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**GRANT OF AWARDED SHARES
PURSUANT TO SHARE AWARD SCHEME
AND CANCELLATION OF CONVERTED OPTIONS**

GRANT OF AWARDED SHARES

On July 28, 2017, the Company granted 183,060,000 Awarded Shares to 301 Selected Employees in accordance with the terms of the Share Award Scheme.

CANCELLATION OF CONVERTED OPTIONS

Among the Grant, 118,630,000 Awarded Shares are granted to the relevant Grantees in replacement of share options previously granted to them respectively. Upon the grant of the 118,630,000 Replacement Awarded Shares and subject to the acceptance of the relevant Grantees, 301,201,000 Converted Options will be cancelled.

Reference is made to the announcement of Alibaba Pictures Group Limited (the “Company”) dated January 4, 2017 (the “Announcement”) relating to the adoption of the share award scheme by the Company on December 30, 2016 (the “Share Award Scheme”). The Share Award 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. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings ascribed to them in the Announcement.

GRANT OF AWARDED SHARES

On July 28, 2017, the Company granted 183,060,000 Awarded Shares (the “Grant”) to 301 Selected Employees (the “Grantee(s)”), among which four Selected Employees (“Connected Grantees”) are connected persons of the Company, in accordance with the terms of the Share Award Scheme at nil consideration, subject to the acceptance of the Grantees. Each of the Awarded Shares granted to the Grantees represents the right to receive a Share on the date it vests and the Awarded Shares granted are not subject to performance targets. Details of the Grant are set out below:

	Number of Awarded Shares
Non-connected Grantees	158,793,500
Connected Grantees	
- Ms. Zhang Wei (executive Director)	2,000,000
- Three directors of certain subsidiaries of the Company	22,266,500
Total	183,060,000

In relation to the 158,793,500 Awarded Shares granted to the non-connected Grantees who are not connected persons of the Company, new Shares shall be allotted and issued, pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on June 23, 2017, to the Trustee pursuant to the terms of the Share Award Scheme. As at the date of this announcement, the Trustee is a third party independent of the Company and its connected persons. The Trustee will hold the said new Shares on trust for the non-connected Grantees and will transfer the respective proportions to each of them at no cost upon vesting and settlement of their respective Awarded Shares. The issue of new Shares to satisfy the 158,793,500 Awarded Shares represents (i) approximately 0.63% of the total issued Shares of the Company as at the date of this announcement; and (ii) approximately 0.63% of the total issued Shares of the Company as enlarged by such allotment and issue. No new funds will be raised as a result of the aforesaid allotment and issue. The new Shares, when issued and fully paid, will rank *pari passu* among themselves and with the other Shares in issue.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, 158,793,500 new Shares to be allotted and issued.

In relation to the 24,266,500 Awarded Shares granted to the Connected Grantees, the Board shall procure the Trustee to purchase existing Shares from the market out of cash contributed by the Company to be held on trust for the Connected Grantees until such Awarded Shares are vested with such Connected Grantees. As at the date of this announcement, the Trustee does not hold any Shares for the purpose of the Share Award Scheme.

Based on the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on July 28, 2017 (being the date of grant of the Awarded Shares), the market value of the Awarded Shares granted to the Connected Grantees amounts to approximately HK\$32.0 million. The grant of Awarded Shares to each of the Connected Grantees has been approved by the Board (including but not limited to the independent non-executive Directors), save that Ms. Zhang Wei was not involved in deciding the grant of the Awarded Shares to herself.

Except for Ms. Zhang Wei, none of the Grantees (including the Connected Grantees) is a Director, chief executive or substantial shareholder of the Company, or an associate (as defined in the Listing Rules) of any of them.

LISTING RULES IMPLICATIONS

Each of the Connected Grantees is a director of the Company or its subsidiary and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the grant of Awarded Shares to each of the Connected Grantees constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, no new Shares will be allotted and issued upon vesting and settlement of such Awarded Shares granted to the Connected Grantees. As the Awarded Shares were granted to the Connected Grantees pursuant to their respective service contract with the Company or its subsidiary and which form part of their respective remuneration package under his/her service contract, the grant of Awarded Shares to each of the Connected Grantee is exempt from reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and Rule 14A.95 of the Listing Rules.

CANCELLATION OF CONVERTED OPTIONS

Among the Grant, 118,630,000 Awarded Shares ("Replacement Awarded Shares") are granted to 272 relevant Grantees, three of whom are Connected Grantees, in replacement of share options ("Converted Options") previously granted to them respectively under the share option scheme of the Company adopted on June 11, 2012 and which remained outstanding. The grant of the 118,630,000 Replacement Awarded Shares was made in accordance with the resolutions of the Board passed to approve the proposal of replacing the Converted Options with the Awarded Shares on a specified conversion basis for each relevant Grantee. Upon the grant of the 118,630,000 Replacement Awarded Shares and subject to the acceptance of the relevant Grantees, 301,201,000 Converted Options will be cancelled.

Details of the Converted Options to be cancelled are set out below:

	Number of Converted Options to be cancelled
Non-connected Grantees	286,201,000
Connected Grantees	
- Ms. Zhang Wei (executive Director)	5,000,000
- Two directors of certain subsidiaries of the Company	10,000,000
Total	301,201,000

The vesting schedule of the 118,630,000 Replacement Awarded Shares granted upon the conversion of the Converted Options will generally remain the same as that of the Converted Options, subject to any alteration by the Company as stated in separate grant document(s) to be executed by and between each of the relevant Grantees and the Company upon granting of the Replacement Awarded Shares. The remaining Awarded Shares under the Grant shall vest in accordance with the terms and conditions as stated in separate grant document(s) to be executed by and between each of the relevant Grantees and the Company upon granting of the relevant Awarded Shares.

On behalf of the Board
Alibaba Pictures Group Limited
Yu Yongfu
Chairman & Chief Executive Officer

Hong Kong, July 28, 2017

As at the date of this announcement, the Board comprises Mr. Yu Yongfu, 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.