event not later than five Business Days prior to the allotment and issuance of such Shares as subscription monies for the new Shares and cause to issue and allot such new Shares to the Trustees, which shall be held upon trust for the relevant Selected Employee in accordance with the Scheme Rules and Trust Deed. Where any grant of Awarded Shares is proposed to be made to a connected person of the Company involving new Shares, the Company will comply with applicable provisions of the Listing Rules as and when appropriate.

The Board may also from time to time instruct the Trustee in writing to purchase Shares on Stock Exchange, in which case, the Board shall specify the maximum amount of funds to be used and the range of prices at which such Shares are to be purchased. The Trustee shall apply such amount of Residual Cash towards the purchase of such maximum board lot of Shares at the prevailing market price according to the Board's instructions. Once purchased, the Shares are to be held by the Trustee for the benefit of Employees under the Trust.

Vesting and Lapse

The Board is entitled to impose any conditions (including a period of continued service within the Group after the Award) as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employee. Subject to the terms and conditions of the Scheme and the fulfillment of all vesting conditions to the vesting of the Awarded Shares on a Selected Employee as specified in the Scheme and the letter of award, the Trustee shall transfer the Awarded Shares to such Selected Employee on the Vesting Date.

Award shall, to the extent not yet vested, automatically lapse forthwith when a Selected Employee is found to be an Excluded Employee or is deemed to cease to be an Employee prior to or on the Vesting Date.

In the event a Selected Employee (i) has suffered disability as a result of or in connection with performance of his duty during the course of employment with a Group Company or Associated Entity at any time prior to the Vesting Date and is unable to perform his duties; or (ii) has died during his employment with a Group Company or Associated Entity; or (iii) has retired by agreement with a member of the Group or Associated Entity or resigned at any time prior to or on the Vesting Date, all the relevant Awarded Shares shall, to the extent not yet vested, automatically lapse on the last day of employment unless the Board determines otherwise.

In the event of the death of a Selected Employee, the Trustee shall hold the vested Awarded Shares upon trust and to transfer the same to the legal personal representatives of the Selected

Employee.

In the event a Selected Employee ceases to be an employee of the Group Company or an Associated Entity for cause or commits any serious misconduct, the Award, whether vested or unvested, shall automatically be cancelled as of the date of the termination for cause or the commission of the serious misconduct.

If there occurs an event of change in control (as specified in the Code) of the Company, whether by way of offer, merger, scheme of arrangement, compromise or arrangement pursuant to the Bermuda Companies Act or otherwise, and such change in control event becomes or is declared unconditional prior to the Vesting Date, the Board shall determine at its sole discretion whether such Awarded Shares shall vest in the Selected Employee and the time at which such Awarded Shares shall vest.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust (including but not limited to the Awarded Shares, any bonus Shares and scrip Shares derived therefrom).

The Board is of the view that not exercising the voting rights by the Trustee might help avoid potential misperception of the Company's influence over the Trustee's decision in casting the votes in respect of the Shares held under the Trust at general meetings.

Termination

The Scheme shall terminate on the earlier of the expiry of the Trust Period or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees.

Upon termination, no further Awards shall be granted but in all other respects, these Scheme Rules shall remain in full force and effect in respect of Awards which have been granted during the term of the Scheme and which remain unvested or which have vested but not yet been transferred to a Selected Employee immediately prior to the termination of the Scheme; all Shares (except for any Awarded Shares subject to vesting on the Selected Employees) remaining in the trust fund shall be sold by the Trustee within 28 Business Days (on which the trading of the Shares has not been suspended) (or such longer period as the Trustee and the Board may otherwise determine) and all the net proceeds of sale and such other funds and properties remaining in the trust fund managed by the Trustee (after making appropriate

deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith.

Definitions

"Adoption Date"	December 30, 2016 (the date on which the Scheme is adopted by the Board);
"Associated Entity"	any company in which a Group Company may have a direct or indirect investment in 20% or more of its voting powers and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder;
"Award"	an award of the Awarded Shares by the Board to a Selected Employee;
"Awarded Shares"	in respect of a Selected Employee, such number of Shares as awarded by the Board;
"Board"	the board of Directors of the Company, such committee or such sub-committee or such person(s) as from time to time delegated with the power and authority by the board of Directors of the Company to administer the Scheme;
"Business Day"	a day (other than Saturday, Sunday or public holiday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong;
"Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Company"	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"connected person"	has the meaning ascribed to it in the Listing Rules;

"controlling shareholder"	has the meaning ascribed to it in the Listing Rules;
"Contributed Amount"	cash paid or made available to the Trust by way of settlement or otherwise contributed by the Group, the Group Company and/or Associated Entity as permitted under the Scheme to the Trust as determined by the Board from time to time;
"Director(s)"	director(s) of the Company;
"Employee"	any employee (whether full time or part time), consultant, executive or officer, director (including any executive, non-executive and independent non-executive director) of a Group Company or any Associated Entity;
"Excluded Employee"	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee;
"General Mandate"	the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time;
"Group"	the Company and its Subsidiaries from time to time, "member of the Group" means any or a specific one of them, and "Group Company" shall be construed accordingly;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Residual Cash"	cash in the trust fund (including without limitation (i) any Contributed Amount or any remaining amount thereof; (ii) any cash income or dividends derived from Shares held under the Trust; (iii) other cash income or net proceeds of sale of non-cash and non-scrip distribution derived from or in respect of the Shares held under the Trust; and (iv) all interest or income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition of any Shares; ;
"Scheme"	the share award scheme adopted by the Company in accordance with the Scheme Rules on the Adoption Date;
"Scheme Rules"	the rules relating to the Scheme adopted by the Board;
"Selected Employee(s)"	Employee(s) selected by the Board for participation in the Scheme;
"Shares"	ordinary shares of HK\$0.25 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning given under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere;
"Trust"	the trust constituted by the Trust Deed;

"Trust Deed"	a trust deed dated December 30, 2016 entered into between the Company as settler and the Trustee as trustee (as restated, supplemented and amended from time to time);
"Trust Period"	the period beginning with the Adoption Date and ending upon the first to happen of the following, namely: (a) the 15th anniversary date of the Adoption Date; (b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or (c) the date as may be informed by the Company that the Scheme shall be terminated;
"Trustee"	Bank of Communications Trustee Limited, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed;
"Vesting Date"	in respect of a Selected Employee, the date on which his entitlement to the Awarded Shares is vested in such Selected Employee in accordance with the Scheme Rules; and
"%"	per cent.

By order of the Board
Alibaba Pictures Group Limited
Yu Yongfu
Chairman

Hong Kong, January 4, 2017

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