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

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

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

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, 2015 together with the comparative figures for the corresponding period in 2014. The unaudited condensed consolidated interim financial information for the six months ended June 30, 2015 has been reviewed by the audit committee of the Company (the “Audit Committee”). PricewaterhouseCoopers, the Company’s auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended June 30, 2015 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 conclusion.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the six months ended June 30,	
	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations			
Revenue	5	22,938	49,109
Cost of sales and services		(72,925)	(153,567)
Gross loss		(49,987)	(104,458)
Distribution expenses		(26,441)	(1,002)
Administrative expenses		(129,100)	(105,831)
Other income		2,595	1,589
Other losses, net		(3,909)	(47,505)
Operating loss		(206,842)	(257,207)
Finance income	8	65,283	803
Finance expenses	8	(2,604)	(1,189)
Finance income/(expenses), net		62,679	(386)
Share of profit/(loss) of investments accounted for using the equity method		20	(2,221)
Impairment loss on interest in an associate		–	(71,788)
Loss before income tax		(144,143)	(331,602)
Income tax expense	9	(3,059)	(6,091)
Loss for the period from continuing operations		(147,202)	(337,693)
Discontinued operations			
Loss for the period from discontinued operations	6	(4,593)	(15,501)
Loss for the period		(151,795)	(353,194)
Loss attributable to:			
Owners of the Company		(151,819)	(350,839)
Non-controlling interests		24	(2,355)

		Unaudited	
		For the six months	
		ended June 30,	
		2015	2014
Notes		RMB'000	RMB'000
			(Restated)
Loss attributable to owners of the Company:			
		(147,226)	(335,351)
		(4,593)	(15,488)
		<u><u> </u></u>	<u><u> </u></u>
Loss per share from continuing and discontinued operations attributable to owners of the Company for the period (expressed in RMB cents per share)			
	10		
Basic loss per share			
		(0.68)	(3.82)
		(0.02)	(0.18)
		<u> </u>	<u> </u>
		(0.70)	(4.00)
		<u><u> </u></u>	<u><u> </u></u>
Diluted loss per share			
		(0.68)	(3.82)
		(0.02)	(0.18)
		<u> </u>	<u> </u>
		(0.70)	(4.00)
		<u><u> </u></u>	<u><u> </u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2015 2014 <i>RMB'000</i> <i>RMB'000</i> <i>(Restated)</i>	
Loss for the period	(151,795)	(353,194)
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(36)	(2,221)
Fair value gains on available-for-sale financial assets, net of tax	<u>1,332</u>	<u>—</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,296</u>	<u>(2,221)</u>
Total comprehensive loss for the period	<u>(150,499)</u>	<u>(355,415)</u>
Attributable to:		
Owners of the Company	(150,523)	(353,060)
Non-controlling interests	<u>24</u>	<u>(2,355)</u>
Total comprehensive loss for the period	<u>(150,499)</u>	<u>(355,415)</u>
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	(145,930)	(337,572)
Discontinued operations	<u>(4,593)</u>	<u>(15,488)</u>
	<u>(150,523)</u>	<u>(353,060)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	12	15,357	24,522
Goodwill	12	809,159	159,813
Intangible assets	12	197,706	7,808
Investments accounted for using the equity method		18,798	18,804
Club debenture		2,280	2,280
Deferred income tax assets		948	1,188
Trade and other receivables, and prepayments	13	120,494	124,400
		<u>1,164,742</u>	<u>338,815</u>
Current assets			
Inventories		3,506	—
Film and TV copyrights		362,337	164,520
Trade and other receivables, and prepayments	13	234,045	525,747
Available-for-sale financial assets		275,146	240,000
Financial assets at fair value through profit or loss		—	2,685
Cash and cash equivalents		9,913,408	30,158
Bank deposits with the maturity over three months		4,727,738	5,018,137
		<u>15,516,180</u>	<u>5,981,247</u>
Assets held-for-sale		13,120	17,370
		<u>15,529,300</u>	<u>5,998,617</u>
Total assets		<u>16,694,042</u>	<u>6,337,432</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	14	5,081,884	4,253,771
Reserves		10,464,592	1,813,885
		<u>15,546,476</u>	<u>6,067,656</u>
Non-controlling interests		<u>(1,687)</u>	<u>(588)</u>
Total equity		<u>15,544,789</u>	<u>6,067,068</u>

		Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Deferred income		42	—
Deferred income tax liabilities		47,574	—
		<u>47,616</u>	<u>—</u>
Current liabilities			
Borrowings	16	900,000	—
Trade and other payables, and accrued charges	17	136,061	175,682
Derivative financial liabilities		35,749	—
Current income tax liabilities		29,827	94,682
		<u>1,101,637</u>	<u>270,364</u>
Total liabilities		<u>1,149,253</u>	<u>270,364</u>
Total equity and liabilities		<u>16,694,042</u>	<u>6,337,432</u>
Net current assets		<u>14,427,663</u>	<u>5,728,253</u>
Total assets less current liabilities		<u>15,592,405</u>	<u>6,067,068</u>

1 General information

Alibaba Pictures Group Limited (the “Company”, formerly known as “ChinaVision Media Group Limited”) and its subsidiaries (together, the “Group”) are principally engaged in film and television drama series production and distribution, as well as entertainment e-commerce.

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. 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 which is in turn wholly-owned by Alibaba Group Holding Limited (“AGHL”).

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

The operational highlight of the period was the acquisition of Guangdong Yueke Software Engineering Company Limited (“Yueke”), a company that is one of the largest suppliers of cinema ticketing systems in the People’s Republic of China (“PRC”). Further details are given in Note 7.

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

The Placing Shares represent approximately 19.96% of the total existing issued share capital of the Company as at the date of the Placing Agreement, and approximately 16.64% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares as at June 11, 2015. Refer to Note 14 for details.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended June 30, 2015 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA.

3 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending December 31, 2015 do not have material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4 Restatement

In prior years, the Group's consolidated financial statements were presented in HK dollar ("HK\$"). After the acquisition of a majority stake by AGHL in the Company in June 2014, the Group decided to change the Group's and the Company's presentation currency from HK\$ to RMB, which is the Company's functional currency, and consistent to the presentation currency of AGHL's financial statements. This represented a change of accounting policy and the changes have been applied to the Group's financial statements on a retrospective basis. The effect of adopting this new accounting policy to the interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the six months ended June 30, 2014 is presented below:

	Unaudited	
	For the six months ended June 30,	
	2014	2014
	<i>HK\$'000</i>	<i>RMB'000</i>
	<i>(As originally stated)</i>	<i>(Restated)</i>
Continuing operations		
Revenue	62,085	49,109
Cost of sales and services	(194,143)	(153,567)
Gross loss	(132,058)	(104,458)
Distribution expenses	(1,266)	(1,002)
Administrative expenses	(133,796)	(105,831)
Other income	2,009	1,589
Other losses, net	(60,056)	(47,505)
Finance income	1,015	803
Finance expenses	(1,503)	(1,189)
Share of losses of investments accounted for using the equity method	(2,808)	(2,221)
Impairment loss on interest in an associate	(90,756)	(71,788)
Loss before income tax	(419,219)	(331,602)
Income tax expense	(7,700)	(6,091)
Loss for the period from continuing operations	(426,919)	(337,693)
Discontinued operations		
Loss for the period from discontinued operations	(19,596)	(15,501)
Loss for the period	(446,515)	(353,194)

	Unaudited	
	For the six months ended June 30,	
	2014	2014
	<i>HK\$'000</i>	<i>RMB'000</i>
	<i>(As originally stated)</i>	<i>(Restated)</i>
Loss for the period	(446,515)	(353,194)
Other comprehensive loss:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	–	(2,221)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Currency translation differences	(28,870)	–
Other comprehensive loss for the period, net of tax	(28,870)	(2,221)
Total comprehensive loss for the period	<u>(475,385)</u>	<u>(355,415)</u>
	<i>HK cent</i>	<i>RMB cent</i>
Loss per share		
Basic loss per share		
From continuing operations	(4.83)	(3.82)
From discontinued operations	(0.22)	(0.18)
From loss for the period	<u>(5.05)</u>	<u>(4.00)</u>
Diluted loss per share		
From continuing operations	(4.83)	(3.82)
From discontinued operations	(0.22)	(0.18)
From loss for the period	<u>(5.05)</u>	<u>(4.00)</u>

5 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 six months ended June 30, 2015, the Group has expanded its operations and redefined its operational strategies. As at the date of this interim report, the Group's operating and reportable segments are for continuing operations as follows:

- Content production
- Internet-based promotion and distribution, including on-line distribution of film and TV copyrights, the provision of local cinema ticketing systems, and connecting cinemas with third parties (e-commerce platforms) through cinema tickets software
- Entertainment e-commerce
- International operations
- Other operations that primarily comprise TV program packaging services, agency services and mobile value-added services

International operations segment is expected to generate significant revenue to the Group in the future although this segment was yet to contribute during the six months ended June 30, 2015.

Although the Entertainment e-commerce segment does not meet the quantitative thresholds required by HKFRS 8, 'Operating segments', management has concluded that this segment should be reported, as it is closely monitored by the Board of Directors as potential growth segment and is expected to materially contribute to the Group's revenue in the future.

Comparative figures have been restated to conform with the 2015 segment reporting.

Segment revenue and results

	Unaudited Six months ended June 30, 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 segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	11,515	10,323	963	–	137	22,938
Segment results	(59,102)	(15,644)	(1,052)	–	137	(75,661)
Unallocated distribution expenses						(767)
Administrative expenses						(129,100)
Other income						2,595
Other losses, net						(3,909)
Finance income						65,283
Finance expenses						(2,604)
Share of profit of investments accounted for using the equity method						20
Loss before income tax						(144,143)

Unaudited
Six months ended June 30, 2014

	Content production <i>RMB'000</i> <i>(Restated)</i>	Internet-based promotion and distribution <i>RMB'000</i> <i>(Restated)</i>	Entertainment e-commerce <i>RMB'000</i> <i>(Restated)</i>	International operations <i>RMB'000</i> <i>(Restated)</i>	Other segments <i>RMB'000</i> <i>(Restated)</i>	Total <i>RMB'000</i> <i>(Restated)</i>
Segment revenue	39,295	–	–	–	9,814	49,109
Segment results	(110,685)	–	–	–	5,225	(105,460)
Administrative expenses						(105,831)
Other income						1,589
Other losses, net						(47,505)
Finance income						803
Finance expenses						(1,189)
Share of losses of investments accounted for using the equity method						(2,221)
Impairment loss on interest in an associate						(71,788)
Loss before income tax						(331,602)

All of the segment revenue reported above is from external customers and there were no intersegment sales for both periods.

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

Segment assets and liabilities are not regularly reported to the Company's chief operating decision-maker and therefore information of separate segment assets and liabilities is not presented.

6 Discontinued operations

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

- (i) From May 2014 onwards, the Group ceased its TV advertising operation and did not renew the TV advertising air-times supply contract with Shenzhen Media Group. In addition, during the year 2014, the Group completed the deregistration of a subsidiary engaged in TV advertising business and distributed back RMB15,984,000 to the non-controlling interest on the deregistration date.
- (ii) At the end of 2014, the directors of the Company decided to cease its magazine advertising and distribution operation and terminate the cooperation with SOCIETE DU FIGARO.

Accordingly, these two business segments are presented as discontinued operations in the Group's interim condensed consolidated income statement for the six months ended June 30, 2015 and 2014. Analysis of the result of discontinued operations is as follows:

	Unaudited	
	Six months ended	
	June 30,	
	2015	2014
	RMB'000	RMB'000
		<i>(Restated)</i>
Revenue	200	40,519
Expenses	(4,793)	(56,010)
Loss before income tax of discontinued operations	(4,593)	(15,491)
Income tax expense	–	(10)
Loss for the period from discontinued operations	(4,593)	(15,501)
Loss for the period from discontinued operations attributable to		
– Owners of the Company	(4,593)	(15,488)
– Non-controlling interests	–	(13)
Loss for the period from discontinued operations	(4,593)	(15,501)

7 Business combination

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”). The Acquisition was completed on June 10, 2015 (the “Completion Date”). Upon completion of the Acquisition, Yueke became an indirect wholly-owned subsidiary of the Company.

(a) Consideration

The consideration for the Acquisition 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 are as follows:

	<i>Note</i>	Unaudited 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

(i) *Acquired receivables*

The fair value of trade and other receivables, and prepayments is RMB39,920,000, including trade receivables with a fair value of RMB39,176,000. The gross contractual amount for trade receivables is RMB40,968,000, of which RMB1,792,000 is 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 systems, 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 have 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, 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 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 and June 30, 2015, the Company estimated that the fair value of the derivative financial liability is RMB35,749,000.

(d) Goodwill arising from the Acquisition

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.

	Unaudited RMB'000
Total cash consideration	830,000
Add: derivative financial liabilities	35,749
Less: fair value of net assets acquired by the Group	(216,403)
Goodwill	649,346

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

(e) Related costs for the Acquisition

	Unaudited RMB'000
Acquisition-related costs (included in administrative expenses in the interim condensed consolidated income statement for the six months ended June 30, 2015)	12,253

(f) Cash outflow for the Acquisition

	Unaudited RMB'000
Outflow of cash to acquire business, net of cash acquired	
– Bank balances and cash acquired	18,116
– cash consideration	(830,000)
Cash outflow for the Acquisition	(811,884)

(g) Revenue and profit contribution impact

The acquired business contributed revenue of RMB10,323,000 and net profit of RMB6,015,000 to the Group for the period from June 10, 2015 to June 30, 2015. If the Acquisition had occurred on January 1, 2015, consolidated revenue and consolidated profit of the Group for the six months ended June 30, 2015 would have increased by RMB74,689,000 and RMB39,619,000, respectively.

8 Finance income and expenses

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000 (Restated)
Finance income		
– Interest income on bank deposits	47,963	117
– Interest income on available-for-sale financial assets	3,693	–
– Exchange gain, net	13,627	686
	<u>65,283</u>	<u>803</u>
Finance expenses		
– Interest expenses on entrusted loan	(2,604)	–
– Interest expenses on convertible notes	–	(1,189)
	<u>(2,604)</u>	<u>(1,189)</u>
Finance income/(expenses), net	<u><u>62,679</u></u>	<u><u>(386)</u></u>

9 Income tax expense

	Unaudited Six months ended June 30,	
	2015 RMB'000	2014 RMB'000 (Restated)
Current income tax	2,198	6,091
Deferred income tax	861	–
	<u><u>3,059</u></u>	<u><u>6,091</u></u>

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

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”) was subject to PRC EIT at the PRC EIT rate of 25% on ten percent of its gross revenue until December 31, 2014. From January 1, 2015 onwards, 華盟上海 is subject to the PRC EIT rate of 25%.

10 Loss per share

	Unaudited Six months ended June 30,	
	2015	2014
	<i>RMB cents</i>	<i>RMB cents</i> (Restated)
Basic/diluted loss per share		
From continuing operations	(0.68)	(3.82)
From discontinued operations	(0.02)	(0.18)
From loss for the period	(0.70)	(4.00)

(a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended June 30,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Loss from continuing operations attributable to owners of the Company	(147,226)	(335,351)
Loss from discontinued operations attributable to owners of the Company	(4,593)	(15,488)
Loss attributable to owners of the Company	(151,819)	(350,839)
Weighted average number of ordinary shares in issue (thousands)	21,499,032	8,775,450

(b) *Diluted*

The computation of diluted loss per share for the six months ended June 30, 2015 did not assume the exercise of share options granted as it would decrease the loss per share in the period.

The computation of diluted loss per share for the six month ended June 30, 2014 did not assume the conversion of the Company's outstanding convertible notes, the exercise of share options granted and conversion of warrants as it would decrease the loss per share in the period.

11 Dividends

The Board of Directors of the Company does not recommend the payment of a dividend for the six months ended June 30, 2015 (2014 Interim: nil).

12 Property, plant and equipment, goodwill and intangible assets

	Unaudited			
	Property, plant and equipment	Goodwill	Intangible assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended June 30, 2015				
Opening net book amount				
as at January 1, 2015	24,522	159,813	7,808	192,143
Acquisition of a subsidiary (<i>Note 7</i>)	3,434	649,346	191,113	843,893
Additions	1,426	–	–	1,426
Disposals	(25)	–	–	(25)
Disposal of a subsidiary	(139)	–	–	(139)
Depreciation and amortization	(13,861)	–	(1,215)	(15,076)
Closing net book amount				
as at June 30, 2015	<u>15,357</u>	<u>809,159</u>	<u>197,706</u>	<u>1,022,222</u>
Six months ended June 30, 2014				
Opening net book amount				
as at January 1, 2014				
(as restated)	27,596	159,813	9,032	196,441
Currency translation differences	100	–	–	100
Additions	861	–	276	1,137
Disposals	(2,055)	–	–	(2,055)
Disposals of subsidiaries	(382)	–	–	(382)
Depreciation and amortization	(2,988)	–	–	(2,988)
Closing net book amount				
as at June 30, 2014 (as restated)	<u>23,132</u>	<u>159,813</u>	<u>9,308</u>	<u>192,253</u>

13 Trade and other receivables, and prepayments

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Trade receivables	143,429	232,198
Less: allowance for impairment of trade receivables	(53,965)	(53,702)
Trade receivables – net	89,464	178,496
Film deposits (<i>Note a</i>)	124,400	134,400
Other prepayments	4,259	2,024
Other receivables arising from:		
– Interest income receivable	59,942	14,060
– Refundable deposit in relation to acquisition of an investee (<i>Note b</i>)	24,000	24,000
– Disposal of art works	19,569	172,683
– Loans receivables	15,000	–
– Disposal of a subsidiary and a joint venture	538	19,101
– Refund of film investment cost	–	52,000
– Other receivables and deposits	20,685	55,570
Less: allowance for impairment of prepayment and other receivables	(3,318)	(2,187)
Other receivables and prepayments – net	265,075	471,651
Total trade and other receivables, and prepayments	354,539	650,147
Less: non-current portion	(120,494)	(124,400)
Current portion	234,045	525,747

As at June 30, 2015, non-current balances mainly represented prepayments for film deposits. The fair value of the current portion of trade and other receivables, and prepayments approximate their carrying value.

Notes:

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

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

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

- (b) In 2011, the Group signed an agreement with a third party pursuant to which the Group entrusted this third party with and paid a deposit of RMB24,000,000. The third party then submitted an application and paid the deposit to Shanghai United Assets and Equity Exchange (“SUAEE”) to express its intention to acquire for a 50% equity interest in another entity. The deposit is fully refundable after obtaining the approval of SUAEE and completion of the transaction. The demand for refund was submitted during the year ended December 31, 2012 and remained in progress as at June 30, 2015. In the opinion of the directors of the Company, the amount would be refunded within one year. Accordingly, the balance was classified as current asset.

The normal credit period granted to the trade customers of the Group generally ranges 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 ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Within 3 months	44,607	70,081
3 – 6 months	8,190	3,072
6 – 12 months	31,767	4,086
Over 1 year	58,865	154,959
	143,429	232,198

14 Share Capital

	Unaudited June 30, 2015	Audited December 31, 2014
	Number of shares	Share capital HK\$'000
Authorized:		
Ordinary shares of HK\$0.25 each	30,000,000,000	7,500,000

	Unaudited		
	Number of shares	Share capital HK\$'000	RMB'000
Ordinary shares, issued and fully paid:			
At January 1, 2015	21,034,991,410	5,258,748	4,253,771
Proceeds from shares issued (<i>Note a</i>)	4,199,570,000	1,049,892	828,113
At June 30, 2015	25,234,561,410	6,308,640	5,081,884
At January 1, 2014	8,325,372,564	2,081,343	1,731,568
Issue of shares upon exercise of warrants (<i>Note b</i>)	60,000,000	15,000	11,865
Issue of shares upon exercise of share options (<i>Note c</i>)	94,450,000	23,612	18,890
Issue of shares upon conversion of convertible notes (<i>Note d</i>)	30,000,000	7,500	6,000
Issue of subscription shares (<i>Note e</i>)	12,488,058,846	3,122,015	2,478,100
At June 30, 2014	20,997,881,410	5,249,470	4,246,423

Notes:

- (a) On June 11, 2015, the Company issued 4,199,570,000 new ordinary shares of HK\$0.25 each at a subscription price of HK\$2.90 per share to certain investors for aggregate subscription price totalling HK\$12,178,753,000 (equivalent to approximately RMB9,606,113,000). These shares represented approximately 16.64% of the enlarged issued share capital of the Company as at the date of subscription.
- (b) On March 18, 2014 and May 15, 2014, a total of 60,000,000 new ordinary shares of HK\$0.25 each were issued upon exercise of warrants at a subscription price of HK\$0.50 per share.
- (c) 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 at an exercise price of HK\$0.475 per share and HK\$0.56 per share respectively.
- (d) On June 13, 2014, 30,000,000 new ordinary shares of HK\$0.25 each were issued upon the conversion of the convertible notes.
- (e) On June 24, 2014, the Company issued 12,488,058,846 new ordinary shares of HK\$0.25 each at a subscription price of HK\$0.50 per share to Ali CV for aggregate subscription price totalling HK\$6,244,030,000 (equivalent to approximately RMB4,956,200,000). These shares represented approximately 59.61% of the enlarged issued share capital of the Company as at the date of subscription.

15 Share-based payment

Pursuant to 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.

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 fair values of the options granted on March 18, 2010 and May 4, 2010 under the 2002 Share Option Scheme using the Binomial Model were RMB15,706,000 (equivalent to HK\$19,802,000) and RMB4,031,000 (equivalent to HK\$5,082,000), respectively.

The fair values of the options granted on January 28, 2015, April 15, 2015, and April 28, 2015 under the 2012 Share Option Scheme using the Binomial Model were RMB174,088,000, RMB32,133,000 and RMB37,349,000 (equivalent to HK\$220,223,000, HK\$40,604,000 and HK\$47,292,000).

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 interim condensed 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:

	Unaudited June 30, 2015		Audited December 31, 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
Opening balance	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)
Closing balance	–	–	0.475	4,050,000

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

	Unaudited June 30, 2015		Audited December 31, 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
Opening balance	–	–	–	–
Granted	2.059	340,819,800	–	–
Exercised	–	–	–	–
Closing balance	2.059	340,819,800	–	–

16 Borrowings

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Entrusted loan	900,000	–

As at June 30, 2015, the Group had an outstanding entrusted loan of RMB900,000,000 from a subsidiary of AGHL obtained via Bank of Hangzhou. The loan is denominated in RMB, unsecured, unguaranteed and bears interest at 0.263% per month. The principal amount was repaid in August 2015.

17 Trade and other payables, and accrued charges

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Trade payables	21,188	29,104
Other tax payable	50,485	99,505
Payroll and welfare payable	10,346	4,202
Other payables, accrued charges and advanced from customers	54,042	42,871
	136,061	175,682

As at June 30, 2015, the aging analysis of trade payables based on invoice date is as follows:

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Within 3 months	971	8,662
3 – 6 months	–	8,092
6 – 12 months	7,867	–
Over 1 year	12,350	12,350
	21,188	29,104

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2015 (2014 interim: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Driven by the “Internet Plus” concept, transformations and advances in the traditional cultural industries are creating new growth opportunities in the sector. Looking broadly at the current trends and inter-connections in the ‘ecosystem’ of China’s cultural industries, there is a lack of companies that can reshape the entire industry chain and promote innovation and change in the sector. Given this opportunity, since Alibaba Group’s (AGHL and its subsidiaries) investment, the Group has continued to explore creative ways to integrate the internet and the traditional film and television industry in the area of C2B (customer to business) content creation, investment, production, research and development, as well as distribution models. For the same reason, the Group has worked to build e-commerce platforms focusing on promoting and selling different cultural and entertainment products. The objective is to combine the use of the internet with world-class technology and talent, to become a film and TV entertainment company which embeds the internet into its DNA and straddles the entire industry chain, letting it seize the significant opportunities arising from the advances and transformation in the industry.

As of June 30, 2015, the Group has basically completed the transformation and adjustment of its strategy and business segments. Within the interim period, it has created growth plans for each business and adopted plans to deploy resources. At present, the Group’s core businesses have been categorized into four main segments: film and television production centered on IP (intellectual property); internet-based promotion and distribution combining internet technologies and traditional off-line distribution; the building and operation of e-commerce platforms for entertainment as an extension of the Alibaba Group ecosystem and international operations that consolidate global resources, technologies and talents in order to compete in the global entertainment industry.

By gradually enhancing the organization of the four core areas, the Group will be able to play a full role in each key segment of the entertainment industry, and create a platform encompassing the entire industry chain. By fully leveraging its internet and e-commerce capabilities, this platform will help the sector develop an industry structure that differs from the traditional form and enhance competitiveness of Chinese entertainment industry in the global market.

To achieve its long-term development strategy, further implement strategic adjustments and transform in the industry, the Group has continued to deploy resources and make investments. In the six months ended June 30, 2015, the Group recorded a turnover from continuing operations of RMB22,938,000 (2014 interim: RMB49,109,000), and a

net loss attributable to the owners of the Company of RMB151,819,000 (2014 interim: net loss of RMB350,839,000). The loss was mainly due to (i) the Group's business transformation and the fact that most of the projects were still at the investment stage and did not contribute revenue during the reporting period; (ii) the grant of a total of 340,819,800 share options by the Group in the first half of 2015, resulting in RMB72,924,000 in share option expenses.

In the six months ended June 30, 2015, the Group's loss per share (basic and diluted) was RMB0.70 cents (2014 interim: basic and diluted loss per share of RMB4.00 cents). The net asset value per share attributable to the Owners of the Company as of June 30, 2015 was RMB0.62 (December 31, 2014: RMB0.29).

The Group is more focused on long-term strategic roadmap and sustainable development than profits in the near-term. Through continued research and investments in the entertainment and cultural industries, the Group hopes to acquire unique strengths in the industry and become a platform for the entire industry chain. By linking up different segments, such as investment, content creation, production, promotions, marketing, sales and distribution of movies and TV programmes, as well as selling of peripheral products, the Group hopes to grow the value of the Company and deliver stable returns to investors over the long term.

Business review

Content production

In the six months ended June 30, 2015, the Group increased its business in the content production segment across all fronts, which generated a revenue of RMB11,515,000. Due to the transformation of the business during this period and the majority of projects being in the investment stage, the segment made a loss of approximately RMB59,102,000 during the six months ended June 30, 2015.

During the reporting period, by virtue of previously accumulated IP content resources and the synergy between the Group and the Alibaba Group ecosystem, the Group had gradually established its leadership among similar companies focusing on IP on the Chinese mainland in film and television related content production.

In terms of film products, the Group launched two movie projects centered on IP during the period. One of these is the movie *Ferryman* (擺渡人) based on a popular novel in China. Funded mostly by the Group, the movie is produced by Mr. Wong Kar Wai and stars Mr. Tony Leung. The movie has begun shooting during the reporting period. In addition, the Group is the main backer of *Three Lives Three Worlds Ten Miles of Peach Blossom* (三生三世十里桃花), a film adaptation of the acclaimed Chinese fantasy romance novel of the same name. This project has also been launched and will boast a first-rate production team. Renowned director Mr. Zhang Yibai will take on directing duties, with the movie's leading role going to the famous movie star Ms. Liu Yifei. The two film projects have received a high degree of interest from the industry and market since their launch, laying a good foundation for their future promotion and distribution. Meanwhile, the Group also has priority rights to invest in future projects involving well-known directors such as Mr. Peter Chan and Mr. Wong Kar Wai in directing, producing, script – writing or other roles.

In terms of television, the Group has already published its production plan for fantasy romance series *Gujian Qitan 2* (古劍奇譚2). As the sequel to a fantasy and romance period drama that was hugely popular in China, the news received much attention from the market and a number of broadcasting platforms as soon as it broke, and sparked further interest in other productions by the Group.

In addition, the Group is also leading the pack in exploring C2B customized TV series models. In February 2015, the Group signed separate strategic cooperation framework agreements with Shenzhen Media Group and Guangdong Radio & Television Station to utilize each party's strengths in resources and channels to explore cooperation models for online TV series. The latter refers to the joint development and investment in the production of online TV series tailored to the needs of broadcasting platforms, as well as discussions on partnering e-commerce industry chains to coordinate the promotion of TV series and the sales of e-commerce products at the time of broadcast.

At present, the Group's first TV series cooperated with Shenzhen Media Group, *Tou Hao Qian Qi* 《頭號前妻》, is under production and the Group is also working closely with Guangdong Radio & Television Station on the first customized online TV series.

Internet-based promotion and distribution

During the reporting period, the Group actively researched traditional and internet – based promotion and distribution models, worked on an overall plan for a future promotion and distribution business framework, and made strategic investments in business operations. In the six months ended June 30, 2015, the promotion and distribution business brought the Group RMB10,323,000 in revenue. Segment loss amounted to approximately RMB15,644,000.

Aside from its routine promotion and distribution business planning, the Group had already started work on opening up its internet technology and application scenarios to the entire industry. The Group plans to gradually realize the internet distribution model in its strategic blueprint through comprehensive improvements to the internet capabilities of movie theaters, broadcasting platforms and other partners. During the reporting period, the Group's promotion and distribution business entered into an operational phase. On June 1, 2015, the Group entered into a sale and purchase agreement, under which the Group acquired the entire equity interests of Yueke for a consideration of RMB830 million. All terms and conditions of the sale and purchase agreement and the supplementary agreement had been satisfied within the reporting period. Yueke became a wholly-owned subsidiary of the Group as of June 10, 2015.

Yueke is one of China's largest suppliers of cinema-ticketing systems. The company's core business includes local ticketing systems, and a range of products including third-party (e-commerce) connecting platforms and automatic projection systems. Their business already covers over 1,500 movie theaters in China, roughly a third of the total number in China. At present, Yueke provides access ports to more than 30 mainstream third-party e-commerce movie ticketing platforms in China. Its service capabilities and market share are industry-leading.

The Group believes that combining Yueke's core products and services with the Group's internet-based technologies will help movie theaters connect with Alibaba Group's hundreds of millions of users, and extend the theaters' current customer base to the much larger base of e-commerce consumers. Meanwhile, Yueke will also prompt movie theaters to comprehensively upgrade their operating models and internet capabilities, which will help the Group build a promotion and distribution business platform that combines an internet model with offline resources.

On television media, another traditional channel, the Group will lower costs and have more room to expand the business through directly utilizing and operating through internet technologies. The Group has already commenced the cooperation with Alibaba Group to popularize a technology originating on Mobile Taobao, which will be used to improve existing revenue models for television media advertising operations. This will help television stations reach an enormous e-commerce user base through Alibaba Group, and rely on the newly acquired users to increase revenue. At the same time, it will be possible to drive sales by introducing traffic from sellers on Alibaba Group platforms. This will bring television media a new revenue source in addition to their traditional advertising revenue, while the Group will be able to generate income from providing technological solutions to the television media, as well as from advertising income and product sales. At present, this model is already operational, and it is expected that within a short period it will be expanded to more broadcasting platforms.

Entertainment e-commerce

Building on its businesses in content production, as well as in internet-based promotion and distribution, the Group also started to deploy resources to business activities related to its media channel-based e-commerce entertainment platforms, with a view of creating new sources of revenue. In the six months ended 30 June, 2015, business related to Entertainment e-commerce contributed revenue of RMB963,000. Segment loss was approximately RMB1,052,000.

During the reporting period, the Group kicked off substantive work on the construction of e-commerce entertainment platforms. The Group believes these platforms would benefit from the establishment of long-term and stable collaborative mechanisms for partners such as theaters and broadcasters, as well as continued efforts to unite and build synergies between Alibaba Group's current e-commerce ecosystem and the Group's businesses.

In more concrete terms, the work carried out includes: forecasting and driving movie theater attendance and operational efficiencies through internet-based methods, such as intelligent movie screenings and the analysis and use of data; and helping theaters operate and manage membership schemes by tapping the synergy with other resources in the Alibaba Group ecosystem. Aside from generating conventional box office revenue, the Group will create more growth potential for movie theaters, including through remaking conventional movie theater platforms into e-commerce models and applying the Group's proprietary internet tools and application environments.

Further, the Group can reap benefits from synergies with Alibaba Group's ecosystem. The ecosystem's e-commerce platforms and payment systems can support the commercial development, brand licensing and merchandise sales for film and television products.

Work has already started in full on the aforementioned tasks during the reporting period. It is expected that in the period ahead, the related exploratory work and work on integration will gradually unleash synergies.

International operations

During the period, the Group established an operation team in Los Angeles, U.S., and began to establish collaborative relationships with the world's top entertainment companies. On June 24, 2015, the Group announced that it had signed an agreement with Paramount Pictures Corporation to directly invest in the Hollywood blockbuster Mission: Impossible – Rogue Nation, and become an official partner for the promotion of the movie in China. The Group will also collaborate with Paramount Pictures Corporation in a number of areas including the online ticketing and selling of peripheral products of the movie. This agreement marks Alibaba Pictures' first steps towards globalization and attests to the Group's global search for quality IP, while also exploring other opportunities for collaboration.

Possible business injection

On March 25 and April 7, 2015, the Group received from Alibaba Group a non-binding proposal in respect of a possible business injection of certain media and entertainment businesses into the Group (the "Possible Business Injection"), and a further proposal with additional clarifications and details. The proposed assets in the Possible Business Injection include Alibaba Group's online movie ticketing business and a financing and investment platform for the production of movies and other media content. As Alibaba Group's flagship culture and film and television entertainment business, the Group expects that the injection of two high-quality assets would give the Group a stronger foundation for "Internet Plus". This would make the Group better placed to take on and consolidate Alibaba Group's many strategic advantages, including the large customer base it has built up and its leading big data and e-commerce ecosystems. It would also allow the Group to accelerate the development of an ecosystem that straddles the entire industrial chain in the cultural arena, and to continue to invest in the user experience by consolidating entertainment models, in order to create long-term value.

At this stage, Alibaba Group has not made any binding offer to the Company. No agreements have been entered into and no terms or timetable have been agreed upon in relation to the Possible Business Injection. If the latter were to proceed, it would be a connected transaction for the Group and would be subject to, among other things, independent shareholders' approval and all other applicable requirements under the Rules Governing the Listing of Securities on the HK Stock Exchange (the "Listing Rules").

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 of June 30, 2015, the Group maintained cash and bank balances of RMB14,641,146,000 (December 31, 2014: RMB5,048,295,000). As of June 30, 2015, the equity attributable to owners of the Company amounted to RMB15,546,476,000 (December 31, 2014: RMB6,067,656,000) with total borrowing of RMB900,000,000 (December 31, 2014: nil). As of June 30, 2015, the Group's gearing ratio (net borrowings deducting the cash and bank balances over total equity) was nil (December 31, 2014: nil).

On June 3, 2015, the Company entered into a placing agreement with placing agents in relation to the placing of an aggregate of 4,199,570,000 shares of the Company to certain investors at the placing price of HK\$2.90 per share. The placing shares represent approximately 16.64% of the total issued share capital of the Company as enlarged by the allotment and issue of the placing shares.

The placing represents a valuable opportunity for the Company to raise funds to 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\$3.62 per share as quoted on the HK Stock Exchange on June 1, 2015, being the last trading day immediately prior to the entering of the placing agreement. The net proceeds of approximately RMB9,556,419,000 from the placing were expected to be used as the Group's general working capital and/or for investments as and when opportunities arise. The placing has been completed on June 11, 2015. Immediately after completion of the placing, Ali CV's shareholding interest in the Group has decreased to 49.49%.

Since the completion of the placing to June 30, 2015 the Group has paid approximately RMB156 million for film and TV investments and distribution expenses, and approximately RMB50 million for general operating expenses and taxes. In the next year, the Group is expected to use not less than RMB2 billion for potential strategic acquisitions, not less than RMB1 billion for film and TV investments, and RMB900 million for the repayment of borrowings used for the acquisition of Yueke. The remaining proceeds will be used for other potential acquisitions, business development and for the general corporate purposes of the Group.

On January 28, 2015, April 15, 2015, and April 28, 2015, the Group granted options in respect of a total of 340,819,800 shares to certain eligible participants, subject to the acceptance of the grantees, under the share option scheme adopted by the shareholders of the Company on June 11, 2012. Each share option shall entitle the grantee to subscribe for one ordinary share of HK\$0.25 each in the capital of the Company upon exercise of such option. The exercise prices of these share options are HK\$1.67, HK\$4.09, and HK\$4.004 per share, respectively. The validity period of these share options is ten years starting from the grant date, with vesting schedule over a period of four to five years commencing from the employment date of the relevant grantees.

Foreign Exchange Fluctuation

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

Charges on Assets

As of June 30, 2015, the Group did not have any charge of assets (December 31, 2014: nil).

Contingent Liabilities

As of June 30, 2015, the Group had no material contingent liabilities (December 31, 2014: nil).

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2015, the Group, including its subsidiaries but excluding its associates, employed 299 (December 31, 2014: 209) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the reporting period, the Group constantly reviewed the risk and credit control systems of its businesses to improve the overall control system and mitigate the credit risk.

Future outlook

As described above, China's cultural industry is in a position of strong growth. However, the industry at present does not have an entertainment company that can play a leading role at a fundamental level, not to mention across the entire ecosystem chain. Nor does it have one that can drive efficiencies and increases in production across the entire industry. Alibaba Pictures Group has the internet capabilities and access to a very large user base, as well as the capability across the ecosystem to bring about steady improvements to traditional industry models, which will benefit the Group and enable it to clearly differentiate itself from other platform companies in the industry.

Based on its platform strategy, the Group will continue to make progress in its four main business segments of content production, internet-based promotion and distribution, entertainment e-commerce. It will continue to deploy resources and make investments. The Group hopes to open up the industry chain and spur improvements in industry models, thereby building a complete and sustainable business model for the Group's long-term growth.

In terms of content production and international operations, the Group will begin production work on more projects in succession this year. It will grow its business relationships within the industry to speed up implementation of the IP-based content production strategy. At present, the Group has already stockpiled over 30 IP assets from China and overseas, all of which enjoy corresponding market recognition and which the Group plans to progressively bring to market. The Group will continue to seek, acquire and develop relevant IP assets, and to lay a strong foundation for future content-production. This will maintain the growth trajectory of the content production business, and continue to augment the Group's strengths in the sector.

In terms of internet-based promotion and distribution, the Group will further open up its internet technology and service capabilities to the entire industry chain, to help various types of industry participants benefit from the Alibaba Group ecosystem. It will also further push the boundaries of the entertainment industry to connect industry players with a wider user base and application environment. In the future, the Group will establish long-term and stable partnership mechanisms for partners such as theaters and broadcasters, thereby allowing every industry participant to benefit from the Group's business model. This will further strengthen the Group's competitiveness and strategic operational strengths.

In terms of entertainment e-commerce and the related business, the Group will capitalize on IP resources, peripheral product sales and product placement through online and offline channels. It will also utilize Alibaba Group's well-developed marketing, payment and logistic tools, as well as theaters and broadcasters' showcase resources. These measures will enable it to form an e-commerce sales model centered on entertainment-related products, and generate revenue from providing technological services, products sales and advertising activities.

In sum, the aforementioned strategic plan will pave the way for the Group to gradually become an open service platform, as well as a key participant in the journey to re-build value in the entertainment industry. The Group expects to reap major benefits from the opportunities and market space created by the restructuring and upgrading in progress in the creative industries. Therefore, the Group will continue to organize and invest to open up the entertainment industry chain, in anticipation of creating sustained and steady returns for shareholders and investors.

CORPORATE GOVERNANCE

During the six months ended June 30, 2015, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for certain deviations which are summarized below:

Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended June 30, 2015, the Board only held one regular Board meeting for approving the annual results of the Company and its subsidiaries for the year 2014. However, the Board held a number of ad hoc meetings during the period 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.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Li Lian Jie, Ms. Song Lixin, Mr. Tong Xiaomeng and Ms. Zhang Yu were unable to attend the special general meeting of the Company held on February 16, 2015 due to their other respective pre-arranged commitments. In addition, Mr. Tong Xiaomeng was unable to attend the annual general meeting of the Company held on June 5, 2015 due to his other pre-arranged business engagement.

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 fully in compliance with the code provision B.1.2 following its amendment with effect from April 1, 2015. Before the adoption of the revised terms of reference of the Remuneration Committee, 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 prior Board considered that the Remuneration Committee should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of executive directors only and not senior management of the Company for the following reason: the Remuneration Committee, comprising only non-executive directors previously, was not in a position to evaluate the performance of senior management of the Company. The evaluation process was more effectively carried out by the executive directors who were in a better position to supervise senior management, monitor their performance, and hence, make meaningful assessment of their compensation.

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.

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, 2015.

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

Hong Kong, August 28, 2015

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