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(Incorporated in Bermuda with limited liability)
(Stock Code: 1060)

**CONTINUING CONNECTED TRANSACTION -
PAYMENT SERVICES FRAMEWORK AGREEMENT**

PAYMENT SERVICES FRAMEWORK AGREEMENT

The Board announces that the Company (for itself and on behalf of its subsidiaries) entered into the Payment Services Framework Agreement with Alipay, a wholly-owned subsidiary of Ant Financial, on September 18, 2017 for a one-year term commencing from July 10, 2017 and ending on July 9, 2018. Pursuant to the Payment Services Framework Agreement, any member of the Group may request payment services from Alipay from time to time and in its absolute discretion according to its business needs.

LISTING RULES IMPLICATIONS

Alipay is a wholly-owned subsidiary of Ant Financial which together with its subsidiaries were deemed as connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules. Accordingly, Alipay has been deemed as a connected person of the Company since July 2017.

The entering into of the Payment Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the highest cap for the payment services under the Payment Services Framework Agreement, are above 0.1% but below 5%, the entering into of the Payment Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that the Company (for itself and on behalf of its subsidiaries) entered into the Payment Services Framework Agreement with Alipay, a wholly-owned subsidiary of Ant Financial, on September 18, 2017 for a one-year term commencing from July 10, 2017 and ending on July 9, 2018. Pursuant to the Payment Services Framework Agreement, any member of the Group may request payment services from Alipay from time to time and in its absolute discretion according to its business needs.

PRINCIPAL TERMS OF PAYMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the Payment Services Framework Agreement are set out below:

Date: September 18, 2017

Parties: (1) the Company (for itself and on behalf of its subsidiaries), as service user
(2) Alipay, a wholly-owned subsidiary of Ant Financial and deemed to be a connected person of the Company, as service provider

Term: One year commencing from July 10, 2017 and ending on July 9, 2018

Subject Matter

In consideration of the fees payable to Alipay, any member of the Group may request payment services from Alipay from time to time and in its absolute discretion based on its business needs. The payment services provided by Alipay includes TPP Platform Payment Services, Alibaba Group Domestic Platforms Payment Services and other payment services provided from time to time for any member of the Group.

Basis of determination of the services fees

Pursuant to the Payment Services Framework Agreement, the service fees chargeable by Alipay for the TPP Platform Payment Services shall be calculated based on the actual usage of those services and the relevant standard rate of service fees charged by Alipay to its independent customers and applying a discount rate applicable to Hangzhou Aurora (an indirect non-wholly-owned subsidiary of the Company which operates Tao Piao Piao) based on the predicted service usage of the Tao Piao Piao Users. Hangzhou Aurora was acquired by the Company from AGH on December 31, 2015. The actual transaction amounts between Hangzhou Aurora and Alipay for the year ended December 31, 2016 and for the six months ended June 30, 2017 were approximately RMB23,000,000 and RMB24,000,000, respectively.

The service fees chargeable by Alipay for the Alibaba Group Domestic Platforms Payment Services shall be calculated based on the actual usage of those services and the relevant standard rate of service fees charged by Alipay from time to time in respect of the same type of payment services provided by Alipay to its independent customers on respective Alibaba Group Domestic

Platforms, which rate will be published by Alipay on the official website of Alipay and/or the relevant Alibaba Group Domestic Platforms from time to time. There was no actual transaction amounts between the Group and Alipay in respect of the Alibaba Group Domestic Platforms Payment Services as at June 30, 2017.

The service fees chargeable by Alipay for the other payment services contemplated under the Payment Services Framework Agreement shall be calculated based on the actual usage of those services and the relevant standard rate of service fees charged by Alipay to its independent customers for the corresponding services, which rate will be published by Alipay on its official website from time to time. The actual transaction amounts between the Group and Alipay in respect of other payment services for the year ended December 31, 2016 and for the six months ended June 30, 2017 were approximately RMB350,000 and RMB400,000, respectively.

The aforesaid rates of services fees may be adjusted by the parties upon mutual agreement based on specific circumstances.

Payment Terms

Pursuant to the Payment Services Framework Agreement, for TPP Platform Payment Services, the parties shall reconcile and confirm the actual amount of service fees on a monthly basis. Hangzhou Aurora shall pay the corresponding amount of service fees in cash to Alipay upon receipt of the VAT invoices issued by Alipay.

For Alibaba Group Domestic Platforms Payment Services, the service fees shall be deducted by and paid to Alipay immediately from the transaction amounts received by the Group from the third parties or paid by the Group to the third parties for the corresponding transactions conducted on the Alibaba Group Domestic Platforms.

For other payment services, the service fees shall be deducted by and paid to Alipay immediately from the corresponding settlement amounts in respect of such transaction requiring the other payment services.

Caps and basis of determination of caps

The caps for all payment services under the Payment Services Framework Agreement for the period commencing from July 10, 2017 and ending on December 31, 2017 and for the year ending December 31, 2018 are RMB40,000,000 and RMB44,000,000, respectively.

The caps are determined with reference to (i) the expected rate of usage and demand for the payment services during the term of the Payment Services Framework Agreement, which is estimated based on historical transaction amounts, current business need of the Group, an anticipated increase in the transaction volume, and (ii) the applicable standard rate of service fees currently published by Alipay, and a certain percentage of buffer for potential increment in the standard rate of service fees chargeable by Alipay.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PAYMENT SERVICES FRAMEWORK AGREEMENT

Alipay is one of the largest third-party digital payment solution providers in the world. Domestically, after years of development and growth, it commands a dominating market position. Given its large user base and technology, the Group believes that Alipay's services are conducive to the development and promotion of the Group's online business as payment capabilities are critical for any O2O e-commerce business. Factors such as security and reliability in transaction are also highly valued by the Group; and Alipay has demonstrated its excellence in such areas in its operating history. It is expected that the Group will continue to use Alipay's services in the foreseeable future.

Having reviewed the terms of the Payment Services Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Payment Services Framework Agreement and the caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better to the Company and that the entering into of the Payment Services Framework Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Alipay is a wholly-owned subsidiary of Ant Financial which together with its subsidiaries were deemed as connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules. Accordingly, Alipay has been deemed as a connected person of the Company since July 2017.

The entering into of the Payment Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the highest cap for the payment services under the Payment Services Framework Agreement, are above 0.1% but below 5%, the entering into of the Payment Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Fan Luyuan, an executive Director and the chief executive officer of the Company, has recently ceased to be the president of Alipay Business Unit and Wealth Management Business Unit at Ant Financial, he is deemed or may be perceived to have a material interest in the Payment Services Framework Agreement, the relevant caps and the transactions contemplated under the Payment Services Framework Agreement. Accordingly, he has abstained from voting on the resolutions passed by the Board in relation to the Payment Services Framework Agreement, the relevant caps and the transactions contemplated under the Payment Services Framework Agreement. Save as the aforesaid Director, none of the other Directors has a material interest in the Payment Services Framework Agreement, the relevant caps and the transactions contemplated under the Payment Services Framework Agreement, and therefore none of them has abstained from voting on the said resolutions passed by the Board.

INFORMATION ON THE COMPANY

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). As the flagship unit of Alibaba Group's entertainment arm, the Company focuses on developing the full business potential of integration and innovative applications of the Internet and traditional film and television industries. The core business of the Company includes the three major segments: (i) internet-based promotion and distribution, (ii) content production, and (iii) integrated development. These segments encompass (i) the operation of an integrated O2O platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas; (ii) the investment and production of entertainment content such as film and drama series both domestically and internationally; and (iii) centered around copyrights the development of professional services ranging from financing, business placement, promotion and distribution to merchandising, respectively.

INFORMATION ON ANT FINACIAL AND ALIPAY

Ant Financial is a company incorporated in the PRC. Ant Financial provides digital payment services and other financial and value-added services to consumers and small and medium sized enterprises in the PRC and across the world, such as payment, wealth management, lending, insurance and credit system. Ant Financial leverages its customer insights and technologies to help financial institutions, independent software vendors and other partners on its platform to enhance experience of their users and improve their risk management capabilities.

Alipay, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Ant Financial, is principally engaged in providing payment processing service. Alipay is one of the leading players in the online and offline payment markets in the PRC.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“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
“Alibaba Group”	AGH and its subsidiaries
“Alibaba Group Domestic Platforms”	online platforms operated by Alibaba Group in the PRC under the domain names including but not limited to taobao.com and Tmall.com for third party users, such as brands and retailers

“Alibaba Group Domestic Platforms Payment Services”	the payment services provided by Alipay to the Group in accordance with the terms of the Payment Services Framework Agreement for the transactions conducted between the Group and third parties on the Alibaba Group Domestic Platforms
“Alipay”	支付寶（中國）網絡技術有限公司 (Alipay.com Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Ant Financial
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*), a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company
“Board”	the board of Directors
“Company”	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1060, which also has a secondary listing on the Singapore Exchange Securities Trading Limited (stock code: S91)
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Aurora”	杭州晨熹多媒體科技有限公司 (Hangzhou Aurora Multi-Media Technology Co., Ltd.*), a company established under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Payment Services Framework Agreement”	the payment services framework agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Alipay on September 18, 2017
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules
“Tao Piao Piao”	Tao Piao Piao, a leading online ticketing platform in the PRC operated by Hangzhou Aurora
“Tao Piao Piao Users”	the users (including the vendors and the customers) of Tao Piao Piao
“TPP Platform Payment Services”	the payment services provided by Alipay for the Tao Piao Piao Users at the expense of Hangzhou Aurora
“%”	per cent.

** English name for identification purpose only*

On behalf of the Board
Alibaba Pictures Group Limited
Yu Yongfu
Chairman

Hong Kong, September 18, 2017

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