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)

(1) ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND (2) RESUMPTION OF TRADING

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group" or "Alibaba Pictures Group") for the six months ended June 30, 2014 together with the comparative figures for the corresponding period in 2013. The unaudited condensed consolidated interim financial information for the six months ended June 30, 2014 has been reviewed by the audit committee of the Company (the "Audit Committee"). Deloitte Touche Tohmatsu, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended June 30, 2014 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), on which they have expressed an unmodified review opinion.

For the six months ended June 30, 2014, the Group recorded revenue of HK$113,309,000 (2013 interim: HK$474,247,000) and net loss attributable to the owners of the Company of HK$443,538,000 (2013 interim: net profit of HK$132,809,000). Non-cash losses, which included impairment of film and TV copyrights and prepayments of film production and other prepayments, attributable impairment of an associate, provision of bad and doubtful debts of trade and other receivables and changes in fair value of derivative financial instruments, amounted to HK$378,704,000. Excluding the aforesaid non-cash losses, net loss attributable to the owners of the Company amounted to HK$64,834,000. The loss was mainly attributable to (i) the reduction of the Group's revenue in the first half year due to delays in certain film and television projects, and (ii) the former management's decision to delay implementation of certain strategic decisions with the anticipated change in controlling interests of the Company.

For the six months ended June 30, 2014, the Group's basic loss per share amounted to 5.05 HK cents (2013 interim: basic earnings per share of 1.72 HK cents). Net asset value attributable to the owners of the Company per share amounted to HK$0.37 (December 31, 2013: HK$0.21).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	4	**74,013**	323,791
Cost of sales and services		**(202,940)**	(168,670)
Gross (loss) profit		**(128,927)**	155,121
Other income		**2,161**	11,559
Other gains and losses, net	5	**(62,763)**	89,191
Impairment loss on interest in an associate	9	**(90,756)**	–
Change in fair value of derivative financial instruments		**(67,215)**	(3,968)
Distribution and selling expenses		**(7,469)**	(18,185)
Administrative expenses		**(78,951)**	(62,558)
Effective interest expense on convertible notes		**(1,503)**	(20,437)
Share of loss of associates		**(2,808)**	–
Share of loss of joint ventures		**–**	(4,000)
(Loss) profit before taxation		**(438,231)**	146,723
Taxation charge	6	**(7,700)**	(39,475)
(Loss) profit for the period from continuing operations	7	**(445,931)**	107,248
Discontinued operation			
(Loss) profit the period from discontinued operation	14	**(584)**	31,553
(Loss) profit for the period		**(446,515)**	138,801

		Six months ended June 30,	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (restated)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		**(442,969)**	110,082
– from discontinued operation		**(569)**	22,727
		(443,538)	132,809
(Loss) profit for the period attributable to non-controlling interests			
– from continuing operations		**(2,962)**	(2,834)
– from discontinued operation		**(15)**	8,826
		(2,977)	5,992
		(446,515)	138,801
		HK cents	*HK cents*
(Loss) earnings per share	8		
From continuing and discontinued operations			
– Basic		**(5.05)**	1.72
– Diluted		**(5.05)**	1.72
From continuing operations			
– Basic		**(5.04)**	1.42
– Diluted		**(5.04)**	1.42

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit for the period	**(446,515)**	138,801
Other comprehensive (expense) income:		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(28,870)**	20,437
Total comprehensive (expense) income for the period	**(475,385)**	159,238
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(472,043)**	153,032
Non-controlling interests	**(3,342)**	6,206
	(475,385)	159,238

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At June 30, 2014 *HK$'000* (unaudited)**	At December 31, 2013 *HK$'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**28,915**	35,288
Goodwill		**199,766**	204,364
Intangible assets		**11,635**	11,550
Interests in associates	9	**97,158**	193,463
Club debenture		**2,850**	2,916
Art work		**156,479**	162,764
Deposits and prepayments	10	**171,768**	131,501
Deferred tax assets		**67,507**	69,060
		736,078	810,906
CURRENT ASSETS			
Film and TV copyrights		**335,245**	364,892
Investments held for trading		**3,238**	3,249
Trade receivables	10	**249,350**	464,153
Other receivables, deposits and prepayments	10	**287,533**	333,848
Amounts due from non-controlling shareholders		**1,981**	9,642
Bank balances and cash		**6,493,678**	199,001
		7,371,025	1,374,785
CURRENT LIABILITIES			
Trade and other payables and accrued charges	11	**212,525**	199,534
Amounts due to non-controlling shareholders		**1,890**	163
Derivative financial instruments		**–**	1,630
Tax liabilities		**165,317**	171,724
		379,732	373,051
NET CURRENT ASSETS		**6,991,293**	1,001,734
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,727,371**	1,812,640

	Note	At June 30, 2014 HK$'000 (unaudited)	At December 31, 2013 HK$'000 (restated)
CAPITAL AND RESERVES			
Issued share capital	12	**5,249,470**	2,081,343
Reserves		**2,463,783**	(312,916)
Equity attributable to owners of the Company		**7,713,253**	1,768,427
Non-controlling interests		**14,118**	17,460
TOTAL EQUITY		**7,727,371**	1,785,887
NON-CURRENT LIABILITY			
Convertible notes		**–**	26,753
		7,727,371	1,812,640

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. CHANGE IN ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY AND CHANGE OF COMPANY NAME

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 an independent third party, Ali CV Investment Holding Limited ("Ali CV"), for aggregate subscription price totaling HK$6,244,030,000, which represented approximately 59.61% of the enlarged issued share capital of the Company as at the date of subscription. Ali CV becomes 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 registered in the Registrar of Companies in Bermuda 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 by the Registrar of Companies in Hong Kong.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below and in Note 15, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2014 are the same as those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2013.

Application of new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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 Group's operating and reportable segments in its continuing operations, determined based on information reported to the chief operating decision maker, being the newly appointed executive and non-executive directors of the Company (the "New CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

(i)	Production and distribution of film and television ("TV") copyrights	–	production and distribution of copyrights over films and TV drama series
(ii)	Magazine advertising and magazine distribution	–	distribution of fashion magazine, FIGARO, and sale of advertisement spaces in FIGARO in the People's Republic of China (the "PRC")

Information relating to the revenue and results of mobile value-added services, which was previously identified as a reportable segment, is not presented separately and included in "all other segments" as described below. Accordingly, the comparative information in the segment reporting is restated.

An operating segment regarding the sales of TV advertising air-times was discontinued in May 2014. The segment information reported below does not include any amounts for the discontinued operation, which is described in more details in Note 14.

The Group has other operating segments which currently include securities trading and investments in Hong Kong, mobile value-added services, mobile game subscription, provision of other agency services, TV programme packaging services and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "all other segments".

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended June 30, 2014 and June 30, 2013:

Continuing operations

	Production and distribution of film and TV copyrights	**Magazine advertising and magazine distribution**	**Reportable segments' total**	**All other segments**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the six months ended June 30, 2014 (unaudited)					
Segment revenue	**49,677**	**11,928**	**61,605**	**12,408**	**74,013**
Segment results	**(228,903)**	**(9,875)**	**(238,778)**	**(6,192)**	**(244,970)**
Unallocated interest income, other income and other gains and losses, net					**(69,387)**
Gain on disposal of a subsidiary					**11,202**
Corporate administrative expenses					**(40,009)**
Share of loss of associates					**(2,808)**
Impairment loss on interest in an associate					**(90,756)**
Effective interest expense on convertible notes					**(1,503)**
Loss before taxation					**(438,231)**

	Production and distribution of film and TV copyrights	Magazine advertising and magazine distribution	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended June 30, 2013 (unaudited) (restated)					
Segment revenue	295,368	17,944	313,312	10,479	323,791
Segment results	119,230	(5,569)	113,661	1,766	115,427
Unallocated interest income, other income and other gains and losses, net					83,998
Corporate administrative expenses					(28,265)
Share of loss of joint ventures					(4,000)
Effective interest expense on convertible notes					(20,437)
Profit before taxation					146,723

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

Segment results represent the profit generated or loss incurred by each segment without allocation of other income, gain on disposal of a subsidiary, gain on disposal of art work, net foreign exchange gain (loss), change in fair value of derivative financial instruments, corporate administrative expenses, impairment loss on interest in an associate, tax surcharge, effective interest expense on convertible notes, share of loss of associates and share of loss of joint ventures. This is the measure reported to the New CODM for the purpose of resource allocation and performance assessment which is consistent with prior years.

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film and TV copyrights	Magazine advertising and magazine distribution	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At June 30, 2014 (unaudited)					
Continuing operations					
Segment assets	**1,138,866**	**24,620**	**1,163,486**	**16,931**	**1,180,417**
Property, plant and equipment – corporate					**4,460**
Art work					**156,479**
Interests in associates					**97,158**
Other receivables, deposits and prepayments					**102,984**
Amounts due from non-controlling shareholders					**1,981**
Bank balances and cash					**6,493,678**
Deferred tax assets					**67,507**
Discontinued operation					**2,439**
Consolidated assets					**8,107,103**
Continuing operations					
Segment liabilities	**149,940**	**9,153**	**159,093**	**15,574**	**174,667**
Other payables and accrued charges					**34,026**
Amounts due to non-controlling shareholders					**1,890**
Tax liabilities					**165,317**
Discontinued operation					**3,832**
Consolidated liabilities					**379,732**

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film and TV copyrights	Magazine advertising and magazine distribution	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At December 31, 2013 (restated)					
Continuing operations					
Segment assets	1,194,338	28,722	1,223,060	22,177	1,245,237
Property, plant and equipment – corporate					5,361
Art work					162,764
Interests in associates					193,463
Other receivables, deposits and prepayments					288,567
Amounts due from non-controlling shareholders					9,642
Bank balances and cash					199,001
Deferred tax assets					69,060
Discontinued operation					12,596
Consolidated assets					2,185,691
Continuing operations					
Segment liabilities	121,580	7,355	128,935	17,274	146,209
Other payables and accrued charges					43,442
Amounts due to non-controlling shareholders					163
Tax liabilities					171,724
Convertible notes					26,753
Derivative financial instruments					1,630
Discontinued operation					9,883
Consolidated liabilities					399,804

5. OTHER GAINS AND LOSSES, NET

	Six months ended June 30, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited) (restated)
Continuing operations		
Gain on disposal of a subsidiary *(Note 13)*	**11,202**	–
Gain on disposal of art work	**527**	89,499
Allowance for bad and doubtful debts *(Note (a))*	**(70,788)**	–
Net foreign exchange gain (loss)	**866**	(1,966)
Reversal of allowance for bad and doubtful debts	**–**	79
Change in fair value of held for trading investments *(Note (b))*	**(8)**	2,925
Tax surcharge	**(2,562)**	(1,346)
Others	**(2,000)**	–
	(62,763)	89,191

Notes:

(a) During the current interim period, the management actively chased the debtors for outstanding balances but the settlement was slow. The management considered that it is not probable to recover the balance of approximately HK$70,788,000 and therefore, impairment loss was recognized on trade and other receivables.

(b) The amount includes nil net realized gain (six months ended June 30, 2013: HK$4,459,000) on disposal of investments held for trading during the current period and unrealized loss of approximately HK$8,000 (six months ended June 30, 2013: HK$1,534,000) on change in fair value of investments held for trading held by the Group as at June 30, 2014.

6. TAXATION CHARGE

	Six months ended June 30, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited) (restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**(7,700)**	(50,438)
Deferred tax:		
Current period	**–**	10,963
Income tax expense	**(7,700)**	(39,475)

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong do not have any assessable profit for both periods.

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 Enterprise Income Tax ("EIT") at the EIT rate of 25% on ten percent of its gross revenue for both periods.

PRC EIT charged to other PRC subsidiaries is calculated at 25% of estimated assessable profit for both periods.

7. (LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended June 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Staff cost (including directors' remuneration)	**26,852**	22,830
Contributions to retirement benefit schemes	**5,692**	5,296
	32,544	28,126
Amortisation of intangible assets (included in cost of sales and services)	**228**	418
Depreciation of property, plant and equipment	**3,777**	3,259
Film and TV copyrights recognized as an expense (included in cost of sales and services) *(Note)*	**117,920**	132,905
Prepayment for film production recognized as cost of sales directly *(Note 10(e))*	**74,689**	–
Rental payments for premises under operating leases	**20,943**	11,292
Interest income	**(151)**	(42)

Note: Amount included impairment loss on film and TV copyrights of HK$74,967,000 (six months ended June 30, 2013: nil) included in production and distribution of film and TV copyrights segment. Impairment loss was made as the carrying amount of certain film and TV copyrights was higher than their recoverable amount. In the current interim period, the management adjusted downward the estimated future cash flows expected to be generated from certain film and TV copyrights taking into account (i) restriction imposed by the PRC authority on the broadcasting of a film in the PRC; (ii) dispute between a film distributor and a film producer on profit sharing of a film in which the Group has invested; and (iii) sales contracts entered with TV stations by the Group subsequent to the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) earnings		
(Loss) profit for the period attributable to the owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(443,538)**	132,809
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**8,775,449,749**	7,742,742,564

The computation of diluted loss per share for the period ended June 30, 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 period. All outstanding convertible notes and warrants were converted and exercised during the period ended June 30, 2014.

The computation of diluted earnings per share for the period ended June 30, 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 in that period.

From continuing operations

The calculation of basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended June 30, 2014	Six months ended June 30, 2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (restated)
(Loss) earnings figures are calculated as follow:		
(Loss) profit for the period attributable to the owners of the Company	**(443,538)**	132,809
Less: Loss (profit) for the period from discontinued operation *(Note 14)*	**569**	(22,727)
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share from continuing operations	**(442,969)**	110,082

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

From discontinued operation

Basic loss per share from discontinued operation for current interim period is 0.01 HK cents per share (six months ended June 30, 2013: earnings per share from discontinued operation is 0.30 HK cents per share), based on the loss for the period from discontinued operation of HK$569,000 (six months ended June 30, 2013: profit for the period from discontinued operation of HK$22,727,000) and the denominators detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

9. INTERESTS IN ASSOCIATES

During the current interim period, an impairment loss of HK$90,756,000 (six months ended June 30, 2013: nil) was recognized in respect of the Group's interest in an associate, which is engaged in newspaper advertising and newspaper distribution business. The impairment loss was recognized as the carrying amount exceeded the recoverable amount which is determined based on the fair value less cost of disposal of the Group's interest in the associate. The fair value is estimated by reference to the preliminary offer received from a potential buyer of the Group's interest in the associate.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At June 30, 2014	At December 31, 2013
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Trade receivables	**249,350**	464,153
Refundable deposit in relation to acquisition of an investee *(Note (a))*	**30,000**	30,691
Amount receivable for disposal of art work *(Note (b))*	**31,571**	108,372
Deferred consideration for disposal of subsidiaries *(Note (c))*	**71,213**	172,923
Amount receivable for refund of film investment cost *(Note (d))*	**82,812**	–
Other receivables and deposits	**68,306**	35,843
	283,902	347,829
Deposits paid for acquisition of property, plant and equipment	**4,043**	–
Prepayment for film production *(Note (e))*	**168,840**	114,042
Other prepayments	**2,516**	3,478
Total other receivables, deposits and prepayments	**459,301**	465,349
Analyzed as		
Current	**287,533**	333,848
Non-current	**171,768**	131,501
	459,301	465,349

Notes:

(a) In previous year, the Group signed an agreement with a third party, pursuant to which the Group entrusted a 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 prior to 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 June 30, 2014. In the opinion of the directors of the Company, the amount will be refunded within twelve months after the end of the reporting period. Accordingly, the balance is classified as a current asset.

(b) The amount is unsecured and non-interest bearing. An amount of approximately HK$132,618,000 was settled during the current interim period. The remaining balance of HK$31,571,000 as at June 30, 2014 represents the PRC EIT and Value-added Tax (the "VAT") arising from the disposal of the Group's art work which is agreed to be refunded by the acquirer and in the opinion of the directors of the Company, would be settled by the acquirer upon the payment of the PRC EIT and VAT by the Group.

(c) During the year ended December 31, 2013, the Group disposed of its entire equity interest in Main City Limited and 49% equity interest in a joint venture, 人民視訊文化有限公司 for a consideration of US$18,800,000 (approximately HK$145,888,000), of which an amount of US$15,000,000 (approximately HK$116,400,000) and US$6,100,000 (approximately HK$47,336,000) remained unsettled as at December 31, 2013 and June 30, 2014, respectively. The remaining balance was settled subsequent to June 30, 2014.

As disclosed in Note 13, the Group disposed of its entire 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 (approximately HK$17,500,000) during the current interim period. The sale consideration has not been settled at June 30, 2014.

An amount of approximately HK$6,377,000 (December 31, 2013: HK$6,523,000) as at June 30, 2014, represents the PRC EIT 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 previous year which is agreed to be refunded by the acquirer and in the opinion of the directors of the Company, would be settled by the acquirer upon payment of the PRC EIT by the Group.

In 2013, the Group disposed 70% of its equity interest in 北京北大文化發展有限公司 at a consideration of HK$400,000,000, of which deferred cash consideration of HK$50,000,000 remained unsettled as at December 31, 2013. The amount was fully settled during the current interim period.

(d) In 2011, the Group signed a cooperation agreement with an independent film production company ("Film Workshop A") pursuant to which the Group paid start-up costs to Film Workshop A, which in return agreed to produce at least one film each year for the agreed period as stated in the agreement. During the current interim period, Film Workshop A agreed with the Group to terminate the cooperation agreement and refund the paid start-up costs of RMB26,250,000 (approximately HK$32,812,000) to the Group on or before June 30, 2014. Accordingly, the balance is classified as current asset. The cooperation agreement with Film Workshop A was subsequently taken over by an independent third party (the "New Investor") and the start-up costs paid by the Group were settled by the New Investor subsequent to June 30, 2014.

During the current interim period, the Group entered into a cooperation agreement with an independent film production company (the "Production Team"), pursuant to which the Group invested RMB40,000,000 and the Production Team agreed to commence film production on or before June 30, 2014. Since the production was not started during the current interim period, Production Team agreed with the Group to terminate the cooperation agreement and refund the investment cost of RMB40,000,000 (approximately HK$50,000,000) to the Group on or before July 3, 2014. Such balance was refunded to the Group subsequent to June 30, 2014.

(e) In 2011, the Group signed another cooperation agreement with other independent film production company ("Film Workshop B") pursuant to which the Group paid start-up costs to Film Workshop B, 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 or approximately HK$5,500,000 (December 31, 2013: RMB4,400,000 or approximately HK$5,627,000) are classified as non-current asset.

As at December 31, 2013, the Group paid Film Workshop A start-up costs of RMB26,250,000 (approximately HK$33,567,000), which were classified as non-current asset. The amount was fully refunded subsequent to June 30, 2014 as set out in Note (d).

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 (approximately HK$62,189,000) 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 has considered to make any investments in. Accordingly, full amount of the prepayment was recognized as expense (and included in cost of sales).

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 for each film or each film investment opportunity. The Group paid an amount of RMB10,000,000 (approximately HK$12,659,000) and RMB40,000,000 (approximately HK$51,151,000) during the year ended December 31, 2013 and six months ended June 30, 2014 respectively for the investment opportunities of the Target Films with Chan. Production of the first film commenced during the current interim period. Accordingly, a portion of the prepayment amounting to RMB10,000,000 (approximately HK$12,659,000) was transferred to film and TV copyrights and the remaining RMB40,000,000 (approximately HK$51,151,000) is 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 for each film or each film investment opportunity. The Group paid a total amount of RMB50,000,000 (approximately HK$62,500,000) in current interim period for the investment opportunities of the Target Films with Chai. In the first half year of 2014, a proposal for a film project had been delivered to the Group. However, as at June 30, 2014, the Group considered there are uncertainties concerning the eventual successful completion of this film project as the production has postponed. Accordingly, an impairment loss of RMB10,000,000 (HK$12,500,000) was recognized as cost of sales and the remaining RMB40,000,000 (approximately HK$50,000,000) is 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 film 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 for each film or each film investment opportunity. The Group paid a total amount of RMB50,000,000 (approximately HK$62,189,000) in current interim period for the investment opportunities of the Target Films with Wong and production of the first film is expected to commence before June 30, 2015. Accordingly, a portion of the prepayment amounting to RMB10,000,000 (approximately HK$12,438,000) is classified as current asset and the remaining RMB40,000,000 (approximately HK$49,751,000) is classified as non-current asset.

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film and TV copyrights segments and other business segments net of allowance for doubtful debts, are analyzed as follows:

	At June 30, 2014 *HK$'000* **(unaudited)**	At December 31, 2013 *HK$'000* (audited)
Production and distribution of film and TV copyrights	**218,582**	415,569
Other business segments	**30,768**	48,584
	249,350	464,153

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

For the production and distribution of film and TV copyrights segment, according to certain sales contracts signed with customers, approximately 25% to 50% of the total contract value is billed with credit period of 90 days upon signing of the contracts and the remaining contract value is to be billed within one year after the 90-day credit period granted in first billing. For the remaining sales contracts, 50% of the total contract value is billed upon signing of the contracts and delivery of the master copies of TV drama series, with credit periods ranging from 60 days to 90 days. Remaining 50% of the contract value is billed with credit period ranging from 60 days to 90 days after the relevant TV drama series are broadcasted, which normally happens within six months from the date of delivery of the relevant master copies of TV drama series. For the revenue from box office income of films broadcasted, the payment term is normally within one year of the film release.

The following is an ageing analysis of trade receivables for production and distribution of film and TV copyrights segment presented based on (i) the date of delivery of the master copies of TV drama series for sales of film and TV copyrights; and (ii) the date of films rendered to the cinema audience for revenue from box office takings, which approximated the respective dates on which revenue was recognized:

	At June 30, 2014 *HK$'000* **(unaudited)**	At December 31, 2013 *HK$'000* (audited)
0 – 90 days	**50,002**	100,058
91 – 180 days	**1,342**	5,493
181 – 365 days	**70,255**	210,028
Over 365 days	**96,983**	99,990
	218,582	415,569

The following is ageing analysis of trade receivables for other business segments presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At June 30, 2014 *HK$'000* **(unaudited)**	At December 31, 2013 *HK$'000* (audited)
0 – 90 days	**12,465**	25,150
91-180 days	**8,376**	7,027
181 – 365 days	**5,371**	16,407
Over 365 days	**4,556**	–
	30,768	48,584

The Group has a policy of allowing its trade customers from all business segments other than production and distribution of film and TV copyrights segment credit periods ranging from 120 days to 180 days in normal situations. 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.

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Trade and other payables and accrued charges comprise amounts outstanding for trade purchases and ongoing costs. The following is an ageing analysis of trade payables presented based on the invoice date:

	At June 30, 2014 *HK$'000* **(unaudited)**	At December 31, 2013 *HK$'000* (restated)
0 – 90 days	**19,253**	22,054
91 – 180 days	**88**	–
181 – 365 days	**694**	16,453
Over 365 days	**15,563**	293
Total trade payables	**35,598**	38,800
Other tax payable	**131,299**	105,762
Accrued staff costs	**2,644**	9,880
Other payables and accrued charges	**42,984**	45,092
	212,525	199,534

The average credit period on purchase of goods normally ranges from 120 days to 210 days.

12. ISSUED SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Ordinary shares of HK$0.25 each		
Authorized:		
At January 1, 2013, June 30, 2013 and January 1, 2014	10,000,000,000	2,500,000
Increase in authorized ordinary shares *(Note (a))*	20,000,000,000	5,000,000
At June 30, 2014	30,000,000,000	7,500,000
Issued and fully paid:		
At January 1, 2013 and June 30, 2013	7,742,742,564	1,935,686
Issue of subscription shares *(Note (b))*	582,630,000	145,657
At January 1, 2014	8,325,372,564	2,081,343
Issue of shares upon exercise of warrants *(Note (c))*	60,000,000	15,000
Issue of shares upon exercise of share options *(Note (d))*	94,450,000	23,612
Issue of shares upon conversion of convertible notes *(Note (e))*	30,000,000	7,500
Issue of subscription shares *(Note (f))*	12,488,058,846	3,122,015
At June 30, 2014	20,997,881,410	5,249,470

Notes:

(a) On June 16, 2014, the Company amended its Memorandum of Association and Bye-Laws to increase its authorized ordinary shares from 10,000,000,000 of HK$0.25 each to 30,000,000,000 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 totaling HK$268,010,000.

(c) A total of 60,000,000 new ordinary shares of HK$0.25 each were issued on March 18, 2014 and May 15, 2014 with market price of HK$1.61 per share and HK$1.70 per share respectively upon exercise of warrants at a subscription price of HK$0.50 per share.

(d) During the six months ended June 30, 2014, 88,300,000 and 6,150,000 new ordinary shares of HK$0.25 each were issued upon exercise of share options granted under the old share option scheme 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 convertible notes of the Company with aggregate principal amount of HK$30,000,000 at a conversion price of HK$1 per share.

(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 totaling HK$6,244,030,000. These shares represented approximately 59.61% of the enlarged issued share capital of the Company as at the date of subscription.

All the shares issued ranked pari passu with the existing shares of the Company in all respects.

13. DISPOSAL OF A SUBSIDIARY

On June 2, 2014, a wholly-owned subsidiary of the Group has entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose of its 100% equity interest in Youline Technology, which is engaged in provision of mobile value-added services, for a consideration of RMB14,000,000 (equivalent to approximately HK$17,500,000) (the "Disposal"). The Disposal was completed on June 9, 2014, where upon the control of Youline Technology was passed to the acquirer.

Consideration received

	HK$'000
Deferred cash consideration *(Note 10 (c))*	17,500

Analysis of assets and liabilities over which control was lost

Property, plant and equipment	466
Trade receivables	7,023
Other receivables and prepayment	1,549
Bank balances and cash	309
Trade and other payables and accrued charges	(2,923)
Net assets disposed of	6,424

Gain on disposal of a subsidiary

Consideration receivable	17,500
Net assets disposed of	(6,424)
Exchange realignment	126
Gain on disposal	11,202

Cash outflow arising on disposal

	HK$'000
Bank balances and cash disposed of	(309)

14. DISCONTINUED OPERATION

During the current interim period, the directors of the Company decided to concentrate the resources of the Group on the business of sales and distribution of film and TV copyrights. 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. The Group's TV advertising operation is treated as discontinued operation in the condensed consolidated financial statements.

The (loss) profit from the discontinued operation for current and preceding interim periods is analyzed as follows:

	Six months ended June 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit from operation of TV advertising for the period	**(584)**	31,553

The results of the discontinued operation for the current and preceding interim periods are as follows:

	Six months ended June 30,	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Revenue	**39,296**	150,456
Cost of services	**(39,827)**	(102,910)
Other income	**1**	1,460
Distribution and selling expenses	**–**	(5,659)
Administrative expenses	**(42)**	(5,784)
(Loss) profit before taxation	**(572)**	37,563
Taxation charge	**(12)**	(6,010)
(Loss) profit for the period	**(584)**	31,553
(Loss) profit for the period attributable to:		
Owners of the Company	**(569)**	22,727
Non-controlling interests	**(15)**	8,826
	(584)	31,553

15. PRIOR PERIOD ADJUSTMENTS

The Company has carried out a reassessment on the Group's consolidated financial statements for the prior periods 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 condensed consolidated financial statements for the current period for the following:

(a) There were misstatements on certain tax areas in prior years, including PRC EIT, Business Tax and VAT, arising, in particular, from (i) not yet obtaining and/or issuing official tax invoices, and/or delay in doing so, for the purchase and/or sale of certain artwork and film and TV copyrights as well as for certain TV drama production costs; and (ii) the application of lower VAT tax rates and/or adjustments in certain PRC tax computations.

In respect of (i) 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 work 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 work, 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 (ii) 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 work 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 also failed to take into account the fact that the selling price of some art work 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.

(b) There was a misstatement on the financial impact of convertible bonds (the "CB") in the 2012 and 2013 financial statements. Due to (i) the incorrect assessment of fair value of the CB based on the valuation report, and (ii) inaccurate exchange realignment process, the Group had continued to translate the CB based on period end exchange rate even though the CB was fixed at Renminbi, which is the functional currency of the issuer of the CB, there were inaccurate amounts applied in the accounting for the CB issued by the Company in 2010 and 2011 which affected the initial recognition, exchange realignment of the CB on each period end, and settlement of the CB in subsequent periods.

(c) As a result of (a) above, deferred tax assets are recognized for those expenses of which the 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/period they incurred.

In addition, following its acquisition by the ultimate holding company, AGHL in June 2014, the Group has changed its accounting policy, as described 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. EIT and VAT) paid. The Group had recognized such 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 current management of the Group has reassessed the application of the Group's accounting policy in respect of these government grants. In view of the potential uncertainties adherent 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 effective from January 1, 2014, such that the Group would only recognize government grants when all the conditions are met and when such grants are received. This change will be applied to the Group's financial statements on a retrospective basis.

Summary of the effects of prior period adjustments

The cumulative effects of the prior period adjustments described above on the Group's results for the six months ended June 30, 2013 by line items are as follows:

	January 1, 2013 to June 30, 2013	Adjustments				January 1, 2013 to June 30, 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited) (as originally stated)	(a)	(b)	(c)	(i)	(unaudited) (restated)
Continuing operations						
Revenue	330,469	(6,678)	–	–	–	323,791
Cost of sales and services	(168,670)	–	–	–	–	(168,670)
Gross profit	161,799	(6,678)	–	–	–	155,121
Other income	14,050	–	–	–	(2,491)	11,559
Other gains and losses, net	51,507	14,095	23,589	–	–	89,191
Change in fair value of derivative financial instruments	(3,968)	–	–	–	–	(3,968)
Distribution and selling expenses	(18,185)	–	–	–	–	(18,185)
Administrative expenses	(62,558)	–	–	–	–	(62,558)
Effective interest expenses on convertible notes	(17,966)	–	(2,471)	–	–	(20,437)
Share of losses of joint ventures	(4,000)	–	–	–	–	(4,000)
Profit before taxation	120,679	7,417	21,118	–	(2,491)	146,723
Taxation charge	(14,231)	(25,244)	–	–	–	(39,475)
Profit for the period from continuing operations	106,448	(17,827)	21,118	–	(2,491)	107,248
Discontinued operation						
Profit for the period from discontinued operation	32,614	(1,061)	–	–	–	31,553
Profit for the period	139,062	(18,888)	21,118	–	(2,491)	138,801
Other comprehensive income for the period:						
Exchange difference arising on translation to presentation currency	28,390	(638)	(6,851)	–	(462)	20,439
Total comprehensive income for the period	167,452	(19,526)	14,267	–	(2,953)	159,240
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings per share						
From continuing and discontinued operations						
Basic	1.72	(0.24)	0.27	–	(0.03)	1.72
Diluted	1.72	(0.24)	0.27	–	(0.03)	1.72
From continuing operations						
Basic	1.41	(0.23)	0.27	–	(0.03)	1.42
Diluted	1.41	(0.23)	0.27	–	(0.03)	1.42

The cumulative effects of the prior period adjustments described above on the Group's results for the year ended December 31, 2013 by line items are as follows:

	January 1, 2013 to December 31, 2013	Adjustments				January 1, 2013 to December 31, 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited) (as originally stated)	(a)	(b)	(c)	(i)	(restated)
Continuing operations						
Revenue	486,539	(11,301)	–	–	–	475,238
Cost of sales and services	(248,650)	4,505	–	–	–	(244,145)
Gross profit	237,889	(6,796)	–	–	–	231,093
Other income	18,255	–	–	–	(4,991)	13,264
Other gains and losses, net	78,323	10,412	–	–	–	88,735
Change in fair value of derivative financial instruments	(1,130)	–	–	–	–	(1,130)
Gain on disposal of subsidiaries	64,953	–	53,030	–	–	117,983
Distribution and selling expenses	(48,602)	–	–	–	–	(48,602)
Administrative expenses	(141,551)	–	–	–	–	(141,551)
Effective interest expenses on convertible notes	(19,627)	–	(2,512)	–	–	(22,139)
Share of losses of associates	(4,936)	–	–	–	–	(4,936)
Share of profits of joint ventures	2,322	–	–	–	–	2,322
Profit before taxation	185,896	3,616	50,518	–	(4,991)	235,039
Taxation charge	(13,722)	(27,778)	–	–	–	(41,500)
Profit for the year from continuing operations	172,174	(24,162)	50,518	–	(4,991)	193,539
Discontinued operation						
Profit for the year from discontinued operation	41,941	(532)	–	–	–	41,409
Profit for the year	214,115	(24,694)	50,518	–	(4,991)	234,948
Other comprehensive income for the year:						
Exchange difference arising on translation to presentation currency	41,985	(1,063)	(6,693)	–	(892)	33,337
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
Total comprehensive income for the year	257,795	(25,757)	43,825	–	(5,883)	269,980
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings per share						
From continuing and discontinued operations						
Basic	2.58	(0.31)	0.63	–	(0.06)	2.84
Diluted	2.58	(0.31)	0.63	–	(0.06)	2.84
From continuing operations						
Basic	2.22	(0.30)	0.63	–	(0.06)	2.49
Diluted	2.22	(0.30)	0.63	–	(0.06)	2.49

The cumulative effects of the prior period adjustments described above on the consolidated financial position of the Group as at January 1, 2013 are as follows:

	As at January 1, 2013	Adjustments				As at January 1, 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited) (as originally stated)	(a)	(b)	(c)	(i)	(restated)
Property, plant and equipment	15,514	–	–	–	–	15,514
Goodwill	171,160	–	27,601	–	–	198,761
Intangible assets	12,003	–	–	–	–	12,003
Interests in joint ventures	636,248	–	–	–	–	636,248
Club debenture	2,836	–	–	–	–	2,836
Art work	164,307	–	–	–	–	164,307
Deposits and prepayments	67,468	–	–	–	–	67,468
Deferred tax assets	1,319	–	–	53,293	–	54,612
Film and TV copyrights	169,296	–	–	–	–	169,296
Investments held for trading	21,569	–	–	–	–	21,569
Trade receivables	345,796	–	–	–	–	345,796
Other receivables, deposits and prepayments	222,731	17,566	–	–	(24,766)	215,531
Amounts due from non-controlling shareholders	4,538	–	–	–	–	4,538
Bank balances and cash	107,753	–	–	–	–	107,753
Trade and other payables and accrued charges	(203,181)	(13,738)	–	–	–	(216,919)
Amounts due to non-controlling shareholders	(760)	–	–	–	–	(760)
Amounts due to related companies	(1,105)	–	–	–	–	(1,105)
Tax liabilities	(32,402)	(30,368)	–	(53,293)	–	(116,063)
Convertible notes						
– current	(333,069)	–	(44,274)	–	–	(377,343)
– non-current	(21,244)	–	(1,769)	–	–	(23,013)
Total effects on net assets	1,350,777	(26,540)	(18,442)	–	(24,766)	1,281,029
Issued share capital	(1,935,686)	–	–	–	–	(1,935,686)
Share premium	(741,369)	–	(6,319)	–	–	(747,688)
Other reserve	1,546,985	–	6,319	–	–	1,553,304
Shareholder's contribution reserve	(60,267)	–	–	–	–	(60,267)
Translation reserve	(14,070)	251	3,728	–	235	(9,856)
Convertible notes equity reserve	(3,971)	–	351	–	–	(3,620)
Share option reserve	(24,884)	–	–	–	–	(24,884)
Retained profits	(83,478)	26,289	14,363	–	24,531	(18,295)
Non-controlling interests	(34,037)	–	–	–	–	(34,037)
Total effects on equity	(1,350,777)	26,540	18,442	–	24,766	(1,281,029)

The cumulative effects of the prior period adjustments described above on the consolidated financial position of the Group as at December 31, 2013 are as follows:

	As at December 31, 2013	Adjustments				As at December 31, 2013
	HK$'000 (audited) (as originally stated)	*HK$'000* (a)	*HK$'000* (b)	*HK$'000* (c)	*HK$'000* (i)	*HK$'000* (restated)
Property, plant and equipment	35,288	–	–	–	–	35,288
Goodwill	175,986	–	28,378	–	–	204,364
Intangible assets	11,550	–	–	–	–	11,550
Interests in associates	193,463	–	–	–	–	193,463
Club debenture	2,916	–	–	–	–	2,916
Art work	162,764	–	–	–	–	162,764
Deposits and prepayments	131,501	–	–	–	–	131,501
Deferred tax assets	1,219	–	–	67,841	–	69,060
Film and TV copyrights	364,892	–	–	–	–	364,892
Investment held for trading	3,249	–	–	–	–	3,249
Trade receivables	464,153	–	–	–	–	464,153
Other receivables, deposits and prepayments	305,987	58,510	–	–	(30,649)	333,848
Amounts due from non-controlling shareholders	9,642	–	–	–	–	9,642
Bank balances and cash	199,001	–	–	–	–	199,001
Trade and other payables and accrued charges	(148,082)	(51,452)	–	–	–	(199,534)
Amounts due to non-controlling shareholders	(163)	–	–	–	–	(163)
Derivative financial instruments	(1,630)	–	–	–	–	(1,630)
Tax liabilities	(44,528)	(59,355)	–	(67,841)	–	(171,724)
Convertible notes – non-current	(23,758)	–	(2,995)	–	–	(26,753)
Total effects on net assets	1,843,450	(52,297)	25,383	–	(30,649)	1,785,887
Issued share capital	(2,081,343)	–	–	–	–	(2,081,343)
Share premium	(855,616)	–	(6,319)	–	–	(861,935)
Other reserve	1,546,985	–	6,319	–	–	1,553,304
Shareholder's contribution reserve	(60,267)	–	–	–	–	(60,267)
Translation reserve	(37,554)	1,314	10,421	–	1,127	(24,692)
Convertible notes equity reserve	(3,570)	–	150	–	–	(3,420)
Share option reserve	(24,884)	–	–	–	–	(24,884)
Retained profits	(309,741)	50,983	(35,954)	–	29,522	(265,190)
Non-controlling interests	(17,460)	–	–	–	–	(17,460)
Total effects on equity	(1,843,450)	52,297	(25,383)	–	30,649	(1,785,887)

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has entered into agreements with three independent third parties to dispose all the art work at an aggregate consideration of RMB140,070,000 (approximately HK$175,088,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2014 (2013 interim: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the six month ended June 30, 2014, the Group was principally engaged in media related businesses, including investment in and planning, production, publication and distribution of television drama series and films, as well as magazine advertising and distribution of magazines. The majority of these businesses were conducted in the PRC. With a focus on the fast-growing film and television drama series market in China, the Group has been enhancing its production capacity and reinforcing its core competitiveness through continuous integration and development.

On June 24, 2014, AGHL (together with its subsidiaries, "Alibaba Group"), the world's leading online and mobile commerce company, through its subsidiary Alibaba Investment Limited ("AIL"), became the controlling shareholder of the Group through new share subscription, holding approximately 60% of the Company's enlarged issued share capital. With its strengthened financial position and capital strength, along with the combination of competitive advantages in the media resources and channels from Alibaba Group, the Group has been able to invest in and expand its existing businesses and potential investment opportunities.

Alibaba Group has commenced coordination of the resources with the Group's cultural, film and television entertainment-related businesses, and has made the Group the flagship unit of Alibaba Group's entertainment business.

Film and TV Drama Series Production and Distribution Business

For the six months ended June 30, 2014, the film and TV drama series production and distribution business contributed revenue of HK$49,677,000 (2013 interim: HK$295,368,000), accounting for approximately 44% of the Group's revenue. Segment loss before tax amounted to HK$228,903,000 (2013 interim: segment profit before tax of HK$119,230,000). The reduction in income was mainly attributable to a number of the Group's films and TV drama series still being at the production stage in the first half of 2014. These films and television drama series are scheduled for release in the second half year of 2014 and year 2015. Apart from the reduction in income, segment loss before tax was also attributable to the one-off impairment of film and TV copyrights and prepayments for film production, and the provision of bad and doubtful debts of trade receivables.

During the period, the Group successfully sold and distributed a number of its TV drama series to the market, including the successful sale of the television drama series "Bayonet Hero" (刺刀英雄). The Group was also engaged in a number of TV drama series and collaboration projects in the first half year, including the production of a 42-episode TV drama series entitled "Billion Dollar Inheritors" (繼承人) directed by Li Shao Hong, the purchase of online and mainland China broadcast rights for "Rise of the Legend" (黃飛鴻之英雄有夢) and "Temporary Family" (臨時同居), for which distribution and sale will commence in the future.

As for films, the Group pays close attention to industry trends so as to seize potential business opportunities. The Group has acquired adaptation rights for "My Fair Princess" (還珠格格) and the overseas distribution rights for the film "Wolf Totem" (狼圖騰). The Group also plans to produce a TV drama series based on the popular mainland hypertext fiction "Ghost Blows out the Light" (鬼吹燈), for which it has purchased copyrights.

After entering into motion pictures development co-operation agreements with Mr. Stephen Chow in 2012 and with Mr. Peter Chan in 2013, the Group entered into a motion pictures development co-operation agreement with Ms. Chai in March 2014 and plans to invest in the production of five motion pictures within the next five years. The Group signed a motion pictures development co-operation agreement and supplementary agreement in May this year with Block 2 Films Limited ("Block 2 Films"), authorized by internationally renowned director Mr. Wong Kar Wai. 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 Kar Wai in the next five years.

Magazine Advertising and Magazine Distribution Business

For the six months ended June 30, 2014, the distribution and advertising business of high-end women's magazine FIGARO generated revenue of HK$11,928,000 (2013 interim: HK$17,944,000), accounting for approximately 11% of the Group's revenue. Segment loss before tax amounted to HK$9,875,000 (2013 interim: segment loss before tax of HK$5,569,000). Since the magazine industry is experiencing a downturn and with personnel changes at FIGARO in the first half of the year, the business recorded a decline in advertising sales. The Group has implemented a series of measures to strengthen integration of content and advertising, and has committed to lower the cost in order to enhance the earnings of FIGARO.

Discontinued Business – TV Advertising Business

For the six months ended June 30, 2014, the TV advertising business recorded revenue of HK$39,296,000 (2013 interim: HK$150,456,000), accounting for approximately 35% of the Group's revenue. Segment loss before tax amounted to HK$573,000 (2013 interim: segment profit before tax of HK$37,444,000).

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 this stricter policy into consideration, the Group has been gradually winding down its TV advertising 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 Shenzhen Media Group in May 2014. Through the reallocation of resources on television advertising, the Group is able to optimize its resource allocation internally and to therefore focus on developing high value-added businesses such as film and television drama series production.

Other Businesses

For the six month ended June 30, 2014, revenue from other segments (including securities trading and investments in Hong Kong, the mobile value-added business, mobile games subscription, provision of other agency services, TV programme package services and other businesses in the PRC) amounted to HK$12,408,000 (2013 interim: HK$10,479,000). Segment loss before tax was HK$6,192,000 (2013 interim: segment profit before tax of HK$1,766,000).

To streamline the Group's business operations and to deploy more resources to core businesses which can bring stable returns, the Group entered into an agreement with an individual third party on June 2, 2014 to sell off its 100% shareholdings in Youline Technology, a wholly owned subsidiary which operates mobile value-added services, at a total consideration of RMB14,000,000. The transaction was completed on June 9, 2014. According to the consolidated income statement for the six months ended June 30, 2014, gain on the disposal amounted to HK$11,202,000.

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 June 30, 2014, the Group maintained cash reserves of HK$6,493,678,000 (December 31, 2013: HK$199,001,000). As at June 30, 2014, the equity attributable to owners of the Company amounting to HK$7,713,253,000 (December 31, 2013: HK$1,768,427,000) with total borrowings of nil (December 31, 2013: HK$26,753,000). As at June 30, 2014, the Group's gearing ratio (net borrowings including convertible notes deducting the cash reserves over total equity) was nil (December 31, 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 HK$29.25 million 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, 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. 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 of Hong Kong Limited (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 HK$6,238,603,000 from the subscription, which were expected to use as the Group's general working capital and/or for investments when opportunities arise, have not yet been utilized as at June 30, 2014. 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.

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 Renminbi and Hong Kong Dollars. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Charges on Assets

As at June 30, 2014, the Group did not have any charge of assets (December 31, 2013: nil).

Contingent Liabilities

As at June 30, 2014, the Group had no material contingent liabilities (December 31, 2013: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2014, the Group, including its subsidiaries but excluding its joint ventures and associates, employed 205 employees (June 30, 2013: 289). 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 period under review, the Group constantly reviewed the risk and credit control systems of its profit centers to improve the overall control system and mitigate the credit risk.

PROSPECTS

2014 has been a year filled with changes and opportunities for the Group. With AGHL becoming the controlling shareholder of the Group, the new Board was formed in the end of June 2014 to bring onboard experts in film and television entertainment, risk management and other industry areas, injecting new momentum for future corporate development.

On the other hand, the Group was officially renamed Alibaba Pictures Group Limited in August 2014, and appointed Mr. Zhang Qiang as the Company's Chief Executive Officer and Executive Director to lead the Group into a brand-new phase of development.

In the future, the Group will strive to become the flagship unit of Alibaba Group's entertainment arm, fully leveraging Alibaba Group's online expertise and resources, further expanding its media business.

With its positioning as the up-and-coming flagship unit of Alibaba Group's cultural, film and television entertainment business, the Group has secured Alibaba Group's plentiful resources in related business areas, and will be able to tap on the ongoing business synergy and resources sharing in the future.

In view of this, the Group will fully leverage Alibaba Group's internet expertise and resources, further expanding the media business in the online space. This will let it transform and upgrade the traditional cultural, film and television entertainment business, and build a cultural operating industry chain using big data as a technological edge.

With its stronger capital strength, Alibaba Group's superior brand positioning and the close relationship between the Group and Alibaba Group, the Group now has a more well-developed strategy, and will continue to optimize resources allocation in the future by focusing on the most promising business areas – films, TV programmes and drama series production, distribution and copyright business.

The Group will expand the scope of production in films and TV drama series. To maximize synergies with Alibaba, the Group will tap Alibaba Group's eco-system and seize opportunities arising from the online entertainment and other media related fields, boosting its competitiveness while reinforcing Alibaba Group's strength in film production and distribution.

With the onset of business synergies and resources sharing with Alibaba Group, the Group is closer than ever to becoming a cultural, film and television entertainment business with a global vision. The Group's business strategy is looking up with the completion of subscription by Ali CV, and with new Board members and a new CEO coming onboard.

Film Production and Distribution Business

The rapidly booming Chinese film market has evolved into the world's second largest film market and the third largest film production country. According to data from the State Administration of Radio Film and Television, the number of cinema screens in mainland China increased from over 6,200 at the end of 2010 to 18,195 at the end of 2013. Total box office rose from RMB10.172 billion in 2010 to RMB21.769 billion in 2013. The box office stood at RMB13.743 billion in the first half of 2014, up 25% over the same period last year.

To cope with fast-evolving market needs and the development of a progressive film industry in China, relevant regulatory authorities are ramping up support for the movie industry in all aspects. On June 19, 2014, seven ministries, including the Ministry of Finance, Ministry of Land and Resources, the People's Bank of China, jointly issued "The Notice of Economic Policies Supporting the Development of Film Industry". This served to support the film industry development in eight aspects ranging from financial subsidies, tax incentives, financial support to land policies. This brings a new round of growth momentum to the development of China film industry.

In the second half of 2014, the Group released a number of films and TV drama series. The first collaboration with Mr. Peter Chan named "Dearest" (親愛的), was released on September 26 in the PRC, garnering a total box office of RMB330 million. The romantic comedy "Breakup Buddies" (心花路放), in which the Group and China Film Group Corporation was co-investors, was released on September 30, chalking up a total box office of RMB1.16 billion. This made it the box office champion in the domestic films categories for the year to date.

At the same time, the Group is actively exploring strategic cooperation opportunities with the leading corporations in the cultural, film and television industry and has made considerable progress in its collaborations with industry-renowned film producers and directors. The Group is currently liaising with Mr. Stephen Chow and Mr. Wong Kar Wai on details for the next project.

As for international collaborations, the Group plans to develop film projects with major film and television studios in the United States, including adaptations of best-selling screenplays, participation and investment in shooting etc. Through close collaboration, sharing of global earnings, expanding the international market, and learning from the scientific management experience of Hollywood, the Group will enhance its competitiveness.

The Group will bring to fruition China's adaptation of global cultural, film and television entertainment production, as well as the global expansion of related industries in China.

Television Drama Series Production and Distribution Business

As one of the most popular entertainment content providers among the Chinese audience, Alibaba Picture's mainstay is the production and distribution of television drama series. In addition to traditional TV channels, the rise of online video channels has contributed to a new market. According to a report by China's leading entertainment industry consulting agency, the broadcast frequency and audience ratings of television channels fell compared with the first half year of 2014. However, the broadcast frequency for websites rose from 12.5 billion in January 2012 to 23.6 billion in June 2014, attesting to a bright future for the market. According to the "Television drama series industry research report – 1" by a securities firm well-known in China, the total market for television drama series will reach 16.5 billion in transaction value in 2015.

In April 2014, the State Administration of Press Publication, Radio, Film and Television announced that all integrated channels in the PRC will be adopting the "One drama series, two satellite TV channels" policy – no more than two satellite TV channels playing the same drama series during evening primetime hours, and no more than two episodes of the same drama series playing during primetime hours. The industry believes that the new policy will intensify market competition, raising purchasing costs of drama series for television channels, and further enhancing the assessment of the drama series' quality; while film and television companies will focus their resources on producing more high-quality drama series. To the Group which has production resources, capital and branding advantages, the new policy provides a favorable environment for development.

In 2014, the Group released "The Power of Faith" (信者無敵) of the "Heroic" television drama series (英雄無敵). In addition, it invested in the teen romance drama series "Dying to fall in love with you" (好想好想愛上你) and the modern idol drama series "Billion Dollar inheritors" (繼承人), and plans to distribute them at the end of year 2014. In addition to consolidating the traditional distribution channel through television channels, the Group will actively grow its strengths in online broadcasting through planned collaborations with Youku Tudou, Wasu and other platform. It will launch a new profit-driven business model, including product placements, divided product sales, operation of channel advertising and sales of copyrights from television channels etc. In the future, the Group will continue to expand its market share and competitive advantage, with the creative team focusing on content enhancement, product diversification and creation of series genres which address major market trends.

With the strong support and resources sharing by controlling shareholder AGHL, the Group will embrace clear strategic thinking, a customer-oriented production model and advanced management philosophy, to continue honing the Company's edge in creative content, investments, production and distribution. The Group aims to become an influential film and television entertainment Group at home and abroad, focusing on creating films and TV drama series which meet audience needs and enhance their satisfaction, and to deliver long-term and high-value returns for shareholders.

CORPORATE GOVERNANCE

During the six months ended June 30, 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 Listing Rules, except for certain deviations which are summarized below:

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 has 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 the 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. Subsequent to the reporting period, Mr. Zhang Qiang was appointed as chief executive officer of the Company with effect from August 5, 2014.

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 an independent non-executive Director of the Company ("INED"). In order to comply with the requirement under this code provision, Mr. Shao Xiaofeng (being chairman of the Board) 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 (who resigned as INED with effect from June 24, 2014) was unable to attend the special general meeting of the Company held on June 16, 2014 due to other commitment while Mr. Jin Hui Zhi (who resigned as INED with effect from June 27, 2014) due to other overseas commitment, Mr. Li Lian Jie (who was appointed as INED with effect from June 24, 2014), Mr. Tong Xiaomeng and Ms. Zhang Yu (both were appointed as INEDs with effect from 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.

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 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, 2013. The Board considers that the Remuneration Committee should for the time being continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and consider making any appropriate changes if necessary.

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Shao Xiaofeng (who was appointed as chairman of the Board with effect from June 27, 2014) was unable to attend the 2014 AGM due to other pre-arranged business engagement prior to his 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 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 requirement 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) 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. Subsequent to the reporting period, Mr. Tong Xiaomeng was appointed as the chairman and a member of the Remuneration Committee with effect from October 3, 2014 and Ms. Zhang Yu remains as member of the Remuneration Committee.

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 six months ended June 30, 2014.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares in the Company has been suspended from 9:00 a.m. on August 15, 2014 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the shares in the Company on the Stock Exchange with effect from 9:00 a.m. on December 22, 2014.

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

Hong Kong, December 19, 2014

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