



TERMS OF REFERENCE OF AUDIT COMMITTEE

(1) Membership

- (a) The Audit Committee (the “Committee”) shall be appointed by the board of directors (the “Board”) of Alibaba Pictures Group Limited (the “Company”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company (“INEDs”). At least one member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).
- (b) The Board may at any time remove, suspend or replace any member of the Committee at its option by resolution whereupon the Committee should consist of the remaining or replaced members of the Committee.
- (c) The chairman of the Committee shall be elected by the Board from amongst the INEDs.
- (d) A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member for a period of one year from the later of (i) the date of his/her ceasing to be a partner of the firm; or (ii) the date of his/her ceasing to have any financial interest in the firm.
- (e) Other Board members, the chief financial officer, external auditors and other persons may be invited to attend all or part of any meetings.
- (f) The company secretary of the Company shall be the secretary of the Committee. The Committee may, from time to time, appoint any other person with the appropriate qualification and experience as secretary of the Committee.

(2) Frequency and Proceedings of Meetings

- (a) The Committee shall meet at least twice a year.
- (b) Meetings may be convened by any member or by the secretary of the Committee on the request of a member. Notice may be given in writing or by telephone or by facsimile or electronic transmission or other similar means or in such other manner as the Committee may from time to time determine.
- (c) The quorum of the Committee shall be any two members of the Committee. Meetings could be held in person, by telephone or by video conference.
- (d) Resolutions of the Committee at any meetings shall be passed by a simple majority of votes of the members of the Committee present. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of the Committee.
- (e) Proceedings of meetings of the Committee shall be governed by the provisions of Clause 121 of the Bye-Laws of the Company.

(3) Authority

- (a) The Committee is authorised by the Board to operate in accordance with its terms of reference. It is authorised to seek any information it requires from any employee or executive director and all employees are directed to co-operate with any request made by the Committee.
- (b) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal controls or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (c) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain reasonable outside legal or other independent professional advice but only in accordance with the Company's policy for directors to seek independent professional advice.
- (d) The Head of Internal Audit (if any) shall report to the Committee in the manner specified by the Committee.
- (e) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Board will arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
- (f) The Committee is to be provided with sufficient resources to perform its duties.

(4) Responsibility and Duties

The overall role of the Committee shall be to assist the Board in its oversight of the completeness, accuracy and fairness of the financial statements of the Company, of the adequacy of internal control and risk management systems, of the independence of the external auditors and of the performance of the Company's internal audit and compliance function.

The duties of the Committee shall be:

Relationship with the Company's external auditors

- (a) to consider and make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (b) to consider the nature and scope of each year's audit, including the engagement letter and audit plan submitted by the external auditors, and to discuss the same and the reporting obligations with the auditors before the audit commences. The Committee's review will include obtaining an understanding from the external auditors of the factors considered by them in determining their audit scope and how this interacts with the activities of the internal audit (if any) and compliance function for the effectiveness of the audit process in accordance with applicable standard;
- (c) to review and monitor the external auditors' independence and objectivity. In this connection, the Committee shall:
 - (i) obtain from the external auditors annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
 - (ii) develop and implement policy on engaging the external auditors to supply non-audit services and to report to the Board identifying and making recommendations on any matters where action or improvement is needed;
 - (iii) conduct annual review of all non-audit services performed by the external auditors and the related fee levels, and to ensure that such services do not impair the independence of the external auditors; and
 - (iv) review the policies on hiring any staff or partners of the external auditors and consider whether as a result of such any subsequent hiring, there has been any impairment of the auditors' judgment or independence for the audit;

Review of the Company's financial information

- (d) to monitor integrity of the Company's financial statements and half-year report, annual report and accounts, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the Listing Rules, regulatory and legal requirements in relation to financial reporting; and
 - (vii) any material off-balance sheet arrangements and obligations;
- (e) Regarding (d) above:
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer, the Head of Internal Audit (if any) or the external auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- (i) (where an internal audit function exists) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to discuss any problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference between the external auditors and management;
- (l) to review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

Others

- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) to report to the Board on the above matters;
- (q) to recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee; and
- (r) to consider other topics, as defined by the Board.

(5) Reporting Procedure

- (a) The Committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
- (b) Full minutes of the Committee's meetings shall be kept by the company secretary of the Company (or a duly appointed representative). The minutes shall be made available for inspection on reasonable notice by any director. The minutes of meeting and reports of the Committee shall be circulated to all members of the Board after approval by the Committee.

(6) Availability of the Terms of Reference

These terms of reference shall be made available to the public by including the information on the websites of the Stock Exchange and the Company.

Updated as of August 28, 2015