阿里巴巴·影业集团™
Alibaba·Pictures

Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2014 together with the comparative figures for the previous year were as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Continuing operations			
Revenue	4	**126,631**	349,378
Cost of sales and service	7	**(189,238)**	(180,976)
Gross (loss)/profit		**(62,607)**	168,402
Distribution expenses	7	**(1,501)**	(27,437)
Administrative expenses	7	**(156,357)**	(94,734)
Other income	5	**2,214**	9,475
Other (losses)/gains, net	6	**(18,317)**	164,585
Operating (loss)/profit		**(236,568)**	220,291
Finance income	8	**15,954**	107
Finance expenses	8	**(26,853)**	(19,295)
Finance expenses, net		**(10,899)**	(19,188)
Share of losses of investments accounted for using the equity method	9	**(4,190)**	(2,070)
Impairment loss on interest in an associate	9	**(111,216)**	–
(Loss)/profit before income tax		**(362,873)**	199,033
Income tax expense	10	**(17,381)**	(33,126)
(Loss)/profit for the year from continuing operations		**(380,254)**	165,907
Discontinued operations			
(Loss)/profit for the year from discontinued operations	17	**(35,037)**	20,172
(Loss)/profit for the year		**(415,291)**	186,079
(Loss)/profit attributable to:			
Owners of the Company		**(417,276)**	179,671
Non-controlling interests		**1,985**	6,408

	Notes	Year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
(Loss)/profit attributable to owners of the Company:			
Continuing operations		**(381,000)**	170,244
Discontinued operations		**(36,276)**	9,427
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year *(expressed in RMB cents per share)*	11		
Basic (loss)/earnings per share			
From continuing operations		**(2.54)**	2.13
From discontinued operations		**(0.24)**	0.12
From (loss)/profit for the year		**(2.78)**	2.25
Diluted (loss)/earnings per share			
From continuing operations		**(2.54)**	2.13
From discontinued operations		**(0.24)**	0.12
From (loss)/profit for the year		**(2.78)**	2.25

Consolidated statement of comprehensive income

	Year ended December 31, 2014	2013
	RMB'000	*RMB'000* (Restated)
(Loss)/profit for the year	**(415,291)**	186,079
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(742)**	(4,674)
Other comprehensive loss for the year, net of tax	**(742)**	(4,674)
Total comprehensive (loss)/income for the year	**(416,033)**	181,405
Attributable to:		
– Owners of the Company	**(418,018)**	174,997
– Non-controlling interests	**1,985**	6,408
Total comprehensive (loss)/income for the year	**(416,033)**	181,405
Total comprehensive (loss)/income attributable to owners of the Company arises from:		
Continuing operations	**(381,742)**	165,570
Discontinued operations	**(36,276)**	9,427
	(418,018)	174,997

CONSOLIDATED BALANCE SHEET

	Notes	As at December 31, 2014 RMB'000	As at December 31, 2013 RMB'000 (Restated)	As at January 1, 2013 RMB'000 (Restated)
Assets				
Non-current assets				
Property, plant and equipment		**24,522**	27,596	12,473
Goodwill		**159,813**	159,813	159,813
Intangible assets		**7,808**	9,032	9,650
Investments accounted for using the equity method	9	**18,804**	151,288	511,543
Art works	12	**–**	127,281	132,103
Club debenture		**2,280**	2,280	2,280
Deferred income tax assets		**1,188**	54,005	43,908
Trade and other receivables, and prepayments	16	**124,400**	102,834	54,245
		338,815	634,129	926,015
Current assets				
Film and TV copyrights	14	**164,520**	285,346	136,114
Trade and other receivables, and prepayments	16	**525,747**	631,576	454,954
Available-for-sale financial assets	15	**240,000**	–	–
Financial assets at fair value through profit or loss		**2,685**	2,541	17,341
Cash and cash equivalents		**30,158**	155,619	86,633
Bank deposits with the maturity over three months		**5,018,137**	–	–
		5,981,247	1,075,082	695,042
Assets held-for-sale	13	**17,370**	–	–
		5,998,617	1,075,082	695,042
Total assets		**6,337,432**	1,709,211	1,621,057

		As at December 31,		As at January 1,
		2014	2013	2013
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	18	**4,253,771**	1,731,568	1,616,499
Reserves		**1,813,885**	(348,657)	(613,909)
		6,067,656	1,382,911	1,002,590
Non-controlling interests		**(588)**	13,651	27,364
Total equity		**6,067,068**	1,396,562	1,029,954
Liabilities				
Non-current liabilities				
Convertible notes		**–**	20,921	18,503
Current liabilities				
Trade and other payables, and accrued charges	19	**175,682**	156,164	175,902
Current income tax liabilities		**94,682**	134,289	93,315
Derivative financial instruments		**–**	1,275	–
Convertible notes		**–**	–	303,383
		270,364	291,728	572,600
Total liabilities		**270,364**	312,649	591,103
Total equity and liabilities		**6,337,432**	1,709,211	1,621,057
Net current assets		**5,728,253**	783,354	122,442
Total assets less current liabilities		**6,067,068**	1,417,483	1,048,457

Notes:

1 General information

The Group is principally engaged in film and television drama series production and distribution.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and secondary listing on The Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

On June 24, 2014, the Company issued 12,488,058,846 new ordinary shares of HK$0.25 each at a subscription price of HK$0.50 per share to Ali CV Investment Holding Limited ("Ali CV"), for aggregate subscription price totalling HK$6,244,030,000 (equivalent to approximately RMB4,956,200,000), which represented approximately 59.61% of the enlarged issued share capital of the Company as at the date of subscription. Ali CV became the immediate holding company of the Company after the subscription. Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited which is in turn wholly-owned by Alibaba Group Holding Limited ("AGHL"), the ultimate holding company and ultimate controlling party.

Pursuant to a special general meeting of the Company held on June 16, 2014, the English name of the Company was changed from ChinaVision Media Group Limited to Alibaba Pictures Group Limited and 阿里巴巴影業集團有限公司 has been adopted by the Company as its new Chinese name. The change of name became effective on June 30, 2014. On July 29, 2014, the new English and Chinese names of the Company in Hong Kong were registered with the Registrar of Company in Hong Kong.

2 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements has been prepared under the historical cost convention, as financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Company Ordinance (Cap.32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *Amendments and interpretation to standards adopted by the Group*

The following amendments and interpretation standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2014.

Amendments and interpretation to standards		**Effective for accounting periods beginning on or after**
Amendment to HKAS 32	'Financial instruments: Presentation' on offsetting of financial asset and financial liability	January 1, 2014
Amendment to HKAS 36	'Impairment of assets' on the recoverable amount disclosures for the non-financial assets	January 1, 2014
Amendment to HKAS 39	'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives and the continuation of hedging accounting	January 1, 2014
Amendment to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities	January 1, 2014
HK(IFRIC) – Int 21	Levies	January 1, 2014

None of the above amendments and interpretation to standards has material impact to the Group.

(b) *New standards and amendments not yet adopted*

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after January 1, 2016 or later periods, but have not been early adopted by the Group.

New standards and amendments to existing standards		**Effective for accounting periods beginning on or after**
Amendment to HKAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016

New standards and amendments to existing standards		**Effective for accounting periods beginning on or after**
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	January 1, 2016
HKFRS 15	Revenue from contracts with customers	January 1, 2017
HKFRS 9	Financial instruments	January 1, 2018

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

(c) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 Restatements

(a) The Company has carried out a reassessment on the Group's consolidated financial statements for the prior years and identified the following misstatements. The directors of the Company decided that the most appropriate treatment for these misstatements is to restate the comparative figures in the Group's consolidated financial statements. A detailed description of the nature of each prior year restatement is provided in notes 3(a)(i) to 3(a)(iii) below. The amounts of the prior year restatements for each financial statement line item affected are presented in the tables in note 3(c) below.

(i) There were misstatements on certain tax areas in prior years, including People's Republic of China ("PRC") Enterprise Income Tax ("PRC EIT"), Business Tax and Value-added Tax ("VAT"), arising, in particular, from (1) not yet obtaining and/or issuing official tax invoices, and/or delay in doing so, for the purchase and/or sale of certain art works and film and TV copyrights as well as for certain TV drama production costs; and (2) the application of lower VAT tax rates and/or adjustments in certain PRC tax computations.

In respect of (1) above, in prior years, certain of the Group's PRC subsidiaries did not obtain the official tax invoices at the time of purchase of certain art works and film and TV copyright and the incurrence of TV drama production costs in the PRC. In assessing the PRC EIT liabilities of each of the individual PRC subsidiaries, the costs were considered as incurred from genuine transactions and valid official tax invoices would be obtained in subsequent periods from the relevant vendors for the purpose of formalizing the procedures to claim the tax deductions. However, tax deductions are generally disallowed in the period in which the costs were incurred in the PRC in the absence of the official tax invoices and tax deductions would be allowed once the official tax invoices are obtained. At the same time, some of the Group's PRC subsidiaries did not issue official tax invoices at the time of sale of certain art works, film and TV copyrights in the PRC and therefore the tax payments had been delayed which may result in interest payment for such late payment (see below).

In respect of (2) above, in prior years, when estimating the related tax positions in the past, the Group had applied lower VAT rates in respect of the sale of certain art works and film and TV copyrights by certain of its PRC subsidiaries, where these subsidiaries were in fact already qualified as normal taxpayers in the relevant periods and were therefore required to apply a higher VAT rate. In addition, certain PRC subsidiaries did not take into account the fact that the selling price of some art works and film and TV copyrights was inclusive of VAT.

Adjustments are also made to account for the interest payments likely to be incurred for the late payment of taxes by the Group's PRC subsidiaries concerned in respect of the above matters.

(ii) As a result of (a)(i)(1) above, deferred income tax assets are recognized for those expenses of which the official tax invoices had not been received by the Group at the end of the relevant reporting periods but were expected to be received subsequently, instead of treating them as deductible expenses in calculation of current tax liabilities in the years they incurred.

(iii) There was a misstatement on the financial impact of convertible notes (the "CB") in the previous years. Due to (1) the incorrect assessment of fair value of the CB based on the valuation report, and (2) inaccurate exchange realignment process, the Group had continued to translate the CB based on period end exchange rate even though the CB settlement was fixed at RMB (being the functional currency of the Company). As such, there were inaccurate amounts applied in the accounting for the CB issued by the Company in 2010 and 2011 that affected the initial recognition, exchange realignment of the CB on each period end, and settlement of the CB in subsequent periods.

(b) In addition, following the acquisition by AGHL, the ultimate holding company, in June 2014, the Group has changed its accounting policies, as described below. These changes have been applied to the Group's financial statements on a retrospective basis. The effect of adopting the new accounting policies is presented in the tables in note 3(c) below.

  (i) In prior years, according to the local government policies, certain of the Group's PRC subsidiaries were entitled to subsidies as determined according to the amounts of taxes (i.e. PRC EIT and VAT) paid. The Group had recognized such local government grant income when the taxes were accrued in the consolidated financial statements, instead of paid, as it was believed that there was reasonable assurance that the Group would comply with the conditions attaching to the local government policies and that the grants would be received.

     After the acquisition of a majority stake by AGHL in the Company in June 2014, the Group has reassessed the application of the Group's accounting policy in respect of these government grants. In view of the potential uncertainties inherent to such government grants until the grants are received, the directors of the Company consider it appropriate to align the relevant accounting policy to that adopted by AGHL, such that the Group would only recognize government grants when all the conditions are met and when such grants are received.

  (ii) In prior years, the Group's consolidated financial statements were presented in HK dollar ("HK$"). After the acquisition of a majority stake by AGHL in the Company in June 2014, the Group decided to change the Group's and the Company's presentation currency from HK$ to RMB, which is the Company's functional currency, and consistent to the presentation currency of AGHL's financial statements.

(c) Summary of the effects of restatements

The following is a summary of the effects of the restatements on:

(i) The Group's consolidated income statement and statement of comprehensive income for the year ended December 31, 2013:

	For the year ended December 31, 2013 HK$'000 (as originally stated)	Adjustments HK$'000 (a)(i)	HK$'000 (a)(ii)	HK$'000 (a)(iii)	HK$'000 (b)(i)	For the year ended December 31, 2013 HK$'000 (restated)	For the year ended December 31, 2013 RMB'000 (restated)
Continuing operations							
Revenue	452,432	(11,299)	–	–	–	441,133	349,378
Cost of sales and service	(233,009)	4,505	–	–	–	(228,504)	(180,976)
Gross profit	219,423	(6,794)	–	–	–	212,629	168,402
Distribution expenses	(34,643)	–	–	–	–	(34,643)	(27,437)
Administrative expenses	(119,613)	–	–	–	–	(119,613)	(94,734)
Other income	16,437	–	–	–	(4,473)	11,964	9,475
Other gains, net	144,367	10,412	–	53,030	–	207,809	164,585
Finance income	135	–	–	–	–	135	107
Finance expenses	(21,850)	–	–	(2,512)	–	(24,362)	(19,295)
Share of losses of investments accounted for using the equity method	(2,614)	–	–	–	–	(2,614)	(2,070)
Profit before income tax	201,642	3,618	–	50,518	(4,473)	251,305	199,033
Income tax expense	(13,713)	(28,114)	–	–	–	(41,827)	(33,126)
Profit for the year from continuing operations	187,929	(24,496)	–	50,518	(4,473)	209,478	165,907
Discontinued operations							
Profit for the year from discontinued operations	26,186	(198)	–	–	(518)	25,470	20,172
Profit for the year	214,115	(24,694)	–	50,518	(4,991)	234,948	186,079
Other comprehensive income for the year:							
Exchange difference arising on translation to presentation currency	41,985	(1,063)	–	(6,693)	(892)	33,337	(4,674)
Share of exchange differences of associates and joint ventures	1,695	–	–	–	–	1,695	–
Other comprehensive income for the year	43,680	(1,063)	–	(6,693)	(892)	35,032	(4,674)
Total comprehensive income for the year	257,795	(25,757)	–	43,825	(5,883)	269,980	181,405
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*RMB cents*
Earnings per share							
From continuing and discontinued operations							
Basic	2.58	(0.31)	–	0.63	(0.06)	2.84	2.25
Diluted	2.58	(0.31)	–	0.63	(0.06)	2.84	2.25
From continuing operations							
Basic	2.42	(0.30)	–	0.63	(0.06)	2.69	2.13
Diluted	2.42	(0.30)	–	0.63	(0.06)	2.69	2.13

(ii) The Group's consolidated balance sheet as at December 31, 2013;

	As at December 31, 2013 *HK$'000* *(as originally stated)*	Adjustments *HK$'000* *(a)(i)*	*HK$'000* *(a)(ii)*	*HK$'000* *(a)(iii)*	*HK$'000* *(b)(i)*	As at December 31, 2013 *HK$'000* *(restated)*	As at December 31, 2013 *RMB'000* *(restated)*
Assets							
Non-current assets							
Property, plant and equipment	35,288	–	–	–	–	35,288	27,596
Goodwill	175,986	–	–	28,378	–	204,364	159,813
Intangible assets	11,550	–	–	–	–	11,550	9,032
Investments accounted for using the equity method	193,463	–	–	–	–	193,463	151,288
Art works	162,764	–	–	–	–	162,764	127,281
Club debenture	2,916	–	–	–	–	2,916	2,280
Deferred income tax assets	1,219	–	67,841	–	–	69,060	54,005
Trade and other receivables, and prepayments	131,501	–	–	–	–	131,501	102,834
Current assets							
Film and TV copyrights	364,892	–	–	–	–	364,892	285,346
Trade and other receivables, and prepayments	779,782	58,510	–	–	(30,649)	807,643	631,576
Financial assets at fair value through profit or loss	3,249	–	–	–	–	3,249	2,541
Cash and cash equivalents	199,001	–	–	–	–	199,001	155,619
Total assets	2,061,611	58,510	67,841	28,378	(30,649)	2,185,691	1,709,211
Equity							
Share capital	2,081,343	–	–	–	–	2,081,343	1,731,568
Reserves	(255,353)	(52,297)	–	25,383	(30,649)	(312,916)	(348,657)
Non-controlling interests	17,460	–	–	–	–	17,460	13,651
Total equity	1,843,450	(52,297)	–	25,383	(30,649)	1,785,887	1,396,562
Liabilities							
Non-current liabilities							
Convertible notes	23,758	–	–	2,995	–	26,753	20,921
Current liabilities							
Trade and other payables, and accrued charges	148,245	51,452	–	–	–	199,697	156,164
Current income tax liabilities	44,528	59,355	67,841	–	–	171,724	134,289
Derivative financial instruments	1,630	–	–	–	–	1,630	1,275
Total liabilities	218,161	110,807	67,841	2,995	–	399,804	312,649

(iii) The Group's consolidated balance sheet as at January 1, 2013;

	As at January 1, 2013 *HK$'000* *(as originally stated)*	Adjustments *HK$'000* *(a)(i)*	*HK$'000* *(a)(ii)*	*HK$'000* *(a)(iii)*	*HK$'000* *(b)(i)*	As at January 1, 2013 *HK$'000* *(restated)*	As at January 1, 2013 *RMB'000* *(restated)*
Assets							
Non-current assets							
Property, plant and equipment	15,514	–	–	–	–	15,514	12,473
Goodwill	171,160	–	–	27,601	–	198,761	159,813
Intangible assets	12,003	–	–	–	–	12,003	9,650
Investments accounted for using the equity method	636,248	–	–	–	–	636,248	511,543
Art works	164,307	–	–	–	–	164,307	132,103
Club debenture	2,836	–	–	–	–	2,836	2,280
Deferred tax income assets	1,319	–	53,293	–	–	54,612	43,908
Trade and other receivables, and prepayments	67,468	–	–	–	–	67,468	54,245
Current assets							
Film and TV copyrights	169,296	–	–	–	–	169,296	136,114
Trade and other receivables, and prepayments	573,065	17,566	–	–	(24,766)	565,865	454,954
Financial assets at fair value through profit or loss	21,569	–	–	–	–	21,569	17,341
Cash and cash equivalents	107,753	–	–	–	–	107,753	86,633
Total assets	1,942,538	17,566	53,293	27,601	(24,766)	2,016,232	1,621,057
Equity							
Share capital	1,935,686	–	–	–	–	1,935,686	1,616,499
Reserves	(618,946)	(26,540)	–	(18,442)	(24,766)	(688,694)	(613,909)
Non-controlling interests	34,037	–	–	–	–	34,037	27,364
Total equity	1,350,777	(26,540)	–	(18,442)	(24,766)	1,281,029	1,029,954
Liabilities							
Non-current liabilities							
Convertible notes	21,244	–	–	1,769	–	23,013	18,503
Current liabilities							
Trade and other payables, and accrued charges	205,046	13,738	–	–	–	218,784	175,902
Current income tax liabilities	32,402	30,368	53,293	–	–	116,063	93,315
Convertible notes	333,069	–	–	44,274	–	377,343	303,383
Total liabilities	591,761	44,106	53,293	46,043	–	735,203	591,103

4 Revenues and segment information

Revenues from continuing operations include gross revenues from production and distribution of film and TV copyrights, TV programme packaging services and other services, net of discounts allowed, where applicable. Revenues recognized during the year are as follows:

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Production and distribution of film and TV copyrights	**115,386**	326,638
Others:		
– TV programme packaging services	**7,827**	11,318
– Agency services	**2,999**	3,530
– Mobile value-added services	**419**	7,892
Total revenues from continuing operations	**126,631**	349,378

AGHL became the ultimate holding company of the Company after the completion of share subscription on June 24, 2014. The new management and the new board of directors of the Company were formed on or after that date. The newly appointed executive and non-executive directors of the Company is the Group's chief operating decision-maker ("New CODM"). Management has determined the operating segments based on the information reviewed by New CODM for the purposes of allocating resources and assessing performance.

The New CODM considers the business from perspective of types of goods or services delivered or provided. The Group's operating and reportable segments for continuing operations are as follows:

– Production and distribution of film and TV copyrights
– Other operations that primarily comprise TV program packaging services, agency services and mobile value-added services

During the year ended December 31, 2014, the New CODM decided to discontinue the sales of TV advertising air-time and magazine advertising and distribution business segments. Accordingly, these two operating segments are considered as discontinued operations in 2014 (refer to Note 17 for details) and 2013 segment information is presented to align this change.

Segment revenue and results

	Year ended December 31, 2014		
	Production and distribution of film and TV copyrights	**Others segments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**115,386**	**11,245**	**126,631**
Segment results	**(65,969)**	**1,861**	**(64,108)**
Administrative expenses			**(156,357)**
Other income			**2,214**
Other losses, net			**(18,317)**
Finance income			**15,954**
Finance expenses			**(26,853)**
Share of losses of investments accounted for using the equity method			**(4,190)**
Impairment loss on interest in an associate			**(111,216)**
Loss before income tax			**(362,873)**

	Year ended December 31, 2013		
	Production and distribution of film and TV copyrights	Other segments	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)
Segment revenue	326,638	22,740	349,378
Segment results	151,333	(10,368)	140,965
Administrative expenses			(94,734)
Other income			9,475
Other gains, net			164,585
Finance income			107
Finance expenses			(19,295)
Share of losses of investments accounted for using the equity method			(2,070)
Profit before income tax			199,033

All of the segment revenue reported above is from external customers and there were no inter-segment sales for both years.

Segment results represent the gross loss incurred or gross profit generated by each segment without allocation of administrative expenses, other income, other (losses)/gains, net, finance income, finance expenses, share of losses of investments accounted for using the equity method and impairment loss on interest in an associate. This is the measure reported to the board of directors of the Company for the purpose of resource allocation and performance assessments.

5 Other income

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Local government subsidies	**1,374**	7,403
Sundry income	**840**	2,072
	2,214	9,475

6 Other (losses)/gains, net

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Gain on disposal of art works	**17,586**	72,324
Gain on disposal of a subsidiary	**8,861**	93,442
Other payables waived	**11,177**	–
Change in fair value of financial assets at fair value through profit or loss	**125**	(827)
Gain on disposal of financial assets at fair value through profit or loss	**–**	4,175
Change in fair value of derivative financial instruments *(Note)*	**(53,207)**	(895)
Tax surcharge	**(2,027)**	(4,061)
Others	**(832)**	427
	(18,317)	164,585

Note:

Amount represents a loss of approximately RMB53,207,000 (2013: RMB895,000) on change in fair value of warrants. All the warrants were exercised in 2014 and converted to ordinary shares of the Company.

7 Expenses by nature

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Film and TV copyrights recognized as cost of sales and services *(Note a)*	**183,493**	147,326
Employee benefit expense	**41,097**	42,554
Operating lease payments	**22,653**	16,192
Depreciation and amortization	**9,826**	5,871
Provision for impairment of intangible assets	**–**	1,245
Distribution and operation fee	**2,100**	19,526
Impairment provision for trade and other receivables, and prepayments *(Note b)*	**55,889**	–
Auditors' remuneration		
– Audit services	**2,200**	2,059
– Non-audit services	**8,353**	523
Advertising costs	**1,070**	18,593
Market consultation costs	**473**	12,814
Other expenses	**19,942**	36,444
Total cost of sales and service, distribution expenses and administrative expenses	**347,096**	303,147

Notes:

(a) Amount included impairment loss on film and TV copyrights of RMB102,172,000 (2013: RMB3,204,000).

(b) As at December 31, 2014, the management considered that it was not probable to recover the balance of approximately RMB55,889,000 (2013:nil) and therefore, impairment loss was recognized on trade and other receivables, and prepayments.

8 Finance income and expenses

	2014 *RMB'000*	2013 *RMB'000* (Restated)
Finance income		
– Interest income on bank deposits	**15,427**	107
– Interest income on available-for-sale financial assets	**527**	–
	15,954	107
Finance expenses		
– Exchange loss, net	**(25,664)**	(1,760)
– Interest expenses on convertible notes	**(1,189)**	(17,535)
	(26,853)	(19,295)
Finance expenses, net	**(10,899)**	(19,188)

9 Investments accounted for using the equity method

Investment in associates

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000* (Restated)
At January 1,	**151,288**	–
New investment	**–**	19,724
Change from a subsidiary to an associate *(Note)*	**–**	135,471
Share of losses of investments	**(4,190)**	(3,909)
Impairment loss *(Note)*	**(111,216)**	–
Currency translation differences	**292**	2
Transfer to assets held-for-sale *(Note)*	**(17,370)**	–
At December 31,	**18,804**	151,288

Note:

During the year ended December 31, 2013, 北京北大文化發展有限公司 (Beijing Beida Culture Development Co., Limited, "Beida Culture") ceased to be a wholly-owned subsidiary of the Group and became an associate as a result of the Group's disposal of 70% equity interest in Beida Culture. As at December 31, 2014, Beida Culture was regarded as "assets held-for-sale" as the directors of the Company determined that the carrying amount of this investment will be recovered principally by a sale transaction rather than continuing use. An impairment loss of RMB111,216,000 was recorded in 2014 and this investment is classified as "assets held-for-sale" as at December 31, 2014 (Note 13).

The amounts recognized in the consolidated income statement are as follows:

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Associates	**(4,190)**	(3,909)
Joint ventures *(Note)*	**–**	1,839
Total	**(4,190)**	(2,070)

Note:

All the Group's joint ventures had been disposed of in 2013.

10 Income tax expense

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Current tax	**(27,498)**	42,714
Deferred income tax	**44,879**	(9,588)
	17,381	33,126

No provision for Hong Kong profits tax has been made as the group companies operating in Hong Kong did not have any assessable profit for both years.

The statutory rate for PRC EIT is generally 25%. Pursuant to the relevant laws and regulations in the PRC, 中聯華盟(上海)文化傳媒有限公司 is subject to PRC EIT at the PRC EIT rate of 25% on ten percent of its gross revenue.

11 (Loss)/earnings per share

	2014	2013
	RMB cents	*RMB cents*
		(Restated)
Basic/diluted (loss)/earnings per share		
From continuing operations	**(2.54)**	2.13
From discontinued operations	**(0.24)**	0.12
From (loss)/profit for the year	**(2.78)**	2.25

(a) *Basic*

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit from continuing operations attributable to owners of the Company	**(381,000)**	170,244
(Loss)/profit from discontinued operations attributable to owners of the Company	**(36,276)**	9,427
(Loss)/profit attributable to owners of the Company	**(417,276)**	179,671
Weighted average number of ordinary shares in issue (thousands)	**14,978,061**	7,998,144

(b) *Diluted*

The computation of diluted loss per share for the year ended December 31, 2014 did not assume the conversion of the Company's outstanding convertible notes, the exercise of share options and warrants as their assumed conversion and exercise would decrease the loss per share in the year.

The computation of diluted earnings per share for the year ended December 31, 2013 did not assume the conversion of the Company's outstanding convertible notes as their assumed conversion would increase the earnings per share in that period. In addition, the computation of diluted earnings per share did not assume the exercise of share options and warrants because the exercise price of these share options and warrants was higher than the average market price for shares during the year ended December 31, 2013.

12 Art works

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Opening net book amount	**127,281**	132,103
Currency translation differences	**–**	(1,684)
Additions	**34,780**	55,529
Disposals	**(162,061)**	(58,667)
Closing net book amount	**–**	127,281

13 Assets held-for-sale

As at December 31, 2014, the Group decided to recover the carrying amount of the investment in Beida Culture principally through a sale transaction in the future. Accordingly, the investment in Beida Culture was considered as assets held-for-sale as at December 31, 2014. The directors of the Company expected to complete the disposal in year 2015 (Note 9).

14 Film and TV copyrights

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Film and TV copyrights		
– Under production	**33,015**	208,929
– Completed production	**131,505**	76,417
	164,520	285,346

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Opening net book amount	**285,346**	136,114
Additions	**134,667**	296,558
Recognized as an expense included in cost of sales and services	**(81,321)**	(144,122)
Impairment loss recognized in the year *(note a)*	**(102,172)**	(3,204)
Refund of investment *(note b)*	**(72,000)**	–
Closing net book amount	**164,520**	285,346

Note:

(a) In 2014, management of the Group considered the expected future income of certain film and TV copyrights could not recover the respective relevant film and TV production costs and an impairment charge of RMB102,172,000 (2013: RMB3,204,000) was recognized.

(b) It represented the refund of investment cost of certain film and TV copyrights, among which, RMB20,000,000 has been settled during the year 2014 and the remaining RMB52,000,000 is included in "trade and other receivables, and prepayments" (Note 16).

15 Available-for-sale financial assets

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
At January 1,	**–**	–
Additions	**240,000**	–
At December 31,	**240,000**	–

The available-for-sale financial assets represent investments in wealthy management products issued by state-owned banks in the PRC with expected return range from 0% to 3.6% per annum and will mature within one year. As at December 31, 2014, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying value of the wealth management products classified as available-for-sale.

None of these available-for-sale financial assets is either past due or impaired.

16 Trade and other receivables, and prepayments

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**232,198**	362,967
Less: allowance for impairment of trade receivables	**(53,702)**	–
Trade receivables – net	**178,496**	362,967
Film deposits *(note a)*	**134,400**	89,480
Other prepayments	**2,024**	2,423
Other receivables arising from:		
– Refund of film investment cost *(note c)*	**52,000**	–
– Refundable deposit in relation to acquisition of an investee *(note b)*	**24,000**	24,000
– Disposal of art works	**172,683**	84,747
– Disposal of subsidiaries and joint venture *(note d)*	**19,101**	135,226
– Interest income receivable	**14,060**	–
– Other receivables and deposits	**55,570**	35,567
Less: allowance for impairment of prepayment and other receivables	**(2,187)**	–
Other receivables and prepayments – net	**471,651**	371,443
Total trade and other receivables, and prepayments	**650,147**	734,410
Less: non-current portion	**(124,400)**	(102,834)
Current portion	**525,747**	631,576

As at December 31, 2014, non-current balances represented prepayments for film deposits.

The fair values of the current portion of trade and other receivables, and prepayments approximate their carrying value.

Notes:

(a) In November 2013, the Group entered into a film cooperation agreement with a company owned by Mr. Chan Ho Sun (also known as Peter Chan, "Mr. Chan"), pursuant to which Mr. Chan will provide proposals for 5 film projects, to be developed by Mr. Chan himself or jointly with others (the "Target Films with Chan"), in the coming 7 years for the Group, and the Group will contribute RMB10,000,000 towards the production costs of each film or each film investment opportunity. The Group paid an amount of RMB10,000,000 and RMB40,000,000 during 2013 and 2014 respectively for the investment opportunities of the Target Films with Chan. In 2014, as the first production of film had completed and released successfully, a portion of the prepayment amounting to RMB10,000,000 was transferred to film and TV copyrights (and then recognize in cost of sales and service) and the remaining RMB40,000,000 was classified as non-current asset.

In March 2014, the Group entered into a film cooperation agreement with a company owned by Ms. Chai Zhi Ping (also known as Angie Chai, "Ms. Chai"), pursuant to which Ms. Chai will provide proposals for 5 film projects to be developed by Ms. Chai herself or jointly with others (the "Target Films with Chai"), in the coming 5 years for the Group, and the Group will contribute RMB10,000,000 towards the production costs of each film or each film investment opportunity. The Group paid a total amount of RMB50,000,000 in 2014 for the investment opportunities of the Target Films with Chai. In 2014, a proposal for a film project had been delivered to the Group. However, as at December 31, 2014, the Group considered there were uncertainties concerning the eventual successful completion of this film project and the production has postponed. Accordingly, an impairment loss of RMB10,000,000 was recognized as cost of sales and service and the remaining prepayment of RMB40,000,000 was classified as non-current asset.

In May 2014, the Group entered into a film cooperation agreement with a company owned by Mr. Wong Kar Wai ("Mr. Wong"), pursuant to which Mr. Wong will provide proposals for 5 films projects to be developed by Mr. Wong himself or jointly with others (the "Target Films with Wong"), in the coming 5 years for the Group, and the Group will contribute RMB10,000,000 towards the production costs of each film or each film investment opportunity. The Group paid a total amount of RMB50,000,000 in 2014 for the investment opportunities of the Target Films with Wong and production of the first film has been commenced in January 2015. Accordingly, a portion of the prepayment amounting to RMB10,000,000 was classified as current asset and the remaining RMB40,000,000 is classified as non-current asset.

In September 2012, the Group entered into a film cooperation agreement with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), pursuant to which Mr. Chiau will provide proposals for 5 film projects to be developed by Mr. Chiau himself or jointly with others (the "Target Films with Chiau"), in the coming 7 years for the Group, and the Group will contribute RMB10,000,000 towards the production costs for each film or each film investment opportunity. The Group paid a total amount of RMB50,000,000 during the year ended December 31, 2013 for the investment opportunities of the Target Films with Chiau. In the first half year of 2014, the proposals for 5 film projects were delivered to the Group and none of which the Group had considered to make any investments in. Accordingly, full amount of the prepayment was recognized as expense (and included in cost of sales and service) in 2014.

In 2011, the Group entered into a cooperation agreement with an independent film production company ("Film Workshop") pursuant to which the Group paid start-up costs to Film Workshop, which in return agreed to produce three films within the agreed period as stated in the agreement. The start-up costs amounting to RMB4,400,000 (2013: RMB4,400,000) were classified as non-current asset.

(b) In 2011, the Group signed an agreement with a third party, pursuant to which the Group entrusted this third party with and paid a deposit of RMB24,000,000. The third party then submitted an application and paid the deposit to Shanghai United Assets and Equity Exchange ("SUAEE") to express its intention to acquire for a 50% equity interest in another entity. The deposit is fully refundable after obtaining the approval of SUAEE and completion of the transaction. The demand for refund was submitted during the year ended December 31, 2012 and remained in progress as at December 31, 2014. In the opinion of the directors of the Company, the amount would be refunded within 2015. Accordingly, the balance was classified as current asset.

(c) The amount is unsecured and non-interest bearing. The amount has been fully settled in March 2015.

(d) During the year ended December 31, 2014, the Group disposed of its 100% equity interest in 北京永聯信通科技有限責任公司 ("Youline Technology") for a consideration of RMB14,000,000. Such consideration has been settled in March 2015.

An amount of approximately RMB5,101,000 (2013: RMB5,101,000) as at December 31, 2014, represents the unsettled consideration arising from the Group's disposal of a subsidiary, 北京中聯華視影視文化有限公司 (formerly known as 北京中盛千里傳媒文化有限公司) in 2012. Such consideration has been settled in March 2015.

Trade receivables consist of receivables from debtors arising from production and distribution of film and TV copyrights segment and other business segments, are analyzed as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Production and distribution of film and TV copyrights	**216,667**	324,975
Other business segments	**15,531**	37,992
	232,198	362,967

The normal credit period granted to the trade customers of the Group is generally ranging from 30 days to 1 year. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed regularly.

The directors of the Company will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and trading history of these customers; (ii) the market situations that lead to delay of broadcasting; (iii) industry practice in settlement; and (iv) subsequent settlements.

The following is an aging analysis of trade receivables:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
0 – 90 days	**70,081**	97,911
91 – 180 days	**3,072**	9,791
181 – 365 days	**4,086**	177,072
Over 365 days	**154,959**	78,193
	232,198	362,967

17 Discontinued operations

During the year 2014, the directors of the Company decided to concentrate the resources of the Group on the business of production and distribution of film and TV copyrights, and ceased/planned to cease the following business, which are treated as discontinued operations.

(i) From May 2014 onwards, the Group ceased its TV advertising operation and did not renew the TV advertising air-times supply contract with the Shenzhen Media Group. In addition, during the year 2014, the Group completed the deregistration of a subsidiary engaged in TV advertising business and distributed back RMB15,984,000 to the non-controlling interest on the deregistration date.

(ii) At the end of 2014, the directors of the Company decided to cease its magazine advertising and distribution operation and terminate the cooperation with SOCIETE DU FIGARO.

Accordingly, these two business segments are presented as discontinued operations in the Group's consolidated income statement in 2014 and 2013. Analysis of the result of discontinued operations is as follows:

Income statement

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Revenue	**43,612**	236,102
Expenses	**(70,710)**	(208,868)
(Loss)/profit before income tax of discontinued operations	**(27,098)**	27,234
Income tax expenses	**(7,939)**	(7,062)
(Loss)/profit for the year from discontinued operations	**(35,037)**	20,172
(Loss)/profit for the year from discontinued operations attributable to		
– Owners of the Company	**(36,276)**	9,427
– Non-controlling interests	**1,239**	10,745
(Loss)/profit for the year from discontinued operations	**(35,037)**	20,172

18 Share Capital

	As at December 31,			
	2014		2013	
	Number of shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'000*
Authorized:				
Ordinary shares of HK$0.25 each *(note a)*	**30,000,000,000**	**7,500,000**	10,000,000,000	2,500,000

	Number of shares	**Share capital**	
		HK$'000	*RMB'000* (restated)
Ordinary shares, issued and fully paid:			
At January 1, 2013	7,742,742,564	1,935,686	1,616,499
Issue of subscription shares *(note b)*	582,630,000	145,657	115,069
At December 31, 2013	8,325,372,564	2,081,343	1,731,568

	Number of shares	**Share capital**	
		HK$'000	*RMB'000*
At January 1, 2014	**8,325,372,564**	**2,081,343**	**1,731,568**
Issue of shares upon exercise of warrants *(note c)*	**60,000,000**	**15,000**	**11,865**
Issue of shares upon exercise of share options *(note d)*	**131,560,000**	**32,890**	**26,238**
Issue of shares upon conversion of convertible notes *(note e)*	**30,000,000**	**7,500**	**6,000**
Issue of subscription shares *(note f)*	**12,488,058,846**	**3,122,015**	**2,478,100**
At December 31, 2014	**21,034,991,410**	**5,258,748**	**4,253,771**

Notes:

(a) Pursuant to a resolution passed on June 16, 2014, the authorized share capital of the Company was increased from HK$2,500,000,000 to HK$7,500,000,000 by creation of additional 20,000,000,000 shares of HK$0.25 each.

(b) On July 25, 2013, the Company issued 582,630,000 ordinary shares of HK$0.25 each at the subscription price of HK$0.46 per share to certain independent third parties totalling HK$268,010,000 (equivalent to approximately RMB211,727,000).

(c) On March 18, 2014 and May 15, 2014, a total of 60,000,000 new ordinary shares of HK$0.25 each were issued upon exercise of warrants at a subscription price of HK$0.50 per share.

(d) In 2014, 102,400,000 and 29,160,000 new ordinary shares of HK$0.25 each were issued upon exercise of share options at a subscription price of HK$0.475 per share and HK$0.56 per share respectively.

(e) On June 13, 2014, 30,000,000 new ordinary shares of HK$0.25 each were issued upon the conversion of the convertible notes.

(f) On June 24, 2014, the Company issued 12,488,058,846 new ordinary shares of HK$0.25 each at a subscription price of HK$0.50 per share to Ali CV for aggregate subscription price totalling HK$6,244,030,000 (equivalent to approximately RMB4,956,200,000). These shares represented approximately 59.61% of the enlarged issued share capital of the Company as at the date of subscription.

19 Trade and other payables, and accrued charges

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**29,104**	30,341
Other tax payable	**99,505**	82,710
Payroll and welfare payable	**4,202**	9,481
Other payables, and accrued charges and advanced from customers	**42,871**	33,632
	175,682	156,164

As at December 31, 2014, the aging analysis of the trade payables based on invoice date is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
0 – 90 days	**8,662**	16,593
91 – 180 days	**8,092**	653
181 – 365 days	**–**	11,408
Over 365 days	**12,350**	1,687
	29,104	30,341

20 Events after the balance sheet date

On January 28, 2015, the Group granted a total of 285,019,800 share options to certain eligible participants ("Grantees"), subject to the acceptance of the Grantees, under the share option scheme adopted by the shareholders of the Company on June 11, 2012. Each share option shall entitle the Grantees to subscribe for one ordinary share of HK$0.25 each in the capital of the Company upon exercise of such share option. The exercise price of the share options is HK$1.67 per share. The validity period of the share options is ten years from January 28, 2015 to January 27, 2025 with vesting schedule over a period of four to five years commencing from the employment date of the relevant Grantees.

FINANCIAL RESULTS

For the year ended December 31, 2014, the Group recorded revenue of RMB126,631,000 (2013: RMB349,378,000) and net loss attributable to the owners of the Company of RMB417,276,000 (2013: net profit of RMB179,671,000).

The loss incurred during the year was mainly attributable to: (i) a significant drop in revenue for the year; (ii) asset impairment provisions and fair value changes in warrants in the first half year of 2014; (iii) a decrease in gains from the disposal of a subsidiary in 2014 as compared with 2013; and (iv) a decrease in gains from sales of art works in 2014 as compared with 2013.

For the year ended December 31, 2014, loss per share (basic and diluted) for the Group amounted to 2.78 RMB cents (2013: earnings of 2.25 RMB cents). Net asset value attributable to the owners of the Company per share amounted to RMB0.29 (2013: RMB 0.17).

DIVIDEND

The Board has resolved not to declare a dividend for the year ended December 31, 2014 (2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2014, the Group was principally engaged in film and television entertainment and culture related businesses, including planning, production and publication of investment in and distribution of television drama series and films. The majority of these businesses were conducted in the PRC.

With a focus on the substantial opportunities brought by the continued high growth in China's film and television drama series market, the Group has been enhancing its film and television content production capabilities and reinforcing its core competitiveness through continuous integration and development with a precise understanding of market trends.

On June 24, 2014, AGHL (together with its subsidiaries, "Alibaba Group"), through its subsidiary Ali CV, became the controlling shareholder of the Group through new share subscription. Since then, Alibaba Group has commenced synergistic coordination with the Group's cultural, film and television entertainment-related resources and businesses, and has defined the Group as the flagship unit of Alibaba Group's entertainment business.

The Group and Alibaba Group have commenced resource integration, and have explored a user-demand-oriented e-commerce customization model through the internet and big data, in addition to developing a cross-industry in-depth cooperation model for e-commerce and cultural and creative industry by taking advantage of the deployment of O2O (online to offline) film related business in ways such as conducting promotion and marketing activities on Alibaba Group's e-commerce platforms.

The Group has also started to establish extensive contacts with its industry peers to drive the integration of internet elements and film and television entertainment content production.

Film and TV Drama Series Production and Distribution Business

For the year ended December 31, 2014, the film and TV drama series production, distribution and copyrights business contributed revenue of RMB115,386,000 (2013: RMB326,638,000). Segment loss before tax amounted to RMB65,969,000 (2013: segment profit before tax of RMB151,333,000). The reduction in income was mainly attributable to the delay and suspension of a number of the Group's films and TV drama series still being at the production stage in 2014. These films and television drama series are scheduled for release in 2015. Segment loss before tax was also attributable to the one-off impairment of film and TV copyrights and film deposits, as well as the provision of bad and doubtful debts of trade receivables.

During the year, the Group released a number of films and drama series to the market one after another, and did so at an accelerated pace of business development in the third and fourth quarter. The films "Dearest" (親愛的) and "Breakup Buddies" (心花路放) were exhibited in September 2014, while the television drama series "Bayonet Hero" (刺刀英雄) was completed broadcasting on various satellite television channels.

During the year, the Group also paid close attention to industry trends and seized potential business opportunities by engaging in investment and collaboration projects in relation to a number of TV drama series and films. The Group has acquired the film adaptation right for "My Fair Princess" (還珠格格), the copyrights to produce a TV drama series based on the popular mainland hypertext novel "Ghost Blows out the Light" (鬼吹燈).

During the year, the Group took a step forward by signing a film cooperation agreement and supplementary agreement with Block 2 Films Limited ("Block 2 Films"), authorized by internationally renowned director Mr. Wong. Pursuant to the agreements, the Group has acquired the priority rights to negotiate and sign contracts with Block 2 Films to invest in up to five films directed, produced or written by Mr. Wong in the next five years.

The Group's is involved in a new film project, entitled "Bai Du Ren" (擺渡人), with Mr. Wong as the producer and the Group as the major investor. The author of the original novel, post-80s Chinese novelist Mr. Zhang Jiajia, will be the director and screenwriter of the film, which will feature superstar Tony Leung as the lead actor.

In addition, the Group has been taking initiatives to explore other types of business cooperation opportunities. In October 2014, the Group signed a letter of intent with Hengdian Chinese Film Industrial Park pursuant to which the Group will establish a film and television company at the Hengdian Film Industrial Park. The two parties will explore extensive cooperation at all levels in different aspects of the film and television industry, including research and production for film and television dramas, training, and the entertainment business. Such collaboration will also serve as a model at the Park, and is expected to drive the long-term development of China's film industry.

Other Businesses

For the year ended December 31, 2014, revenue from other segments (including the mobile value-added business, mobile games subscription, the provision of other agency services and TV programme package services in the PRC) amounted to RMB11,245,000 (2013: RMB22,740,000).

To streamline the Group's business operations and to focus its resources on core businesses which can bring stable returns, the Group entered into an agreement with an individual third party on June 2, 2014 to disposal of its 100% equity holding in Youline Technology, a wholly owned subsidiary which operated mobile value-added services, at a total consideration of RMB14,000,000. The transaction was completed on June 9, 2014 which resulted in a gain of RMB8,861,000 in 2014.

Discontinued Business – Magazine Advertising and Magazine Distribution Business

For the year ended December 31, 2014, the distribution and advertising business involving high-end women's magazine FIGARO generated revenue of RMB13,326,000 (2013: RMB26,590,000). Since the magazine industry is experiencing a downturn and with personnel changes at the business during the year, the business was adversely affected and thus recorded a decline in advertising sales. In view of the continued recession in the traditional media industry in mainland China and the increasingly severe business environment, the Group decided to cease publication of FIGARO since February 2015 upon careful consideration.

Discontinued Business – TV Advertising Business

For the year ended December 31, 2014, the TV advertising business recorded revenue of RMB30,286,000 (2013 annual: RMB209,512,000). On January 1, 2014, the State Administration of Radio Film and Television implemented a new policy which limits the airtime, content and frequency of advertising on satellite television channels. Taking the further tightening of industry regulations and thus even more severe business environment into consideration, the Group has been gradually winding down this business, and terminated its long-term exclusive cooperation agreement involving advertising with the Gansu Provincial Film and TV Broadcast Group at the end of 2013, and also ceased cooperation involving advertising with the Shenzhen Media Group in May 2014.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and equity financing. As at December 31, 2014, the Group maintained cash and bank balances of RMB5,048,295,000 (2013: RMB155,619,000). As at December 31, 2014, the equity attributable to owners of the Company amounted to RMB6,067,656,000 (2013: RMB1,382,911,000) with total borrowings of nil (2013: RMB20,921,000). As at December 31, 2014, the Group's gearing ratio (net borrowings including convertible notes deducting the cash and bank balances over total equity) was nil (2013: nil).

On March 18, 2014 and May 15, 2014, the Company issued a total of 60,000,000 new ordinary shares of the Company of HK$0.25 each at an exercise price of HK$0.50 per share upon exercise of the subscription rights attaching to the warrants which were issued by the Company on June 7, 2013. The net proceeds of approximately RMB23,120,000 (equivalent to HK$29,238,000) raised from issued of new ordinary shares of the Company upon exercise of the subscription rights attaching to the warrants has been used for investments in the Group's films and TV series.

On March 8, 2014 and May 20, 2014, the Company entered into a subscription agreement and a deed of novation with an independent third party, Alibaba Investment Limited ("AIL"), a wholly-owned subsidiary of AGHL and Ali CV, a wholly-owned subsidiary of AIL, pursuant to which Ali CV conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 12,488,058,846 new ordinary shares of the Company of HK$0.25 each at an issue price of HK$0.50 per share with aggregate subscription price of HK$6,244,030,000 (equivalent to RMB4,956,200,000). The newly allotted shares represent approximately 150% of the issued share capital of the Company as at March 8, 2014 and approximately 59.61% of the enlarged issued share capital of the Company as at the date of the subscription. The subscription represents a valuable opportunity for the Company to significantly bolster its funding capacity, better position itself strategically and financially to capitalize on new content creation opportunities and potential monetization platforms in online entertainment and media-related areas, and expedite the development of the Group's businesses. The market closing price per share of the Company was HK$0.64 per share as quoted on the Stock Exchange on February 25, 2014, being the last trading day immediately prior to the entering of the subscription agreement (the "Last Trading Day") and HK$0.63 per share as quoted on the Stock Exchange on February 24, 2014, being the full trading day immediately prior to the Last Trading Day. The net proceeds of approximately RMB4,951,075,000 from the subscription were expected to use as the Group's general working capital and /or for investments when opportunities arise. Approximately RMB51,850,000 has been used for investments in the Group's films and TV series, approximately RMB17,558,000 has been used for the Group's operating expenses and the remaining RMB4,881,667,000 of the net proceeds has not yet been utilized. The subscription has been completed on June 24, 2014. Ali CV becomes the immediate holding company and controlling shareholder of the Company after the subscription.

On January 28, 2015, the Group granted a total of 285,019,800 share options to certain eligible participants ("Grantees"), subject to the acceptance of the Grantees, under the share option scheme adopted by the shareholders of the Company on June 11, 2012. Each share option shall entitle the Grantees to subscribe for one ordinary share of HK$0.25 each in the capital of the Company upon exercise of such share option. The exercise price of the share options is HK$1.67 per share. The validity period of the share options is ten years from January 28, 2015 to January 27, 2025 with vesting schedule over a period of four to five years commencing from the employment date of the relevant Grantees.

Foreign Exchange Fluctuation

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowings are primarily denominated in RMB and HK$. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure when needed.

Charges on Assets

As at December 31, 2014, the Group did not have any charge of assets (2013: nil).

Contingent Liabilities

As at December 31, 2014, the Group had no material contingent liabilities (2013: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2014, the Group, including its subsidiaries but excluding its associates, employed 209 (2013: 250) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

PROSPECTS

2015 will be the year we embark on a new journey. With the completed acquisition by AIL and the Group's new Chairman and new Chief Executive Officer taking office, the Group's strategic development is increasingly decisive.

As for the long-term vision, Alibaba Pictures, as the flagship unit of Alibaba Group's entertainment business, will fully leverage the Alibaba Group ecosystem. It will make good use of Alibaba Group's online specialisms and resources for the content creation, production, investment and distribution of films and television dramas. The Group will use innovative models that revolve around customer demand and the customer experience, speeding up the integration of entertainment resources and the expansion of the business. In view of the Group's strategic commitment to establish a platform serving as the new business model, the Group will continue to explore the business model and invest funds and resources. Therefore, the Group's results may be affected over a certain period. The Group will not seek to maximize profits in the foreseeable future and will not compromise its long-term customer interest and operating strategy in favor of short-term interests.

FILM AND TV DRAMA SERIES PRODUCTION AND DISTRIBUTION BUSINESS

According to data from the State Administration of Press, Publication, Radio, Film, and Television, box office sales grew by 36.15% year on year to RMB29.639 billion in 2014. The Group believes that China's consumption of cultural products, including film and TV drama series, will continue to grow, and fuel the development of the film and television market.

In future, the Group will strive to produce high-quality film and TV drama series. The growing popularity of big data will bring the Group closer to the market and its audience, and will continue to increase its operating efficiency and offerings to meet audience needs. In response to the latest industry trends and dynamic changes in audience demand, the Group will develop a consumer-to-business model for film and TV drama series production. For example, January 2015 saw the launch of "Bai Du Ren" (擺渡人), the film project in which the Group led investment. "Bai Du Ren" features some of the top talent in the Chinese-speaking film industry, bringing together Mr. Wang Kar-wai, Mr. Zhang Jiajia and Mr. Tony Leung. The film reflects the Group's commitment to quality content in its projects going forward. With its quality plot, first-rate screenwriter and star-studded cast, the film is able to completely satisfy audience demand.

In addition, we will strive to distribute film and TV drama series productions using innovative channels. In February 2015, the Group agreed separate strategic partnership frameworks with Shenzhen Media Group and Guangdong Television to benefit from their resource bases and distribution channels and to explore mechanisms for cooperation on custom-made dramas for e-commerce. These agreements involve developing joint investment projects to produce custom-made dramas for e-commerce according to the requirements of the broadcasting platform. As part of the development of these dramas, the Group and the two abovementioned partners will explore entry into the industry chain and cooperate on the marketing of the television drama and sale of the online product at the time of broadcast. This would ensure growth for both parties. The Group is currently working closely with Guangdong Television on the development of the first custom-made drama for e-commerce.

With the speedy development of the Group's products, the effect of the synergy between the Group and Alibaba Group have started to emerge. The Group will draw on Alibaba Group's well-established internet ecosystem and big data to integrate and collaborate in key business areas. Meanwhile, the Group will also actively explore innovative business models.

The Group believes that the exploration and development of the aforementioned business model will take time to deliver results. The Group will not pursue a business strategy for short-term profits, but place more emphasis on shaping the long-term development of its core business.

Looking ahead, the Group and its first-rate team will continue to produce and distribute a diverse range of high-quality content that caters to mainstream tastes in the market. The Group will also further enhance the competitive advantages of its products in order to gradually increase its market share in the film and television industry.

CORPORATE GOVERNANCE

During the year ended December 31, 2014, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for certain deviations which are summarized below:

Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In 2014, the Board only held three regular Board meetings. However, the Board held a number of ad hoc meetings during the year to discuss and resolve certain significant potential issues. The Company's daily business operations are under the management of its executive directors. In addition to regular meetings, the Board will hold ad hoc meetings from time to time as necessitated by business needs in order to consider and resolve any material business or management issues of the Company.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There had been no separation of the roles of the chairman and the chief executive since the appointment of Mr. Dong Ping (who was also the chairman of the Board until June 24, 2014) as acting chief executive officer of the Company with effect from January 9, 2012. In view of Mr. Dong Ping's extensive experience in the industry and in-depth knowledge of the Group's operation and business, there was no imminent need to separate the roles into two individuals. Following the appointment of Mr. Shao Xiaofeng as chairman of the Board and Mr. Liu Chunning as acting chief executive officer of the Company with effect from June 27, 2014, the Company has fully complied with the code provision A.2.1 of the CG Code. On August 5, 2014, Mr. Zhang Qiang was appointed as chief executive officer and Mr. Liu Chunning ceased to be acting chief executive officer of the Company.

Code provision A.2.7 stipulates that the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the current chairman and other Board members were newly appointed in or after June 2014, and there were a number of significant potential issues that required discussion and consideration among all Board members and Board committee members collectively, during the year the chairman did not hold any meeting with non-executive directors of the Company ("NEDs") without the presence of other executive directors. Nevertheless, the NEDs (including independent non-executive Directors of the Company ("INEDs")) are always encouraged to express their views directly to the chairman whenever required. The Company is of the view that efficient communications have been maintained between the NEDs (including INEDs) and the chairman.

Code provision A.5.1 stipulates that a nomination committee should be chaired by the chairman of the board or an independent non-executive director. Following the resignation of Mr. Dong Ping as chairman of the Board with effect from June 24, 2014, the nomination committee of the Company (the "Nomination Committee") was no longer chaired by either the chairman of the Board or INED). In order to comply with the requirement under this code provision, Mr. Shao Xiaofeng (being chairman) was appointed as chairman of the Nomination Committee with effect from June 27, 2014.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Chen Ching (resigned on June 24, 2014) was unable to attend the special general meeting of the Company held on June 16, 2014 due to other commitment. In addition, Mr. Li Lian Jie (appointed on June 24, 2014), Mr. Tong Xiaomeng and Ms. Zhang Yu (both appointed on June 27, 2014) were unable to attend the annual general meeting of the Company held on June 27, 2014 (the "2014 AGM") due to their other respective pre-arranged commitments prior to their appointment. Mr. Jin Hui Zhi (resigned on June 27, 2014) was also unable to attend AGM due to other overseas commitment.

Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the code provision. The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of executive directors only and not senior management (as opposed to both directors and senior management of the Company under the code provision). The reasons for the above deviation are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended December 31, 2014.

Code provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the Board as a whole and each director to discharge their duties.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Shao Xiaofeng (appointed as chairman with effect from June 27, 2014) was unable to attend the 2014 AGM due to other pre-arranged business engagement prior to his appointment.

Code provision F.1.2 stipulates that the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary of the Company was dealt with by way of passing a written resolution duly signed by all directors in October 2014. Prior to such appointment, all Directors were consulted with no dissenting opinion on the proposed matter. It was considered that there was no need to hold a physical Board meeting for approving the said appointment.

Following the resignation of Mr. Chen Ching as INED with effect from June 24, 2014, (i) the number of members of the audit committee of the Company (the "Audit Committee") fell below the minimum number required under Rule 3.21 of the Listing Rules; and (ii) there was a vacancy for the position of the chairman of the Remuneration Committee which was required under Rule 3.25 of the Listing Rules.

In order to comply with the requirements under Rules 3.21 and 3.25 of the Listing Rules, the Audit Committee and the Remuneration Committee were reconstituted both with effect from June 27, 2014, including (i) the appointment of Mr. Li Lian Jie, Mr. Tong Xiaomeng and Ms. Zhang Yu (all being INEDs then) as members of the Audit Committee and the appointment of Ms. Zhang Yu as the chairman of the Audit Committee; and (ii) the appointment of Mr. Shao Xiaofeng, Mr. Li Lian Jie and Ms. Zhang Yu as members of the Remuneration Committee and the appointment of Ms. Zhang Yu as the chairman of the Remuneration Committee. Hence, the requirements under Rules 3.21 and 3.25 of the Listing Rules were fulfilled since then.

Further information on the Company's corporate governance code and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the corporate governance report to be contained in the Company's 2014 annual report.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended December 31, 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended December 31, 2014.

On behalf of the Board
Alibaba Pictures Group Limited
Shao Xiaofeng
Chairman

Hong Kong, March 31, 2015

As at the date of this announcement, the Board comprises Mr. Shao Xiaofeng, Mr. Liu Chunning and Mr. Zhang Qiang, being the executive directors; Mr. Li Lian Jie, being the non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Ms. Zhang Yu, being the independent non-executive directors.