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

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO MOBILE GAME PLACEMENT AGREEMENT**

MOBILE GAME PLACEMENT AGREEMENT

The Board announces that Zhejiang Dongyang, a consolidated subsidiary of the Company, entered into the Mobile Game Placement Agreement with Aijiuyou, a consolidated entity of AGH, on August 11, 2017. Pursuant to the Mobile Game Placement Agreement, Zhejiang Dongyang and Aijiuyou have agreed to cooperate, via the Mobile Game Placement, to promote the Drama Series A and the Mobile Game in the PRC.

LISTING RULES IMPLICATION

Aijiuyou is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, Aijiuyou is an associate of Ali CV and hence a connected person of the Company. The entering into of the Mobile Game Placement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the highest annual cap under the Mobile Game Placement Agreement is more than 0.1% but less than 5%, the entering into of the Mobile Game Placement Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements and are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that Zhejiang Dongyang, a consolidated subsidiary of the Company, entered into the Mobile Game Placement Agreement with Aijiuyou, a consolidated entity of AGH, on August 11, 2017. Pursuant to the Mobile Game Placement Agreement, Zhejiang Dongyang and Aijiuyou have agreed to cooperate, via the Mobile Game Placement, to promote the Drama Series A and the Mobile Game in the PRC.

PRINCIPAL TERMS OF MOBILE GAME PLACEMENT AGREEMENT

The principal terms of the Mobile Game Placement Agreement are set out below:

Date: August 11, 2017

Parties:

- (1) Aijiuyou, a consolidated entity of AGH and a connected person of the Company, as operator and distributor of the Mobile Game
- (2) Zhejiang Dongyang, a consolidated subsidiary of the Company, as investor of the Drama Series A

Subject Matter

In consideration of the fees payable by Aijiuyou to Zhejiang Dongyang, Aijiuyou is entitled to place the Mobile Game in the Drama Series A developed by Zhejiang Dongyang. The Mobile Game will be featured in the characters, scenes, plots, actors' lines, products and brands shown in the Drama Series A.

Under the Mobile Game Placement Agreement, Zhejiang Dongyang has granted Aijiuyou a non-exclusive license for the usage of the relevant scenes, pictures, posters, stills and characters' names for the promotion of the Drama Series A and the Mobile Game within the period from the date of the Mobile Game Placement Agreement to the expiry of two years from the official launch of the Mobile Game, provided that such license shall expire no later than three years from the date of the Mobile Game Placement Agreement.

Pricing Basis

The fees payable by Aijiuyou to Zhejiang Dongyang under the Mobile Game Placement Agreement comprises a fixed fee of RMB5,000,000 ("Fixed Fee") and an income sharing fee ("Shared Fee").

The Shared Fee is determined based on (i) the expected total income generated from the Mobile Game during the Income Sharing Period ("Total Income"), which amounts to the total amount of fees actually paid by the Mobile Game users; (ii) the agreed portion of the Total Income receivable by Zhejiang Dongyang ("Total Shared Income"); and (iii) the average plays of each episode of the Drama Series A based on the data provided by the broadcast platform or multi-platforms (as the case may be) ("Average Plays").

If the Average Plays exceeds 10 million during the Income Sharing Period, the maximum fee receivable by Zhejiang Dongyang under the Mobile Game Placement Agreement shall be RMB12,000,000. If the Average Plays is less than 10 million during the Income Sharing Period, the maximum fee receivable by Zhejiang Dongyang shall be RMB10,000,000.

Payment Terms

The Fixed Fee shall be payable by Aijiuyou to Zhejiang Dongyang in cash by three separate instalments, being 20%, 30% and 50% of the Fixed Fee, which shall be payable within 7 business days after (i) the date of the Mobile Game Placement Agreement, (ii) the confirmation of the Mobile Game Placement in the broadcast version of the Drama Series A, and (iii) the confirmation of the broadcast date, respectively. It is currently expected that Drama Series A will be broadcasted in September this year.

The Total Shared Income receivable by Zhejiang Dongyang shall be calculated on a monthly basis and shall firstly off-set any Fixed Fee paid by Aijiuyou. After the Fixed Fee is fully off-set, Aijiuyou shall pay the balance to Zhejiang Dongyang within 10 business days after receipt of the invoice from Zhejiang Dongyang. The Fixed Fee (whether or not fully off-set) is non-refundable.

Annual Caps

The Total Shared Income receivable by Zhejiang Dongyang under the Mobile Game Placement Agreement will not exceed RMB12,000,000 (the “Maximum Total Shared Income”). Since all or a portion of the Total Shared Income may be received by Zhejiang Dongyang in the year ending December 31, 2017 (“2017 Shared Income”), the annual cap for transactions contemplated under the Mobile Game Placement Agreement for the year ending December 31, 2017 is RMB12,000,000.

Given that (i) the Fixed Fee of RMB5,000,000 will be fully received by Zhejiang Dongyang in 2017 and (ii) the 2017 Shared Income may be less than the Maximum Total Shared Income (i.e. RMB12,000,000), as a portion of the Total Shared Income may only be received by Zhejiang Dongyang in 2018, the annual cap for transactions contemplated under the Mobile Game Placement Agreement for the year ending December 31, 2018 is set at RMB7,000,000, being the difference between the Maximum Total Shared Income and the Fixed Fee.

In any event, the total fees receivable by Zhejiang Dongyang under the Mobile Game Placement Agreement shall not exceed RMB12,000,000.

REASONS FOR AND BENEFITS OF ENTERING INTO MOBILE GAME PLACEMENT AGREEMENT

Aijiuyou, a games company of Alibaba Group, is one of the leading gaming companies in Mainland China. The Drama Series A has attracted Aijiuyou's interest as a fitting venue to promote its product. To maximize the value of its drama series intellectual property, the Group has entered into the Mobile Game Placement Agreement. Based on commercially reasonable terms, the Group is expected to continue to collaborate with Alibaba Digital Media and Entertainment Matrix (including UCWeb, Youku, Alibaba Literature, Alibaba Gaming, etc.), the businesses of which operate along the Group's commercial value chain.

Having reviewed the terms of the Mobile Game Placement Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Mobile Game Placement Agreement and the relevant annual 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 Mobile Game Placement Agreement are 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 IMPLICATION

Aijiuyou is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49.49% of the issued share capital of the Company as at the date of this announcement. Accordingly, Aijiuyou is an associate of Ali CV and hence a connected person of the Company. The entering into of the Mobile Game Placement Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the highest annual cap under the Mobile Game Placement Agreement is more than 0.1% but less than 5%, the entering into of the Mobile Game Placement Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Yu Yongfu and Mr. Shao Xiaofeng are employees of AGH or its subsidiaries, each of them is deemed or may be perceived to have a material interest in the Mobile Game Placement Agreement, the relevant annual caps and the transactions contemplated thereunder. Accordingly, they have abstained from voting on the resolutions passed by the Board in relation to the Mobile Game Placement Agreement, the relevant annual caps and the transactions contemplated thereunder. Save as the aforesaid Directors, none of the other Directors has a material interest in the Mobile Game Placement Agreement, the relevant annual caps and the transactions contemplated thereunder, and therefore none of them has abstained from voting on the said resolutions passed by the Board.

INFORMATION ON THE COMPANY AND ZHEJIANG DONGYANG

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 of internet-based promotion and distribution, content production, and integrated development. The Company's operations also include 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; the investment and production of entertainment content such as film and drama series both domestically and internationally; and centered around copyrights the development of professional services ranging from financing, business placement, promotion and distribution to merchandising.

Zhejiang Dongyang, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in investment in and production and distribution of film and TV copyrights.

INFORMATION ON AGH, ALIBABA GROUP AND AIJIUYOU

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 retail commerce company in the world in terms of gross merchandise volume in the twelve months ended March 31, 2017. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content to leverage the power of the Internet to engage with their users and customers. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

Aijiuyou, being a company established under the laws of the PRC, is a consolidated entity of AGH which is principally engaged in development and provision of mobile games.

DEFINITIONS

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

“Aijiuyou”

廣州愛九遊信息技術有限公司 (Guangzhou Aijiuyou Information Technology Co., Ltd.*), a company incorporated in the PRC and a consolidated entity of AGH

“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
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands, an indirect wholly-owned subsidiary of AGH
“associate(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“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
“Drama Series A”	a web drama series currently titled as “最強男神”
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Income Sharing Period”	a 7-month period commencing from one month before the broadcast of the Drama Series A and ending on the expiry of six months after the broadcast of the Drama Series A
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mobile Game”	the mobile game currently titled as “自由之戰 2” operated and distributed by Aijiyou

“Mobile Game Placement”	the placement of the Mobile Game in the Drama Series A in accordance with the Mobile Game Placement Agreement
“Mobile Game Placement Agreement”	the agreement entered into between Aijiuyou and Zhejiang Dongyang on August 11, 2017, pursuant to which the Mobile Game will be featured in the characters, scenes, plots, actors’ lines, products and brands shown in the Drama Series A
“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
“Zhejiang Dongyang”	浙江東陽小宇宙影視傳媒有限公司 (Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd.*), a consolidated subsidiary of the Company

** For identification purpose only*

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

Hong Kong, August 11, 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.