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Alibaba Pictures Group Limited
阿里巴巴影业集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 together with the comparative figures for the previous year were as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Continuing operations			
Revenue	3	263,717	126,631
Cost of sales and services	6	(288,781)	(189,238)
Gross loss		(25,064)	(62,607)
Selling and marketing expenses	6	(111,947)	(1,501)
Administrative expenses	6	(277,580)	(156,357)
Other income	4	21,666	2,214
Other losses, net	5	(2,270)	(18,317)
Operating loss		(395,195)	(236,568)
Finance income	7	894,144	15,954
Finance expenses	7	(11,305)	(26,853)
Finance income/(expenses), net		882,839	(10,899)
Share of loss of investments accounted for using the equity method		(862)	(4,190)
Impairment loss on interest in an associate		–	(111,216)
Profit/(loss) before income tax		486,782	(362,873)
Income tax expense	8	(14,079)	(17,381)
Profit/(loss) for the year from continuing operations		472,703	(380,254)
Discontinued operations			
Loss for the year from discontinued operations		(6,689)	(35,037)
Profit/(loss) for the year		466,014	(415,291)
Profit/(loss) attributable to:			
Owners of the Company		466,040	(417,276)
Non-controlling interests		(26)	1,985

	Year ended	
	December 31,	
	2015	2014
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) attributable to owners of the Company arises from:		
Continuing operations	472,729	(381,000)
Discontinued operations	(6,689)	(36,276)
	<u>472,729</u>	<u>(381,000)</u>
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company for the year		
<i>(expressed in RMB cents per share)</i>		
9		
Basic earnings/(loss) per share		
From continuing operations	2.02	(2.54)
From discontinued operations	(0.03)	(0.24)
	<u>1.99</u>	<u>(2.78)</u>
Diluted earnings/(loss) per share		
From continuing operations	2.02	(2.54)
From discontinued operations	(0.03)	(0.24)
	<u>1.99</u>	<u>(2.78)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	466,014	(415,291)
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	14,437	(742)
Fair value gains on available-for-sale financial assets, net of tax	9,605	–
	<hr/>	<hr/>
Other comprehensive income/(loss) for the year, net of tax	24,042	(742)
	<hr/>	<hr/>
Total comprehensive income/(loss) for the year	490,056	(416,033)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
– Owners of the Company	490,082	(418,018)
– Non-controlling interests	(26)	1,985
	<hr/>	<hr/>
Total comprehensive income/(loss) for the year	490,056	(416,033)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
Continuing operations	496,771	(381,742)
Discontinued operations	(6,689)	(36,276)
	<hr/>	<hr/>
	490,082	(418,018)
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		57,136	24,522
Goodwill	10	3,490,574	159,813
Intangible assets	10	191,331	7,808
Investments accounted for using the equity method		19,081	18,804
Club debenture		–	2,280
Deferred income tax assets	19	18,310	1,188
Trade and other receivables, and prepayments	13	122,928	124,400
		<u>3,899,360</u>	<u>338,815</u>
Current assets			
Inventories		306	–
Film and TV copyrights	11	383,761	164,520
Trade and other receivables, and prepayments	13	789,113	525,747
Available-for-sale financial assets	12	1,102,006	240,000
Financial assets at fair value through profit or loss		–	2,685
Cash and cash equivalents	14	3,677,988	30,158
Bank deposits with the maturity over three months	14	7,089,781	5,018,137
Restricted cash	14	2,021,328	–
		<u>15,064,283</u>	<u>5,981,247</u>
Assets held-for-sale		12,218	17,370
		<u>15,076,501</u>	<u>5,998,617</u>
Total assets		<u><u>18,975,861</u></u>	<u><u>6,337,432</u></u>

		As at December 31,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	15	5,081,884	4,253,771
Reserves		11,113,927	1,813,885
		<u>16,195,811</u>	<u>6,067,656</u>
Non-controlling interests		(2,231)	(588)
		<u>16,193,580</u>	<u>6,067,068</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	19	48,965	–
		<u>48,965</u>	<u>–</u>
Current liabilities			
Trade and other payables, and accrued charges	17	670,666	175,682
Borrowings	18	1,980,000	–
Derivative financial liability	20	33,000	–
Current income tax liabilities		49,650	94,682
		<u>2,733,316</u>	<u>270,364</u>
Total liabilities		<u>2,782,281</u>	<u>270,364</u>
Total equity and liabilities		<u>18,975,861</u>	<u>6,337,432</u>

Notes:

1. General information

The Group operates an internet-powered integrated platform which includes financing and investment, entertainment content production, promotion and distribution, fan-based social economics, and cinema service provision.

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 “HK Stock Exchange”) and secondary listing on the Singapore Exchange Securities Trading Limited. As at December 31, 2015, the Company is 49.49% owned by Ali CV Investment Holding Limited (“Ali CV”). Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited (“AIL”) which is in turn wholly-owned by Alibaba Group Holding Limited (“AGHL”).

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

2 Basis of preparation

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

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

(a) New and amended standards adopted by the Group

The Group has adopted the following amendments to standards which are mandatory for the financial year beginning on January 1, 2015:

Amendments to existing standards		Effective for accounting periods beginning on or after
Amendment to HKAS 19	Defined benefit plans: employee contributions	July 1, 2014
Annual Improvement Projects	Annual improvements 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014

The adoption of above amendments does not have any significant financial effect on these consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2015 are not material 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 1	Disclosure initiative	January 1, 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendment to HKAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date is to be determined
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	January 1, 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	January 1, 2016
Annual Improvement Project	Annual Improvements to 2012-2014 Cycle	January 1, 2016
HKFRS 9	Financial instruments	January 1, 2018
HKFRS 15	Revenue from contracts with customers	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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Revenues and segment information

The chief operating decision-maker has been identified as the Board of Directors. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Board of Directors considers the business from perspective of types of goods or services delivered or provided. During the year ended December 31, 2015, the Group has expanded its operations and redefined its operational strategies. During 2015, the Group's operating and reportable segments for continuing operations are as follows:

- Content production: the production of entertainment content such as film and TV dramas.
- Internet-based promotion and distribution: the operation of an integrated O2O platform for the promotion and distribution of entertainment content. The provision of online movie ticketing service for consumers and ticket issuance system for cinema.
- Entertainment e-commerce: the operation of a C2B financing platform for entertainment content. The development and online sales of entertainment related merchandise.
- International operations: the commercial involvement in international entertainment related projects or businesses.
- Other operations.

Segment revenue and results

	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Content production	55,520	115,386
Internet-based promotion and distribution	136,250	–
Entertainment e-commerce	2,807	–
International operations	68,700	–
Other operations	440	11,245
Total revenues from continuing operations	263,717	126,631

Segment revenue and results

	Year ended December 31, 2015					
	Content production <i>RMB'000</i>	Internet- based promotion and distribution <i>RMB'000</i>	Entertainment e-commerce <i>RMB'000</i>	International operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	55,520	136,250	2,807	68,700	440	263,717
Segment results	(106,050)	21,887	1,685	6,907	221	(75,350)
Unallocated selling and marketing expenses						(61,661)
Administrative expenses						(277,580)
Other income						21,666
Other losses, net						(2,270)
Finance income						894,144
Finance expenses						(11,305)
Share of loss of investments accounted for using the equity method						(862)
Profit before income tax						486,782

Year ended December 31, 2014

	Content production <i>RMB'000</i>	Internet- based promotion and distribution <i>RMB'000</i>	Entertainment e-commerce <i>RMB'000</i>	International operations <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
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 loss 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)

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 after allocation of certain selling and marketing expenses. This is the measure reported to the Board of Directors of the Company for the purpose of resource allocation and performance assessments.

4. Other income

	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Local government subsidies	13,551	1,374
Investment income on available-for-sale financial assets	5,063	–
Investment income on loan receivable	2,201	–
Sundry income	851	840
	<u>21,666</u>	<u>2,214</u>

5. Other losses, net

	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Change in fair value of assets held-for-sale (<i>Note</i>)	(5,152)	–
Change in fair value of repurchase option	2,749	–
Gain on disposal of financial assets at fair value through profit or loss	851	125
Gain on disposal of subsidiaries	200	8,861
Change in fair value of warrants	–	(53,207)
Gain on disposal of art works	–	17,586
Other payables waived	–	11,177
Others	(918)	(2,859)
	<u>(2,270)</u>	<u>(18,317)</u>

Note:

Amount represented additional write down of the carrying value of the investment in Beijing Beida Culture Development Co., Limited (“Beida Culture”) in 2015. The Group expected to recover the investment in Beida Culture principally through a sale transaction in the future, which is expected to be completed in year 2016.

6. Expenses by nature

	Year ended	
	December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Film and TV copyrights recognized as cost of sales and services (<i>Note</i>)	244,028	183,493
Cost of inventories recognized as cost of sales and services	4,290	–
Employee benefit expense	241,788	41,097
Marketing and operation expenses	64,835	2,100
Depreciation and amortization	31,554	9,826
Operating lease payments	29,525	22,653
Transaction cost in relation to business combination	17,174	–
Auditor's remunerations		
– Audit services	3,000	2,832
– Non-audit services	2,491	7,721
(Reversal of impairment provision)/impairment provision for trade and other receivables, and prepayments	(6,916)	55,889
Other expenses	46,539	21,485
	<hr/>	<hr/>
Total cost of sales and services, selling and marketing expenses and administrative expenses	678,308	347,096
	<hr/> <hr/>	<hr/> <hr/>

Note:

Amount included impairment loss on film and TV copyrights of RMB70,538,000 (2014: RMB102,172,000) in 2015.

7. Finance income and expenses

	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	165,584	15,427
– Exchange gain, net	728,560	–
– Other	–	527
	<u>894,144</u>	<u>15,954</u>
Finance expenses		
– Interest expenses on bank borrowings	(4,204)	–
– Interest expenses on entrusted loan from a related party	(7,101)	–
– Interest expenses on convertible notes	–	(1,189)
– Exchange loss, net	–	(25,664)
	<u>(11,305)</u>	<u>(26,853)</u>
Finance income/(expenses), net	<u><u>882,839</u></u>	<u><u>(10,899)</u></u>

8. Income tax expense

	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Current income tax	31,945	(27,498)
Deferred income tax (<i>Note 19</i>)	(17,866)	44,879
	<u>14,079</u>	<u>17,381</u>

No provision for Hong Kong and the United States of America (the “USA”) profit tax has been made as the group companies operating in Hong Kong and the USA did not have any assessable profit for both years.

The statutory rate for PRC Enterprise Income Tax (“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（“華盟上海”), a wholly-owned subsidiary of the Company was subject to PRC EIT at 25% on ten percent of its gross revenue until December 31, 2014.

9. Earnings/(loss) per share

	Year ended	
	December 31,	
	2015	2014
	<i>RMB cents</i>	<i>RMB cents</i>
Basic earnings/(loss) per share		
From continuing operations	2.02	(2.54)
From discontinued operations	(0.03)	(0.24)
	<hr/>	<hr/>
From profit/(loss) for the year	1.99	(2.78)
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings/(loss) per share		
From continuing operations	2.02	(2.54)
From discontinued operations	(0.03)	(0.24)
	<hr/>	<hr/>
From profit/(loss) for the year	1.99	(2.78)
	<hr/> <hr/>	<hr/> <hr/>

(a) Basic

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

	Year ended	
	December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) from continuing operations attributable to owners of the Company	472,729	(381,000)
Loss from discontinued operations attributable to owners of the Company	(6,689)	(36,276)
	<hr/>	<hr/>
Profit/(loss) attributable to owners of the Company	466,040	(417,276)
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares in issue (thousands)	23,382,148	14,978,061
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares during the year ended December 31, 2015 which is share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the closing market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended December 31, 2015 RMB'000
Profit from continuing operations attributable to owners of the Company	472,729
Loss from discontinued operations attributable to owners of the Company	(6,689)
	<hr/>
Profit attributable to owners of the Company	466,040
	<hr/> <hr/>
Weighted average number of ordinary shares in issue (thousands)	23,382,148
Adjustment for:	
– Share options (thousands)	35,314
	<hr/>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	23,417,462
	<hr/> <hr/>

The computation of diluted loss per share for the year ended December 31, 2014 did not assume the issuance of any dilutive potential ordinary share, which would decrease the loss per share in 2014.

10. Goodwill and intangible assets

	Goodwill RMB'000	Film and television programme production and distribution license RMB'000	Operating license of the ticketing system RMB'000	Customer relationship RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
At January 1, 2014							
Cost	159,813	7,808	-	-	-	4,237	171,858
Accumulated amortization and impairment	-	-	-	-	-	(3,013)	(3,013)
Net book amount	159,813	7,808	-	-	-	1,224	168,845
Year ended December 31, 2014							
Opening net book amount	159,813	7,808	-	-	-	1,224	168,845
Additions	-	-	-	-	-	336	336
Amortization charge	-	-	-	-	-	(1,560)	(1,560)
Closing net book amount	159,813	7,808	-	-	-	-	167,621
At December 31, 2014							
Cost	159,813	7,808	-	-	-	4,573	172,194
Accumulated amortization and impairment	-	-	-	-	-	(4,573)	(4,573)
Net book amount	159,813	7,808	-	-	-	-	167,621
Year ended December 31, 2015							
Opening net book amount	159,813	7,808	-	-	-	-	167,621
Additions	-	-	-	-	-	824	824
Acquisition of subsidiaries (<i>Note 20</i>)	3,330,761	-	163,000	21,300	1,413	5,600	3,522,074
Amortization charge	-	-	(6,339)	(1,035)	(328)	(912)	(8,614)
Closing net book amount	3,490,574	7,808	156,661	20,265	1,085	5,512	3,681,905
At December 31, 2015							
Cost	3,490,574	7,808	163,000	21,300	1,413	6,424	3,690,519
Accumulated amortization and impairment	-	-	(6,339)	(1,035)	(328)	(912)	(8,614)
Net book amount	3,490,574	7,808	156,661	20,265	1,085	5,512	3,681,905

In 2015, amortization expense of RMB8,286,000 has been charged to 'Administrative expenses' (2014: nil) and RMB328,000 charged to 'Cost of sales and services' (2014: RMB1,560,000).

11. Film and TV copyrights

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Film and TV copyrights		
– Under production	247,730	33,015
– Completed production	136,031	131,505
	<u>383,761</u>	<u>164,520</u>
	<u>383,761</u>	<u>164,520</u>
	Year ended	
	December 31,	
	2015	2014
	RMB'000	RMB'000
Opening net book amount	164,520	285,346
Additions	466,652	134,667
Recognized as an expense included in cost of sales and services	(173,490)	(81,321)
Impairment loss recognized in the year (<i>Note</i>)	(70,538)	(102,172)
Refund of film and TV investment	(3,000)	(72,000)
Currency translation differences	(383)	–
	<u>383,761</u>	<u>164,520</u>
Closing net book amount	<u>383,761</u>	<u>164,520</u>

Note:

In 2015, management of the Group considered the expected future income of certain film and TV copyrights could not recover the respective carrying amounts and an impairment charge of RMB70,538,000 (2014: RMB102,172,000) was recognized.

12. Available-for-sale financial assets

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
At January 1,	240,000	–
Additions, net	849,200	240,000
Unrealized gains transfer to equity	12,806	–
	<u>1,102,006</u>	<u>240,000</u>
At December 31,	<u>1,102,006</u>	<u>240,000</u>

Available-for-sale financial assets are denominated in RMB.

The available-for-sale financial assets represent investments in wealth management products issued by listed banks in the PRC with expected return range from 1.91% to 5.1% per annum and redeemable on the demand of the Group. As at December 31, 2015, 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 these available-for-sale financial assets.

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

13. Trade and other receivables, and prepayments

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Trade receivables	280,513	232,198
Less: allowance for impairment of trade receivables	(51,948)	(53,702)
	<hr/>	<hr/>
Trade receivables – net	228,565	178,496
	<hr/>	<hr/>
Prepaid film deposits (<i>Note a</i>)	136,702	134,400
Other prepayments	10,795	2,024
Other receivables arising from:		
– Receivables in respect of Yulebao’s business (<i>Note 20</i>)	382,895	–
– Interest income receivable	24,132	14,060
– Investment income receivable	2,201	–
– Refundable deposit in relation to acquisition of an investee (<i>Note b</i>)	24,000	24,000
– Disposal of art works	20,000	172,683
– Loan receivable	15,000	–
– Refund of investment cost	2,090	52,000
– Disposal of a subsidiary and a joint venture	538	19,101
– Other receivables and deposits	66,723	55,570
Less: allowance for impairment of prepayment and other receivables	(1,600)	(2,187)
	<hr/>	<hr/>
Other receivables and prepayments – net	683,476	471,651
	<hr/>	<hr/>
Total trade and other receivables, and prepayments	912,041	650,147
Less: non-current portion	(122,928)	(124,400)
	<hr/>	<hr/>
Current portion	789,113	525,747
	<hr/> <hr/>	<hr/> <hr/>

As at December 31, 2015, non-current balances mainly 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) The balance of RMB136,702,000 mainly includes the following prepaid film deposits:

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 been 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) in 2014 and the remaining RMB40,000,000 was classified as non-current asset as at December 31, 2015.

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 been postponed. Accordingly, an impairment loss of RMB10,000,000 was recognized as cost of sales and services in 2014 and the remaining prepayment of RMB40,000,000 was classified as non-current asset as at December 31, 2015.

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 transferred to film and TV copyrights and the remaining RMB40,000,000 was classified as non-current asset as at December 31, 2015.

- (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, 2015. In the opinion of the directors of the Company, the amount would be refunded within 2016. Accordingly, the balance was classified as current asset.

Trade receivables consist of receivables from debtors arising from content production segment, internet-based promotion and distribution, entertainment e-commerce, international operations and other operations are analyzed as follows:

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Content production	114,972	216,667
Internet-based promotion and distribution	89,860	–
Entertainment e-commerce	259	–
International operations	69,125	–
Other operations	6,297	15,531
	<u>280,513</u>	<u>232,198</u>

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,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	99,276	70,081
91 – 180 days	99,699	3,072
181 – 365 days	16,773	4,086
Over 365 days	64,765	154,959
	<u>280,513</u>	<u>232,198</u>

14. Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Cash at banks and cash in hand (<i>Note</i>)	3,677,988	30,097
Other cash equivalent	–	61
	<u>3,677,988</u>	<u>30,158</u>

Note:

The interest rates on bank deposits as at December 31, 2015 were in the range of 0.01% to 6.5% per annum and such deposits had maturities of less than three months. The deposits earn interests at floating rates based on prevailing market rates.

(b) Bank deposits with the maturity over three months

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Bank deposits with the maturity over three months (<i>Note</i>)	<u>7,089,781</u>	<u>5,018,137</u>

Note:

The interest rates on bank deposits with the maturity over three months were in the range of 0.80% to 1.40% per annum. The deposits earn interests at floating rates based on prevailing market rates.

(c) Restricted cash

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Restricted cash (<i>Note</i>)	<u>2,021,328</u>	<u>–</u>

Note:

As at 31 December 2015, restricted cash of RMB2,001,938,000 and RMB19,390,000 are pledged as securities for bank borrowings and issuance of letter of credit, respectively.

15. Share Capital

	Number of shares	Share capital	
		HK\$'000	RMB'000
Ordinary shares of HK\$0.25 each, issued and fully paid:			
At January 1, 2014	8,325,372,564	2,081,343	1,731,568
Issue of shares upon exercise of warrants	60,000,000	15,000	11,865
Issue of shares upon exercise of share options	131,560,000	32,890	26,238
Issue of shares upon conversion of convertible notes	30,000,000	7,500	6,000
Issue of subscription shares	12,488,058,846	3,122,015	2,478,100
	<u>21,034,991,410</u>	<u>5,258,748</u>	<u>4,253,771</u>
At December 31, 2014	<u>21,034,991,410</u>	<u>5,258,748</u>	<u>4,253,771</u>
	Number of shares	Share capital	
		HK\$'000	RMB'000
At January 1, 2015	21,034,991,410	5,258,748	4,253,771
Issue of placing shares (<i>Note</i>)	4,199,570,000	1,049,892	828,113
	<u>25,234,561,410</u>	<u>6,308,640</u>	<u>5,081,884</u>
At December 31, 2015	<u>25,234,561,410</u>	<u>6,308,640</u>	<u>5,081,884</u>

Note:

On June 3, 2015, the Company entered into a placing agreement with the placing agents in relation to the placing for an aggregate of 4,199,570,000 ordinary shares of the Company at the placing price of HK\$2.90 per share (the “Placing Shares”).

On June 11, 2015, the Placing Shares with par value of HK\$0.25 each were issued at a placing price of HK\$2.90 per share to certain investors for aggregate placing proceeds totalling HK\$12,178,753,000 (equivalent to approximately RMB9,606,113,000), of which HK\$1,049,892,000 (equivalent to approximately RMB828,113,000) were credited to share capital and HK\$11,128,861,000 (equivalent to approximately RMB8,778,000,000) were credited to share premium. Transaction costs in relation to the placing of RMB49,694,000 were also credited to share premium.

These Placing Shares represented approximately 16.64% of the enlarged issued share capital of the Company as at the date of placing.

16. Share-based payment

Pursuant to the 2002 share option scheme (the “2002 Share Option Scheme”) which was adopted by the Company on May 23, 2002, the board of directors of the Company may grant to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company, in accordance with the terms of the 2002 Share Option Scheme. The 2002 Share Option Scheme expired on May 23, 2012. The share options granted under the 2002 Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the provisions of the 2002 Share Option Scheme. A summary of the terms applicable to the outstanding share options of the 2002 Share Option Scheme has been disclosed in the Company’s 2011 annual report. As at December 31, 2015, no ordinary share of the Company is available for issue under the 2002 Share Option Scheme.

The 2012 share option scheme (the “2012 Share Option Scheme”) was adopted by the Company pursuant to a resolution passed by the Company’s shareholders on June 11, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The directors of the Company considered that the 2012 Share Option Scheme, which will be valid for 10 years from the date of its adoption, will provide the Company with more flexibility in long term planning of granting of the share options to eligible persons in a longer period in the future after the expiry of the 2002 Share Option Scheme. The 2012 Share Option Scheme will expire on June 12, 2022.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time.

The fair values of the options granted pursuant to the 2012 Share Option Scheme in 2015 are as below:

Grant date	Fair value	
	HK\$'000	RMB'000
January 28, 2015	220,223	174,088
April 15, 2015	40,604	32,133
April 28, 2015	47,292	37,349
July 2, 2015	18,490	14,590
September 24, 2015	13,073	10,760
November 5, 2015	15,972	13,061
November 6, 2015	8,811	7,214
December 16, 2015	13,542	11,292
	<u>378,007</u>	<u>300,487</u>

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in the consolidated income statement, with a corresponding adjustment to the share option reserve.

Details of the movements of the share options granted by the Company pursuant to the 2002 Share Option Scheme are as below:

	2015		2014	
	Weighted average exercise price in HK\$ per share option	Number of share options	Weighted average exercise price in HK\$ per share option	Number of share options
At January 1,	0.475	4,050,000	0.496	147,910,000
Exercised	–	–	0.494	(131,560,000)
Lapsed	0.475	(4,050,000)	0.525	(12,300,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31,	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Details of the movements of the share options granted by the Company pursuant to the 2012 Share Option Scheme are as below:

	2015		2014	
	Weighted average exercise price in HK\$ per share option	Number of share options	Weighted average exercise price in HK\$ per share option	Number of share options
At January 1,	–	–	–	–
Granted	2.094	420,597,800	–	–
Lapsed	(3.252)	(4,800,000)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31,	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Out of the 415,797,800 outstanding share options, 42,023,960 shares were exercisable as at December 31, 2015.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK\$ per share option	Number of share options	
		2015	2014
January 27, 2025	1.670	283,819,800	–
April 14, 2025	4.090	23,400,000	–
April 27, 2025	4.004	30,000,000	–
July 1, 2025	3.156	15,600,000	–
September 23, 2025	1.860	17,400,000	–
November 4, 2025	2.170	17,800,000	–
November 5, 2025	2.130	10,000,000	–
December 15, 2025	1.900	17,778,000	–
		415,797,800	–
		415,797,800	–

The period within which the share options must be exercised shall not be more than 10 years from the date of grant. The options outstanding as at December 31, 2015 had a weighted average remaining contractual life of 9 years (2014: 6 years).

The weighted average fair value of options granted during the year determined using the Binomial Model was HK\$2.094 per option. The significant inputs into the model were weighted average share price of HK\$2.058 at the grant date, exercise price shown above, volatility of 40%, expected dividend yield of 0.00%, a contractual option life of ten years, and an annual risk-free interest rate of 1.34%~1.87%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable companies over the last 10 years. During the year, total expenses of RMB122,832,000 were recognised in the consolidated income statement for share options granted to directors and employees.

17. Trade and other payables, and accrued charges

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Trade payables	27,534	29,104
Amounts due to related parties	466,147	596
Other tax payable	63,987	110,737
Payroll and welfare payable	45,316	4,202
Payable in relation to distribution of films	14,305	–
Professional fees payable	9,789	10,710
Other payables, accrued charges and advance from customers	43,588	20,333
	670,666	175,682
	670,666	175,682

As at December 31, 2015, the aging analysis of the trade payables based on invoice date is as follows:

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	15,146	8,662
91 – 180 days	–	8,092
181 – 365 days	58	–
Over 365 days	12,330	12,350
	<u>27,534</u>	<u>29,104</u>

18. Borrowings

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current, secured and denominated in RMB		
Bank borrowings	<u>1,980,000</u>	<u>–</u>

Bank borrowings are secured by restricted cash of RMB2,001,938,000 (Note 14), repayable at the discretion of the Group and bear interest at 0.3% per annum.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

19. Deferred income tax

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	593	–
– Deferred income tax assets to be recovered within 12 months	17,717	1,188
	<u>18,310</u>	<u>1,188</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	(45,422)	–
– Deferred income tax liabilities to be recovered within 12 months	(3,543)	–
	<u>(48,965)</u>	<u>–</u>

The movement in deferred income tax assets during the year is as follows:

	Accrual <i>RMB'000</i>	Provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2014	53,052	283	670	54,005
Charged to the consolidated income statements	(51,864)	(283)	(670)	(52,817)
At December 31, 2014	<u>1,188</u>	<u>-</u>	<u>-</u>	<u>1,188</u>
At January 1, 2015	1,188	-	-	1,188
Acquisition of a subsidiary (<i>Note 20</i>)	458	459	-	917
Credited to the consolidated income statements	<u>11,423</u>	<u>4,782</u>	<u>-</u>	<u>16,205</u>
At December 31, 2015	<u>13,069</u>	<u>5,241</u>	<u>-</u>	<u>18,310</u>

The movement in deferred income tax liabilities during the year is as follows:

	Fair value gain <i>RMB'000</i>
At December 31, 2014 and January 1, 2015	-
Acquisition of a subsidiary (<i>Note 20(1)(b)(ii)</i>)	(47,425)
Credited to the consolidated income statements	1,661
Charged to other comprehensive income	<u>(3,201)</u>
At December 31, 2015	<u>(48,965)</u>

20. Business combinations

(1) Guangdong Yueke Software Engineering Company Limited (“Yueke”)

On June 1, 2015, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the “SPA”) with Guangdong Technology Venture Investment Corporation Limited (“GTVICL”) and Guangdong Computation Technology Application Research Institute to acquire 100% of the equity interests of Yueke (the “Acquisition of Yueke”). Yueke is one of the largest suppliers of cinema ticketing systems in the PRC. The Acquisition of Yueke was completed on June 10, 2015 (the “Completion Date of the Acquisition of Yueke”). Upon completion of the Acquisition of Yueke, Yueke became an indirect wholly-owned subsidiary of the Company.

(a) *Consideration*

The consideration for the Acquisition of Yueke was RMB830,000,000, paid in cash.

(b) *Recognized amounts of identifiable assets acquired and liabilities assumed*

The fair value of net assets of Yueke acquired as at the Completion Date of the Acquisition of Yueke is as follows:

	<i>Note</i>	Fair value RMB'000
Current assets		
Inventories		3,139
Trade and other receivables, and prepayments	(i)	39,920
Available-for-sale financial assets		32,300
Cash and cash equivalents		18,116
Non-current assets		
Property, plant and equipment		3,434
Intangible assets	(ii)	191,113
Deferred income tax assets		917
Current liabilities		
Trade and other payables, and accrued charges		(9,815)
Current income tax liabilities		(15,254)
Non-current liabilities		
Deferred income		(42)
Deferred income tax liabilities	(ii)	(47,425)
Total identifiable net assets		216,403

Notes:

(i) Acquired trade and other receivables, and prepayments

The fair value of trade and other receivables, and prepayments was RMB39,920,000, including trade receivables with a fair value of RMB39,176,000. The gross contractual amount for trade receivables was RMB40,968,000, of which RMB1,792,000 was expected to be uncollectible.

(ii) Intangible assets and deferred income tax liabilities

The acquired identifiable intangible assets of RMB191,113,000 include the operating license of the ticketing system, customer relationship, technology, in process research and development and trademark, amounted to a total fair value of RMB189,700,000. Deferred income tax liabilities of RMB47,425,000 had been provided in relation to these fair value adjustments.

(c) *Repurchase option*

Pursuant to the SPA, GTVICL shall have a repurchase right, exercisable within nine months commencing from the Completion Date of the Acquisition of Yueke, to repurchase 20% to 30% of the equity interests of Yueke with the consideration to be determined based on the percentage to be acquired and the cash consideration of RMB830,000,000 paid by the Group as set out in the SPA. The repurchase option is classified as a derivative financial liability and measured at fair value with the fair value change to be charged to profit or loss subsequently. As at the Completion Date of the Acquisition of Yueke and December 31, 2015, the Company estimated that the fair value of the derivative financial liability is RMB35,749,000 and RMB33,000,000, respectively.

The repurchase option was expired on March 10, 2016.

(d) *Goodwill arising from the Acquisition of Yueke*

The goodwill of RMB649,346,000 arises from the synergy with the Group and work force that did not meet the criteria for recognition as intangible assets. The excess amount of the cash consideration plus the fair value of the repurchase option over the fair value of the net identifiable assets of Yueke is recognized as goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

	June 10, 2015
	RMB'000
Total cash consideration	830,000
Add: derivative financial liability recognized for the repurchase option	35,749
Less: fair value of net assets acquired by the Group	(216,403)
	<hr/>
Goodwill	649,346
	<hr/> <hr/>

The goodwill arising on the Acquisition of Yueke is attributable to the internet-based promotion and distribution segment of the Group.

(e) *Related costs for the Acquisition of Yueke*

	For the year ended
	December 31, 2015
	RMB'000
Acquisition-related costs (included in administrative expenses in the consolidated income statement)	12,464
	<hr/> <hr/>

(f) *Cash outflow for the Acquisition of Yueke*

**For the year ended
December 31, 2015
RMB'000**

Outflow of cash for the Acquisition of Yueke, net of cash acquired	
– Bank balances and cash acquired	18,116
– Cash consideration	(830,000)
	<hr/>
Cash outflow for the acquisition	(811,884)
	<hr/> <hr/>

(g) *Revenue and profit contribution impact*

Yueke contributed revenue of RMB129,582,000 and net profit of RMB53,409,000 to the Group for the period from June 10, 2015 to December 31, 2015. Had Yueke been consolidated from January 1, 2015, the consolidated income statement would show pro-forma revenue of RMB328,083,000 and profit of RMB504,045,000, respectively, which are calculated by aggregating the financial information of Yueke and the Group.

(2) **The online movie ticketing business (the “Online Movie Ticketing Business”) and Yulebao (“Yulebao”)**

On November 4, 2015, the Company entered into a framework agreement (the “Framework Agreement”) with AGHL, pursuant to which the Company agreed to acquire the entire interests in the Online Movie Ticketing Business and Yulebao from AGHL (the “Acquisition”).

On December 31, 2015 (the “Completion Date”), the Group completed the acquisition from AGHL 100% of the equity interests of Aurora Media (BVI) Limited who owns the Online Movie Ticketing Business which is an online entertainment platform that enables consumers to purchase movie tickets online from third party movie theatres; and acquired the business of Yulebao. The total consideration for the Acquisition is RMB3,088,615,000. In relation to the Acquisition, the Group also paid RMB41,178,000 to AGHL for the reimbursement of share-based payments to those employees that transferred from the Online Movie Ticketing Business and Yulebao to the Group since these employees participated in the share option schemes of AGHL.

(a) *Consideration*

	<i>RMB'000</i>
Cash paid	3,044,218
Consideration payable in cash and recorded as trade and other payables, and accrued charges (<i>Note i</i>)	<u>85,575</u>
	<u>3,129,793</u>
Less: cash paid for employee benefits in relation to employees' future service (<i>Note ii</i>)	<u>(41,178)</u>
Total cash consideration	<u>3,088,615</u>

Notes:

- (i) Such consideration was paid in January 2016.
- (ii) Pursuant to the agreement entered into by the Company and AGHL, the Company agreed to pay RMB41,178,000 to AGHL as the reimbursement of the share options granted to the employees of the Online Movie Ticketing Business and Yulebao which are outstanding as at the Completion Date. The reimbursement is treated as share-based payment transactions among group entities and recorded as a debit to equity as at the Completion Date.

(b) *Recognized amounts of identifiable assets acquired and liabilities assumed*

The fair value of net assets of the Online Movie Ticketing Business and Yulebao acquired as at the Completion Date is as follows:

	<i>Note</i>	Fair value <i>RMB'000</i>
Current assets		
Other receivables and prepayments	(i)	437,161
Cash and cash equivalents		340,540
Non-current assets		
Property, plant and equipment		35,362
Intangible assets	(ii)	200
Current liabilities		
Trade and other payables, and accrued charges	(iii)	<u>(406,063)</u>
Total identifiable net assets		<u>407,200</u>

Notes:

(i) Acquired receivables and prepayments

Balance of RMB437,161,000 represented the fair value of other receivables and prepayments, including other receivables of RMB382,895,000 arising from Yulebao business.

(ii) Intangible assets

The acquired identifiable intangible assets of RMB200,000 represented the fair value of the acquired design patent and trademark. No deferred income tax liabilities have been provided.

(iii) The balance included other payable of RMB365,201,000 due to a subsidiary of AGHL, which is in relation to Yulebao business.

(c) *Goodwill arising from the Acquisition*

The goodwill of RMB2,681,415,000 arises from the synergy with the Group and work force that did not meet the criteria for recognition as intangible assets. The excess amount of the cash consideration over the fair value of the net identifiable assets of the Online Movie Ticketing Business and Yulebao is recognized as goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

	December 31, 2015
	<i>RMB'000</i>
Total cash consideration	3,088,615
Less: fair value of net assets acquired by the Group	(407,200)
	<hr/>
Goodwill	<u>2,681,415</u>

The goodwill arising on the Acquisition is attributable to the internet-based promotion and distribution segment of the Group.

(d) *Related costs for the Acquisition*

**For the year ended
December 31, 2015
RMB'000**

Acquisition-related costs (included in administrative expenses
in the consolidated income statement) **6,812**

(e) *Cash outflow for the Acquisition*

**For the year ended
December 31, 2015
RMB'000**

Outflow of cash for the Acquisition, net of cash acquired
– Bank balances and cash acquired **340,540**
– Cash paid **(3,044,218)**

Cash outflow for the acquisition during the year **(2,703,678)**

(f) *Revenue and profit contribution impact*

The Online Movie Ticketing Business and Yulebao have no contribution to the Group's revenue and profit for the year ended December 31, 2015 as the Completion Date was December 31, 2015. Had the Online Movie Ticketing Business and Yulebao been consolidated from January 1, 2015, the consolidated income statement would show pro-forma revenue of RMB263,717,000 and loss of RMB258,730,000, respectively, which are calculated by aggregating the financial information of the Online Movie Ticketing Business, Yulebao and the Group.

DIVIDEND

The Board has resolved not to declare a dividend for the year ended December 31, 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major indicators of the financial results for the years ended December 31, 2015 and 2014 are summarised in the table below:

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations		
Revenue	263,717	126,631
Gross loss	(25,064)	(62,607)
Profit/(loss) for the year from continuing operations	<u>472,703</u>	<u>(380,254)</u>
Discontinued operations		
Loss for the year from discontinued operations	<u>(6,689)</u>	<u>(35,037)</u>
Profit/(loss) for the year	<u>466,014</u>	<u>(415,291)</u>
Profit/(loss) attributable to Owners of the Company	<u>466,040</u>	<u>(417,276)</u>

	Revenue		Segment Results	
	Year ended		Year ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Continuing operations				
Content production	55,520	115,386	(106,050)	(65,969)
Internet-based promotion and distribution	136,250	–	21,887	–
Entertainment e-commerce	2,807	–	1,685	–
International operations	68,700	–	6,907	–
Other operations	440	11,245	221	1,861
Total	263,717	126,631	(75,350)	(64,108)

In 2015, the Group recorded revenue of RMB263.7 million, an increase of 108.3% year-on-year. The increase in revenue resulted primarily from the contributions of Yueke, which we acquired in June 2015. Gross loss was RMB25.1 million, compared with RMB62.6 million in the previous year. Net profit attributable to the owners of the Company amounted to RMB466.0 million in 2015, compared with a loss of RMB417.3 million in 2014. The boost to the Group's bottom line stemmed primarily from a net finance income of RMB882.8 million. In 2015, the Group reported results in five segments: (i) Content Production, (ii) Internet-based Promotion and Distribution, (iii) Entertainment E-commerce, (iv) International Operations, and (v) Other Operations. Segments (ii), (iii) and (iv) are the new businesses launched during the year.

In 2015, the domestic movie industry continued to demonstrate strong growth momentum, with overall box office revenues increasing by approximately 48.7% to RMB44.1 billion, according to the State Administration of Radio, Film and Television. This growth rate showed a trend of acceleration, compared with growth rates of 36.2% and 27.5% in 2014 and 2013 respectively. As going to the cinema has become an ever more popular form of entertainment in Mainland China, the industry will continue to quickly develop and transform. Since the formation of Alibaba Pictures, we have been consistently updating and implementing our strategic initiatives to build a business operation that incorporates various critical components of the industry value chain, from financing and investment, content sourcing and production, internet-based promotion and distribution, cinema service provision to merchandise and fan-based economics. To achieve our goal, our management has pursued a strategy of expansion by business acquisitions. We believe this is an effective way to attain strategically important assets for our long-term development. In 2015, several major acquisitions were made, involving a cinema ticketing system provider, an online movie ticketing portal, and a C2B financing platform for entertainment related projects.

BUSINESS ACQUISITIONS

Yueke

In June 2015, the Group completed a full acquisition of Yueke, one of the largest suppliers of cinema ticketing systems in the PRC. At the end of 2015, Yueke supplies to more than 1,800 cinemas nationwide with local cinema ticketing systems, and connecting software for more than 30 mainstream online movie ticketing portals. As our national box office ticket sales continue to rise, we believe Yueke is in an attractive position to capture the market's potential economics.

Since the acquisition of Yueke, we have worked closely with its management to further enhance its operational profile. Not only are we looking to further increase the market share of its existing products, we are also working to expand Yueke's service portfolio to offer more value-added services to the cinemas. The long history of Yueke's collaboration with cinemas has resulted in it developing certain insights into cinema operations and management in the PRC.

Online Movie Ticketing and Yulebao

In December 2015, the Group acquired from Alibaba Group Holding Limited ("Alibaba Group") two operating assets; an online ticketing business and Yulebao. Both assets serve critical functions on Alibaba Pictures' integrated entertainment platform.

Online ticketing has quickly become the leading method of purchasing movie tickets in China. In addition to ticket sales, online ticketing platform provides movie-related entertainment information and promotion, which will complement our existing offline marketing and distribution capabilities. Through this platform, the Group is able to reach a much larger and growing online user base, further enhancing our marketing and distribution power. From the increasing user actions on the platform, we expect to gain a better understanding of consumer behavior, which is critical in forming our business strategies.

Yulebao was the first C2B financing platform for entertainment related projects. Its functions are being expanded to include more fan-based economics. In the future, it will not only offer the audience investment products, but also a wide range of entertainment related merchandise. By engaging producers, actors, viewers, and fans at the onset of production and throughout the content creation and distribution process, the Group will be able to better understand and evaluate user preferences to create more customized content, marketing campaigns and distribution plans.

The Group's focus in the near future will be to integrate these newly acquired assets and strengthen their respective businesses. Our management closely monitors their performances and identifies key areas for improvement. On a standalone basis, each of our acquired assets is expected to further develop its core competency and gain market share for its products or services. It is with strong components that our overall entertainment platform will flourish.

CONTENT PRODUCTION

Alibaba Pictures is committed to delivering high-quality entertainment content. We have the capabilities to source, evaluate, select, and produce our film and TV projects. In addition to our own production of movies and TV dramas, we selectively invest in various projects led by other major studios. As an increasing amount of variety and talents emerge in our industry, it is critical for us to procure co-investment opportunities for high-quality movie projects, for some of which we will participate not only as an investor but also as the marketing and distribution partner.

Regarding our own productions, we have built a pipeline of upcoming releases. *Ferry Man* (擺渡人), a film produced by Wong Kar Wai and starring popular actor Tony Leung, is expected to be released in the second half of 2016. The film is an adaptation of a popular short story written by Zhang Jiajia, who is also directing the film. Other major productions include *Three Lives Three Worlds Ten Miles of Peach Blossom* (三生三世十里桃花) and *The Heroic Age* (蠻荒記), both of which will feature cutting edge special effects that deliver visual delights for our audiences. Another project, *Return of the Pearl Princess* (還珠格格), will incorporate the story of a highly successful TV drama in the past and turn it into an animation film, directed by renowned actress/director Zhao Wei.

The Group recorded revenue of RMB55.5 million for our content production business in 2015, compared with RMB115.4 million in 2014. Segment loss was RMB106.1 million, up from RMB66.0 million in 2014. The increase was primarily attributed to the fact that most of our projects were still in development stage during the year.

INTERNET-BASED PROMOTION AND DISTRIBUTION

In 2015, we provided promotion and distribution services for films such as *Tiny Times 4* (小時代4：靈魂盡頭), *Mission: Impossible – Rogue Nation* (碟中諜5：神秘國度), and *The Third Way of Love* (第三種愛情). Through these projects our team has gained valuable experiences and established a solid track record. Over the years, the rise of mobile apps and online social networks has made the internet an important channel for the promotion and distribution of movies. During the reporting year, the Group made substantial progress in building an integrated O2O competence, adding two important assets – online movie ticketing portal and Yueke – to our existing business.

The integration of the newly acquired assets will broaden the reach of our promotion and distribution functions. We believe that Alibaba Group's existing massive online user base can only add to our online movie ticketing portal's advantages. The combination of online and offline capabilities makes us a total solution provider for entertainment content promotion and distribution. Given multiple channels of data feedback from the on-the-ground team, the online ticketing portal and the cinemas through Yueke, we are able to develop more efficient and comprehensive promotion campaigns to attract viewers' interests and ultimately enhance box office performances of our projects.

In terms of financial results, our internet-based promotion and distribution business line generated RMB136.3 million of revenue in 2015 (2014: nil), primarily from Yueke. The segment profit was RMB21.9 million (2014: nil), partly impacted by our project related marketing and distribution expenses. Going forward, we expect to commit the necessary financial resources to our online ticketing portal to further enhance its user experience and increase its market position.

ENTERTAINMENT E-COMMERCE

Our entertainment e-commerce segment now consists of two main functions – C2B financing for entertainment projects and merchandising. IP-centric merchandise is a natural play for the Group because on the one hand, our content production and distribution businesses are able to generate or bring intellectual assets that can potentially transfer to other physical products, and on the other hand, our online merchandising know-how and resources inherited from Alibaba Group give us significant advantages in building this business line. We are currently assembling an IP product databank and will selectively open pilot sales outlets on first-rate web-based platforms.

Yulebao, which serves as a C2B financing platform for entertainment related projects, was fully acquired from Alibaba Group on December 31, 2015. Through Yulebao, the general public can invest in selected movie or TV drama productions. This enables Yulebao to provide an alternative source of funding for some of our projects, beyond the Group's own working capital. Although the individual investment amounts need not be large, having a stake heightens investors' interest in these projects. We intend to continue to create more functions in Yulebao to reward its investors.

As our merchandise business was in its infancy and the Yulebao acquisition was completed on December 31, 2015, the Group's E-commerce business line recorded RMB2.8 million in revenue (2014: nil) and RMB1.7 million in segment profit in 2015 (2014: nil).

INTERNATIONAL OPERATIONS

The Group's office in Los Angeles, USA, has been in operation since the second quarter of 2015. Our participation in Paramount Pictures' *Mission: Impossible – Rogue Nation* marked the beginning of our collaborations with major Hollywood studios. The contributions from this Hollywood blockbuster, whose worldwide box office reached US\$682 million, brought our International Operations business line's revenue to RMB68.7 million (2014: nil) and segment profit to RMB6.9 million in 2015 (2014: nil).

We will continue to selectively invest in international projects, as partnering with global talents on industry-leading projects is a cornerstone of our development strategy. In late 2015, we announced our involvement in *REAL*, a Korean production for which we hold the exclusive distribution rights for the PRC market. Headquartered in China, the world's second largest box office market, we expect cross-border collaboration opportunities to accelerate in the coming years.

PROSPECTS

As seen in the strong box office growth in recent years, public demand for entertainment content in the PRC is on a rising trend. Meeting this demand will require increasingly higher content quality and variety. In our productions, we use talents which are both domestic and international, as well as those that are established and fledgling, with the goal to spark creative ideas and deliver innovative products. In addition to our own productions, we are constantly sourcing and evaluating investment opportunities in IPs, film and TV projects, and corporates along the industry value chain. 2016 looks to be another fruitful year in our strategic journey.

FINANCIAL REVIEW

Revenue and Profit for the year

During the year ended December 31, 2015, the Group recorded revenue of RMB263.7 million, compared with RMB126.6 million in 2014. The increase in revenue was mainly due to the contribution from Yueke.

Net profit attributable to the owners of the Company for the year 2015 amounted to RMB466.0 million, up significantly from the net loss of RMB417.3 million in 2014. The year-on-year increase was caused by a net finance income of RMB882.8 million, comprising foreign exchange gains and interest income.

For the year ended December 31, 2015, earnings per share (basic and diluted) for the Group amounted to RMB1.99 cents, up from a loss per share of RMB2.78 cents in 2014.

Selling, Marketing and Administrative Expenses

Selling, marketing and administrative expenses for 2015 were RMB389.5 million, compared with approximately RMB157.9 million in 2014. The increase is attributable to employee benefit expenses related to higher headcounts across multiple functions, as well as share option issuances to attract a number of critical management personnel.

Finance Income/(expenses), net

In 2015, the Group recorded finance income of RMB894.1 million, offset in part by finance expenses of RMB11.3 million. Our finance income is strongly correlated to our cash balance, which is held in multiple currencies. As our functional currency of the Company and certain subsidiaries is RMB, some of our cash reserves in foreign currencies contributed foreign exchange gains which made up a majority of our finance income.

Financial Resources and Liquidity

As of December 31, 2015, the Group had cash reserves equivalent to RMB12.8 billion in multiple currencies. In June 2015, the Group completed an issuance of almost 4.2 billion new shares at HKD2.9 each. This share placement generated net proceeds of approximately HKD12.1 billion for the Group. Our significant cash reserves give us the financial means to undertake a variety of business initiatives and projects in the near future. At the end of 2015, the Group had no long-term debt obligations, only short-term borrowings of RMB1.98 billion. As at December 31, 2015, the Group's gearing ratio (net borrowings deducting cash and bank balances over total equity) was nil (2014: nil).

Foreign Exchange Risks

The Group holds its cash reserves in RMB, USD and HKD. Although most of our production costs and management expenses are denominated in RMB, many of our investment opportunities and collaborations with studios outside Mainland China require foreign currencies. We continue to monitor our capital needs closely and manage our foreign currency exposure accordingly.

Charge on Assets

As of December 31, 2015, the Group did not have any charge on assets (2014: nil).

Contingent Liabilities

As of December 31, 2015, the Group did not have any material contingent liability (2014: nil).

Employees and Remuneration Policies

By the end of 2015, the Group, including its subsidiaries but excluding its associates, had 343 employees (2014: 209). The remuneration policies of the Group are based on the prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

Throughout the year ended December 31, 2015, the Company has applied and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations with considered reasons as explained 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. During the year ended December 31, 2015, the Board only held two 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 all material business or management issues of the Company.

Code provision A.5.1 stipulates that the Company should establish a nomination committee which is chaired by the Chairman of the Board or an INED and comprise a majority of INEDs. Following the resignation as a member of Ms. Zhang Yu with effect from November 3, 2015. The number of members of nomination committee of the Company fell below the minimum number requirement. The Company appointed Mr. Johnny Chen as a member of the nomination committee of the Company with effect from January 29, 2016. Following the appointment of Mr. Johnny Chen, the Company has been fully in line with the code provision A.5.1 with effect from January 29, 2016.

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 directors and the Board as a whole to discharge their duties.

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. Before March 31, 2015, the Company deviated from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board adopted a set of revised terms of reference of the remuneration committee of the Company, which is fully in line with the CG Code with effect from April 1, 2015.

Code provision F.1.1 stipulates the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Mr. Ng Lok Ming William ("Mr. Ng") is not an employee of the Company and Mr. Shao Xiaofeng, the Chairman of the Company, is the contact person whom Mr. Ng can contact for the purpose for the code provision.

Code provision F.1.2 stipulates that the appointment and dismissal of the company secretary should be dealt with by a physical board meeting rather than a written board resolution. The appointment of Mr. Ng as the company secretary of the Company on November 3, 2015 was not dealt with by a physical Board meeting as the Company considered that such change in company secretary of the Company did not involve in dismissal of the company secretary and should not be controversial. The appointment of Mr. Ng as the company secretary of the Company was ratified and approved by the Board at a subsequent meeting of the Board held on March 29, 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as a code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors of the Company, it is confirmed that all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year ended December 31, 2015.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company for the accounting principles and practices adopted by the Group and the financial statements for the year ended December 31, 2015.

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, 2015.

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

Hong Kong, March 29, 2016

As at the date of this announcement, the Board comprises Mr. Shao Xiaofeng, Mr. Zhang Qiang, Mr. Deng Kangming, Ms. Zhang Wei and Mr. Fan Luyuan, being the executive directors; Mr. Li Lianjie, being the non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.