阿里巴巴·影业集团™
Alibaba·Pictures

Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1060)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 (collectively, the "Group") for the year ended December 31, 2016 together with the comparative figures for the previous year were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	3	**904,582**	263,717
Cost of sales and services	6	**(718,530)**	(288,781)
Gross profit/(loss)		**186,052**	(25,064)
Selling and marketing expenses	6	**(1,079,562)**	(111,947)
Administrative expenses	6	**(719,758)**	(277,580)
Other income	4	**63,414**	21,666
Other gains/(losses), net	5	**45,911**	(2,270)
Operating loss		**(1,503,943)**	(395,195)
Finance income	7	**545,921**	894,144
Finance expenses	7	**(11,975)**	(11,305)
Finance income, net		**533,946**	882,839
Share of profit/(loss) of investments accounted for using the equity method	10	**12,502**	(862)
(Loss)/profit before income tax		**(957,495)**	486,782
Income tax expense	8	**(18,649)**	(14,079)
(Loss)/profit for the year from continuing operations		**(976,144)**	472,703
Discontinued operations			
Loss for the year from discontinued operations		**–**	(6,689)
(Loss)/profit for the year		**(976,144)**	466,014
(Loss)/profit attributable to:			
Owners of the Company		**(958,576)**	466,040
Non-controlling interests		**(17,568)**	(26)

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
(Loss)/profit attributable to owners of the Company arises from:			
Continuing operations		**(958,576)**	472,729
Discontinued operations		**–**	(6,689)
(Loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company for the year *(expressed in RMB cents per share)*	9		
Basic (loss)/earnings per share			
From continuing operations		**(3.80)**	2.02
From discontinued operations		**–**	(0.03)
From (loss)/profit for the year		**(3.80)**	1.99
Diluted (loss)/earnings per share			
From continuing operations		**(3.80)**	2.02
From discontinued operations		**–**	(0.03)
From (loss)/profit for the year		**(3.80)**	1.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(976,144)**	466,014
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(3,402)**	14,437
Fair value gains on available-for-sale financial assets, net of tax	**301**	9,605
Other comprehensive (loss)/income for the year, net of tax	**(3,101)**	24,042
Total comprehensive (loss)/income for the year	**(979,245)**	490,056
Attributable to:		
– Owners of the Company	**(962,036)**	490,082
– Non-controlling interests	**(17,209)**	(26)
Total comprehensive (loss)/income for the year	**(979,245)**	490,056
Total comprehensive (loss)/income attributable to owners of the Company arises from:		
Continuing operations	**(962,036)**	496,771
Discontinued operations	**–**	(6,689)
	(962,036)	490,082

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**99,265**	57,136
Goodwill		**3,532,107**	3,490,574
Intangible assets		**176,901**	191,331
Investments accounted for using the equity method	10	**2,280,839**	19,081
Financial assets at fair value through profit or loss	11	**1,025,170**	–
Deferred income tax assets		**1,012**	18,310
Trade and other receivables, and prepayments	12	**93,391**	122,928
		7,208,685	3,899,360
Current assets			
Inventories		**890**	306
Film and TV copyrights		**809,004**	383,761
Trade and other receivables, and prepayments	12	**1,322,353**	789,113
Available-for-sale financial assets		**1,974,107**	1,102,006
Cash and cash equivalents		**6,220,966**	3,677,988
Bank deposits with the maturity over three months		**–**	7,089,781
Restricted cash		**2,027,057**	2,021,328
		12,354,377	15,064,283
Assets held-for-sale		**–**	12,218
		12,354,377	15,076,501
Total assets		**19,563,062**	18,975,861

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,081,884**	5,081,884
Reserves		**11,836,139**	11,113,927
		16,918,023	16,195,811
Non-controlling interests		**213,909**	(2,231)
Total equity		**17,131,932**	16,193,580
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**42,922**	48,965
		42,922	48,965
Current liabilities			
Trade and other payables, and accrued charges	13	**405,542**	670,666
Borrowings	14	**1,980,000**	1,980,000
Derivative financial liability		**–**	33,000
Current income tax liabilities		**2,666**	49,650
		2,388,208	2,733,316
Total liabilities		**2,431,130**	2,782,281
Total equity and liabilities		**19,563,062**	18,975,861

Notes:

1. General information

Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the operation of an internet-powered integrated platform which spans entertainment content promotion and distribution, serving consumers, studios, and cinema operators. It also invests in content production and develops innovative solutions for commercializing entertainment content.

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, 2016, 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 judgement in the process of applying the Group's accounting policies.

(a) *New amendments to 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, 2016:

Amendments to standards		**Effective for accounting periods beginning on or after**
Annual Improvements Projects	Annual Improvements 2012–2014 cycle	January 1, 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	January 1, 2016
Amendment to HKAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	January 1, 2016
Amendments to HKAS 1	Disclosure initiative	January 1, 2016

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, 2016 are not material to the Group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) *HKFRS 9, 'Financial instruments'*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new standards for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. Currently, the financial assets held by the Group include:

- instruments classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available under HKFRS 9; and

- instruments measured at fair value through profit or loss which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group did not have any such liabilities as at December 31, 2016. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules have no impact on the Group as the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after January 1, 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) *HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and the following areas, if applicable, may be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new standards on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after January 1, 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB221,380,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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, 2016, the Group has redefined its operating and reportable segments and the comparative figures for the year ended December 31, 2015 have been restated to conform to the current year presentation. During the year ended December 31, 2016, the Group's operating and reportable segments for continuing operations are as follows:

– Internet-based promotion and distribution: the operation of an integrated O2O platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas.

– Content production: the investment and production of entertainment content such as film and drama series both domestically and internationally.

– Integrated development: centered around copyrights, the development of professional services ranging from financing, business placement, promotion and distribution to merchandising.

– Other operations.

Segment revenue and results

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Internet-based promotion and distribution	**682,607**	136,250
Content production	**211,834**	124,220
Integrated development	**6,010**	2,807
Other operations	**4,131**	440
Total revenues from continuing operations	**904,582**	263,717

	For the year ended December 31, 2016				
	Internet-based promotion and distribution	**Content production**	**Integrated development**	**Other operations**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**682,607**	**211,834**	**6,010**	**4,131**	**904,582**
Segment results	**(607,448)**	**(243,486)**	**(14,955)**	**4,131**	**(861,758)**
Unallocated selling and marketing expenses					**(31,752)**
Administrative expenses					**(719,758)**
Other income					**63,414**
Other gains, net					**45,911**
Finance income					**545,921**
Finance expenses					**(11,975)**
Share of profit of investments accounted for using the equity method					**12,502**
Loss before income tax					**(957,495)**

	For the year ended December 31, 2015				
	Internet-based promotion and distribution	Content production	Integrated development	Other operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	136,250	124,220	2,807	440	263,717
Segment results	21,887	(99,143)	1,685	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

During the years ended December 31, 2016 and 2015, all of the segment revenue reported above is from external customers and there were no inter-segment sales.

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.

Segment assets and liabilities are not regularly reported to the Board of Directors of the Company and therefore information of separate segment assets and liabilities is not presented.

4. Other income

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Investment income on available-for-sale financial assets	**43,434**	5,063
Local government subsidies	**5,665**	13,551
Investment income on loan receivable	**4,579**	2,201
Sundry income	**9,736**	851
	63,414	21,666

5. Other gains/(losses), net

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Gain on derecognition of repurchase option upon expiry *(Note a)*	**33,000**	–
Change in fair value of financial assets at fair value through profit or loss	**25,170**	–
Change in fair value of assets held-for-sale *(Note b)*	**(12,218)**	(5,152)
Change in fair value of repurchase option	**–**	2,749
Others	**(41)**	133
	45,911	(2,270)

Notes:

(a) Amount represented the gain on derecognition of the repurchase option in relation to the acquisition of Guangdong Yueke Software Engineering Company Limited ("Yueke") which was expired on March 10, 2016.

(b) Amount represented additional write down of the carrying value of the investment in Beijing Beida Culture Development Co., Limited in 2016.

6. Expenses by nature

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Film and TV copyrights recognized as cost of sales and services *(Note)*	**622,038**	244,028
Cost of inventories and digital vouchers recognized as cost of sales and services	**32,198**	4,290
Marketing and promotion expenses	**1,076,624**	64,835
Employee benefit expense	**540,900**	241,788
Depreciation and amortization	**44,330**	31,554
Impairment provision/(reversal of impairment provision) for trade and other receivables, and prepayments	**43,693**	(6,916)
Operating lease payments	**36,119**	29,525
Travel and entertainment fees	**29,940**	6,106
Payment processing fees	**22,863**	–
SMS platform service and customer services support fees	**11,348**	–
Technology service fees	**7,707**	–
Auditor's remunerations		
– Audit services	**3,000**	3,000
– Non-Audit services	**750**	2,491
Other expenses	**46,340**	57,607
Total cost of sales and service, selling and marketing expenses and administrative expenses	**2,517,850**	678,308

Note:

Amount included an impairment loss on film and TV copyrights of RMB28,269,000 in 2016 (2015: RMB70,538,000).

7. Finance income and expenses

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**118,386**	165,584
– Exchange gain, net	**427,535**	728,560
	545,921	894,144
Finance expenses		
– Interest expenses on bank borrowings	**(11,975)**	(4,204)
– Interest expenses on entrusted loan from a related party	**–**	(7,101)
	(11,975)	(11,305)
Finance income, net	**533,946**	882,839

8. Income tax expense

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**7,494**	31,945
Deferred income tax	**11,155**	(17,866)
	18,649	14,079

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (2015: 25%) on the assessable income of each of the group companies, except that one subsidiary of the Company is taxed at a preferential tax rate of 15% (2015: 25%) under the relevant PRC tax rules and regulations.

No provision for Hong Kong and the United States of America (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.

9. (Loss)/earnings per share

	For the year ended December 31,	
	2016	2015
	RMB cents	*RMB cents*
Basic (loss)/earnings per share		
From continuing operations	**(3.80)**	2.02
From discontinued operations	**–**	(0.03)
From (loss)/profit for the year	**(3.80)**	1.99
Diluted (loss)/earnings per share		
From continuing operations	**(3.80)**	2.02
From discontinued operations	**–**	(0.03)
From (loss)/profit for the year	**(3.80)**	1.99

(a) Basic

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

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit from continuing operations attributable to owners of the Company	**(958,576)**	472,729
Loss from discontinued operations attributable to owners of the Company	**–**	(6,689)
(Loss)/profit attributable to owners of the Company	**(958,576)**	466,040
Weighted average number of ordinary shares in issue (thousands)	**25,234,561**	23,382,148

(b) Diluted

Diluted earnings or loss 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, 2016, which is share option. 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 or loss per share.

The computation of diluted loss per share for the year ended December 31, 2016 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

The computation of diluted earnings per share for the year ended December 31, 2015 is as follows:

	For the 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)
Profit attributable to owners of the Company	466,040
Weighted average number of ordinary shares in issue (thousands)	23,382,148
Adjustment for:	
– Share options (thousands)	35,314
Weighted average number of ordinary shares for diluted earnings per share (thousands)	23,417,462

10. Investments accounted for using the equity method

Investment in associates

	For the year ended December 31, 2016 *RMB'000*	2015 *RMB'000*
At January 1,	**19,081**	18,804
Additions	**2,248,893**	–
Share of profit/(loss) of investments	**12,502**	(862)
Currency translation differences	**363**	1,139
At December 31,	**2,280,839**	19,081

The Board of Directors of the Company are of the view that none of the Group's associates is individually material to the Group as at December 31, 2016.

Nature of investment in associates as at December 31, 2016 and 2015:

Name of entity	Place of business/ region of incorporation	% of ownership interest 2016	2015	Measurement method
Mandarin Vision Inc. 華文創股份有限公司	Taiwan	**37.308%**	37.308%	Equity
Hainan Alibaba Pictures Investment Management Limited 海南阿里巴巴影業投資管理有限公司	PRC	**40%**	–	Equity
ShenCheng Film Limited Company 申城影業有限公司	PRC	**20%**	–	Equity
Hainan Alibaba Pictures Entertainment Industry Investment Fund (LLP) 海南阿里巴巴影業文化產業基金合伙企業（有限合伙）	PRC	**25%**	–	Equity
Shanghai Xiying Culture Communication Limited Company上海希映文化傳播有限公司	PRC	**11.18%***	–	Equity
Bona Film Group Limited 博納影業集團有限公司 ("BONA Beijing")	PRC	**8.24%***	–	Equity
Shanghai Zhuying Investment Management Consulting Limited Company上海築影投資管理諮詢有限公司	PRC	**7.53%***	–	Equity

Name of entity	Place of business/ region of incorporation	% of ownership interest 2016	2015	Measurement method
Beijing Yue Kai Film & Television Media Limited Company 北京悦凱影視傳媒有限公司	PRC	**14.82%***	–	Equity
Shanghai Mingjian Limited Company上海鳴澗影業有限公司	PRC	**6.49%***	–	Equity
Showtime Analytics Limited	Ireland	**20%**	–	Equity
Storyteller Holding Co., LLC	USA	**5%***	–	Equity
HeHe (Shanghai) Film Limited Company和和(上海)影業有限公司	PRC	**30%**	–	Equity

* Although the Group holds less than 20% of the equity shares of these investees, the Group can exercise significant influence over the investees by virtue of its contractual right to appoint director to the board of directors of the investees and has the power to participate in the key financial and operating decisions of the investees. As such, the investment in these investees were accounted for using the equity method.

11. Financial assets at fair value through profit or loss

	As at December 31, 2016 RMB'000	2015 RMB'000
Convertible bonds	**1,025,170**	–

The balance represents the convertible bonds issued by Dadi Cinema (HK) Limited ("Dadi"), a subsidiary of Nan Hai Corporation Limited (whose shares are listed on the HK Stock Exchange), which are compound instruments and designated as financial assets at fair value through profit or loss.

The issuance of the convertible bonds was completed on June 15, 2016 (the "Issue Date"). The convertible bonds bear interest at 1.95% per annum and have a conversion period of three years (the "Conversion Period").

The Group can, at any time during the Conversion Period, convert all the convertible bonds into ordinary shares of Dadi at a conversion price determined in accordance with the terms of the subscription agreement of the convertible bonds.

In terms of redemption, the Group can, at any time after the second anniversary of the Issue Date, require Dadi to redeem all the convertible bonds outstanding at an amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Group (the "Redemption Price"). Upon maturity of the Conversion Period, Dadi will redeem all the convertible bonds outstanding (which have not been redeemed or converted) at the Redemption Price.

As at the Issue Date and December 31, 2016, the fair value of the convertible bonds was determined by an independent qualified valuer.

12. Trade and other receivables, and prepayments

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables *(Note a)*		
– Related parties	**100,801**	–
– Third parties	**211,368**	280,513
Less: allowance for impairment of trade receivables	**(31,028)**	(51,948)
Trade receivables – net	**281,141**	228,565
Prepaid film deposits	**90,000**	120,000
Prepayment for investment in film and TV copyrights	**32,421**	16,702
Prepayment for investment *(Note b)*	**45,000**	–
Prepayment to related parties	**97,952**	–
Other prepayments	**23,140**	10,795
Other receivables arising from:		
– Refund receivable in relation to the restructuring of BONA Beijing *(Note c)*	**506,179**	–
– Receivables in respect of Yulebao's business	**201,813**	382,895
– Receivables from related parties	**63,043**	–
– Deductable VAT input	**34,031**	–
– Refundable investment cost *(Note d)*	**12,000**	2,090
– Interest income receivables	**8,063**	24,132
– Refundable deposit in relation to acquisition of an investee	**–**	24,000
– Loan receivable	**–**	15,000
– Investment income receivable	**–**	2,201
– Disposal of a subsidiary and a joint venture	**–**	538
– Other receivables and deposits	**55,052**	86,723
Less: allowance for impairment of prepayment and other receivables	**(34,091)**	(1,600)
Other receivables and prepayments – net	**1,134,603**	683,476
Total trade and other receivables, and prepayments	**1,415,744**	912,041
Less: non-current portion	**(93,391)**	(122,928)
Current portion	**1,322,353**	789,113

As at December 31, 2016, non-current balances mainly represent prepayments for film deposits. The prepaid film deposits represented the prepayments made by the Group to Mr. Chan Ho Sun, Ms. Chai Zhi Ping and Mr. Wong Kar Wai pursuant to the film cooperation agreements respectively. The fair values of the current portion of trade and other receivables, and prepayments approximate their carrying values.

Notes:

(a) Trade receivables

The normal credit period granted to the debtors of the Group is generally ranging from 30 days to one year. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtor. Credit limits granted to debtors 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 debtors; (ii) industry practice in settlement; and (iii) subsequent settlement amounts.

The following is an aging analysis of trade receivables based on recognition date:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
0 – 90 days	**192,433**	99,276
91 – 180 days	**45,498**	99,699
181 – 365 days	**40,830**	16,773
Over 365 days	**33,408**	64,765
	312,169	280,513

(b) The balance represented the prepayments for investments in certain unlisted companies, which had been completed in January 2017.

(c) The balance represented the refund receivable in relation to the restructuring of BONA Beijing, which is expected to be collected in 2017.

(d) The balance as at December 31, 2016 represented the refundable investment cost in relation to a film, which had been collected in January 2017.

13. Trade and other payables, and accrued charges

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note a)*		
– Related parties	**5,964**	–
– Third parties	**31,172**	27,534
	37,136	27,534
Other payable and accrued charges		
Other tax payable	**59,264**	63,987
Payroll and welfare payable	**55,616**	45,316
Amounts due to related parties	**52,105**	466,147
Payable in respect of Yulebao's business	**41,187**	–
Advance from customers	**34,711**	9,555
Payable in relation to distribution of films	**29,489**	14,305
Accured marketing expense	**29,312**	–
Professional fees payable	**9,288**	9,789
Payable for property, plant and equipment	**6,863**	–
Interest payable	**4,587**	2,112
Consideration payable for business combination	**3,900**	–
Other payables and accrued charges	**42,084**	31,921
	368,406	643,132
Total trade and other payables, and accrued charges	**405,542**	670,666

Note:

(a) As at December 31, 2016, the aging analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
0 – 90 days	**21,914**	15,146
91 – 180 days	**286**	–
181 – 365 days	**404**	58
Over 365 days	**14,532**	12,330
	37,136	27,534

14. Borrowings

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Bank borrowings – current, secured and denominated in RMB	**1,980,000**	1,980,000

Bank borrowings are secured by restricted cash of RMB2,007,439,000 (2015: RMB2,001,938,000), repayable at the discretion of the Group and bear interest at 0.3% per annum.

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

15. Dividends

The Board has resolved not to recommend the payment of a dividend for the year ended December 31, 2016 (2015: Nil).

DIVIDEND

The Board has resolved not to recommend the payment of a dividend for the year ended December 31, 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major indicators of the financial results for the years ended December 31, 2016 and 2015 are summarised in the table below:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Revenue	**904,582**	263,717
Gross profit/(loss)	**186,052**	(25,064)
(Loss)/profit for the year from continuing operations	**(976,144)**	472,703
Discontinued operations		
Loss for the year from discontinued operations	**–**	(6,689)
(Loss)/profit for the year	**(976,144)**	466,014
(Loss)/profit attributable to owners of the Company	**(958,576)**	466,040

	Segment revenue Year ended December 31,		**Segment results Year ended December 31,**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Continuing operations				
Internet-based promotion and distribution	**682,607**	136,250	**(607,448)**	21,887
Content production	**211,834**	124,220	**(243,486)**	(99,143)
Integrated development	**6,010**	2,807	**(14,955)**	1,685
Other operations	**4,131**	440	**4,131**	221
Total	**904,582**	263,717	**(861,758)**	(75,350)

OVERVIEW

In 2016, the movie industry in China continued to witness healthy development, while the box office growth slowed down. According to China's State Administration of Radio, Film and Television ("SARFT"), the box office across the country amounted to RMB45.7 billion in 2016, representing a growth of 4% year-on-year. According to data from SARFT and National Association of Theatre Owners in the U.S., the number of cinema admissions in China have surpassed that of North America for the first time in 2016. In this fast growing industry, the Group continued to invest capital and resources into its entertainment ecosystem which centered on the Internet, further enhancing its business capacity. In 2016, the Group obtained significant results in integrating operating assets including Yueke and Tao Piao Piao, and achieved a robust revenue growth of 243% year-on-year to RMB904.6 million.

Over the past years, online movie ticketing in China has been growing rapidly. By the Group's estimate, nearly 80% of all movie tickets sold in China are being purchased through online movie ticketing platforms. Not only have online movie ticketing platforms changed the consumer-end spending pattern, they have also become important partners of studios and cinemas gradually. According to the Ent Group, more than 450 new films were released in Mainland China in 2016. In addition to providing convenience in ticket purchase, online movie ticketing platforms have become an important channel for the release of film information. The number of cinemas has been growing continuously over the past years. According to SARFT, as of the end of 2016, there were more than 7,800 cinemas across the country, representing an increase of 23% year-on-year.

In 2016, the Group recorded a net loss of RMB976.1 million, compared with a profit of RMB466.0 million in the previous year. The net loss in 2016 was primarily attributable to the marketing expenses incurred by Tao Piao Piao, mainly consisting of ticket subsidies to movie-goers. Utilizing this marketing strategy, Tao Piao Piao has successfully built a user base, with its market share rising continuously. As of December 31, 2016, Tao Piao Piao, the Group's online movie ticketing platform, had accessed more than 6,000 cinemas. The O2O movie ticketing model has moved gradually into a mature stage. In the meantime, Tao Piao Piao had expanded its revenue base gradually in the second half of 2016. The Group will adjust and optimize the business model of Tao Piao Piao flexibly in response to market conditions in a timely manner.

In the fourth quarter of 2016, the Group made certain adjustments to the governance functions and the management. Mr. Yu Yongfu was appointed as chairman of the Board and CEO. Mr. Yu has extensive experience in investment, business venture and business management. He is currently developing the overall operating strategy for the Group, and reviewing and adjusting each business segment. The business segments following the adjustments include: (i) internet-based promotion and distribution, (ii) content production, and (iii) integrated development.

The Group will firmly maintain its focus on the cultural and entertainment industry. In addition to enhancing the core competence of individual business lines, the Group will experiment the integration of resources with Alibaba Group's Cultural and Entertainment unit, and actively develop innovative business models.

BUSINESS REVIEW

INTERNET-BASED PROMOTION AND DISTRIBUTION

During the year, the Group continuously invested substantial resources and efforts in integrating the online movie ticketing platform Tao Piao Piao with the Group's existing resources, with a view to improving its overall business profile. Combining both online and offline promotional and distribution capabilities, Tao Piao Piao has strengthened its core competitive strength and differentiated itself from some of its competitors in terms of its products and operations. In 2016, Tao Piao Piao participated in the promotion and distribution of a number of films including Skiptrace (絕地逃亡), The BFG (圓夢巨人) and Cock and Bull (追凶者也), thereby obtaining invaluable experience and becoming an important partner of studios in promotion and distribution. In May 2016, Tao Piao Piao completed Series A financing of RMB1.7 billion. The proceeds were used to support the implementation of Tao Piao Piao's operating plan. Benefiting from its effective market strategy, Tao Piao Piao's market share has been rising significantly since 2016. Beginning from the second half of 2016, Tao Piao Piao has further expanded its revenue base, making significant contribution to the Group's revenue growth.

Along with the rising trend of overall box office and online movie ticketing, Yueke showed steady performance in 2016, making significant contribution to the Group's revenue and profit.

In terms of financial results, the Group's internet-based promotion and distribution business line generated RMB682.6 million of revenue in 2016, a significant increase from RMB136.3 million for 2015. However, as a result of the marketing expenses incurred by Tao Piao Piao, the segment loss for the year amounted to RMB607.4 million compared with a segment profit of RMB21.9 million for 2015.

In order to further enhance the promotion and distribution chain in the industry, the Group invested in small cinema operators and promotion and distribution companies of certain strength in 2016. These strategic assets helped the Group gain an insight into the business characteristics and demand of the participants in the industry chain quickly, enabling the Group to develop more services and products with added value for studios and cinemas through its powerful Internet-based promotion and distribution system.

CONTENT PRODUCTION

In 2016, the Group made steady progress on each project of content production. Of the films produced by the Group, Soul Mate (七月與安生) and Ferry Man (擺渡人) received 12 and 7 nominations respectively at the 36th Hong Kong Film Awards. Two actresses of Soul Mate were both awarded the Best Actress at Golden Horse Awards in 2016. Alibaba Pictures will continue to develop and produce quality contents. The filming for Once Upon a Time (三生三世十里桃花), a film adaptation of the acclaimed Chinese fantasy romance novel of the same name, has been completed and its visual effect is currently being developed. This film is scheduled to debut during the summer of 2017. Also, Ao Jiao Yu Pian Jian (傲嬌與偏見), a romance comedy developed and produced by the Group, is scheduled to be released in April 2017. Other major projects in early stage development include Gujian Qitan 2 (古劍奇譚2), the theme of which was derived from a widely popular game of the same name. Gujian Qitan 2 will be developed into a film and a TV drama, both of which will feature industry leading visual effects.

The content production segment now consists of both domestic and international content production. Following the release of Mission: Impossible – Rogue Nation in 2015, two films produced by the Group in collaboration with Paramount Pictures, namely Teenage Mutant Ninja Turtles: Out of the Shadows and Star Trek Beyond, were released in 2016. In 2016, the content production segment recorded revenue of RMB211.8 million, higher than the revenue of RMB124.2 million in the previous year. However, as the box office of some projects fell below expectation, the content production segment recorded a loss of RMB243.5 million, compared with a loss of RMB99.1 million for the previous year. In 2016, the Group invested in Amblin Partners, the film studio of Steven Spielberg, a well-known director in Hollywood, thereby further enhancing its ability to source and participate in international projects.

As it is known, content production often involves significant upfront capital and time investment. In 2016, the Group was still in an expansion cycle in terms of content production. In respect of the strategy for the content production business in the future, the Group will also place emphasis on the development and transformation of TV dramas in addition to films. Given the changes in the habits of movie-goers and the rapid growth of online viewing, video websites will become an important channel for the distribution of contents. Accordingly, internet dramas will become one of the areas that the Group will focus on.

INTEGRATED DEVELOPMENT BUSINESS

The Group's former Yulebao business (including Yulebao business and copyright licensing business) had been upgraded into the Group's Integrated Development Department during the year. Yulebao business maintains the financial feature of B end (studios) and the entertaining feature for C end (users). The Group aims to provide more financial services for B end while continuously improving user experience and increasing the value of entertainment for C end. Given the large number of participants in the financing portal of C end, the business will also cater for studios' need for promotion and distribution in the future. After a full year of experiment last year, the team of the copyright licensing business has enhanced its efficiency and launched successful projects of derivative merchandise and goods, such as Star Trek. In addition to the licensing business, the team will try to develop new copyright-related services. The new business model will try to connect with the e-commerce platform of Alibaba, integrate the user traffic of the platform with the resources of merchants, and develop better differentiated value-added services. The Integrated Development Department will focus on copyrights, and encompassing each business value chain, provide a series of professional services ranging from financing, business placement, copyright promotion and distribution to the development of related merchandise, offering a brand new service model for integrated copyright development.

As the integrated development business was at an early stage of development, this segment recorded revenue of RMB6.01 million and a loss of RMB14.96 million in 2016, compared with revenue of RMB2.81 million and segment profit of RMB1.69 million in 2015.

PROSPECTS

Management is aware that the film industry, both in terms of content and marketing channels to the users, is experiencing a transformation from digitalization to networked, and further to intelligence stage. Particularly, in China, such transformation is progressing rigorously.

In view of the rapid evolution of industry structure and consumer behavior, the Group will continue to formulate its business layout and upgrade its services around the entertainment ecosystem in the long run. Relying on data and technological strength, and tapping opportunities that arise from movement of the film industry towards digitalization, networked and intelligence, the Group intends to build a new infrastructure for the entertainment industry.

For C end (users), the Group will, leveraging the resources in Alibaba Group's ecosystem and the resources in its media and entertainment segment, create a distribution platform for film media driven by content, with an aim to provide a broader range of entertainment and consumption information to the users, Tao Piao Piao is expected to transform from a "ticketing platform" to a "social platform revolving around movie content", and in doing so provides the industry with a content promotion and distribution tool.

For B end (studios and cinemas), the Group will upgrade and innovate its existing products and services to be more digitalized, net-based, and intelligence-based. The provision of cloud supported system and solutions will enhance the operational efficiency of cinemas, such that, the Group's products and services could become the industrial infrastructure, and thus be able to serve a wider range of customer groups.

In addition, utilizing its internet resources and capabilities, the Group will continue to explore innovative promotion and distribution channels and methods to gradually build a digital and intelligent promotion and distribution model, for the purpose of enhancing promotion and distribution efficiency, which will create greater value for the studios.

In terms of content, through the accumulation of experiences and cultivation of know-hows, the Group will discover and address the critical issues in the content ecosystem, thus enabling it to accelerate its development on steady footing. Through accelerating cross-development among movie and drama, variety show, literature, and gaming, and expediting the implementation of systematic and sustainable content production, the Group will help enhance the efficiency of the industry and enable the exploration of new commercial model, and continue the upgrade of its new infrastructure.

FINANCIAL REVIEW

Revenue and Profit

During the reporting period, the Group recorded revenue of RMB904.6 million, representing an increase of 243% year on year. Gross profit during the reporting period was RMB186.1 million, compared with a gross loss of RMB25.1 million for the previous year. The increase in revenue was mainly attributable to the contribution from Tao Piao Piao, Yueke and content production.

Net loss attributable to the owners of the Company amounted to RMB958.6 million, compared with a net profit of RMB466.0 million in 2015. The net loss in 2016 was mainly due to an increase in the marketing expenses and administrative expenses of Tao Piao Piao. As Alibaba Pictures completed the acquisition of Tao Piao Piao on December 31, 2015, its statement of profit or loss for 2015 was not consolidated into the Group's financial statements.

For the year ended December 31, 2016, loss per share (basic and diluted) for the Group amounted to RMB3.80 cents, compared with earnings per share of RMB1.99 cents for the previous year.

Selling, Marketing and Administrative Expenses

Selling and marketing expenses for 2016 were RMB1.08 billion, compared with approximately RMB111.9 million in 2015. The increase in selling and marketing expenses was primarily attributable to the marketing expenses incurred by Tao Piao Piao in its efforts to attract movie-goers to use Tao Piao Piao's online ticketing platform.

Administrative expenses increased from RMB277.6 million to RMB719.8 million year on year mainly due to increased employee benefit expenses related to higher headcounts across multiple functions as a result of the acquisitions of Tao Piao Piao and Yulebao.

Finance Income

For the year 2016, the Group recorded finance income of RMB545.9 million and net finance income of RMB533.9 million. The Group's cash reserves are held in multiple currencies. Both interest income and foreign exchange gains contributed to finance income.

Material Investments

The Group continued to utilize the proceeds from its equity placement in June 2015 to invest in various businesses in its industry. In 2016, approximately RMB3.25 billion were used for such investments which included a subscription of convertible bonds issued by Dadi Cinema Group with an aggregate principal amount of RMB1.0 billion, further investments into BONA Film Group, investments in Hehe Film and Amblin Partners, as well as investment for the establishment of an investment fund for investing in companies along the value chain of the movie and TV entertainment industry. The investment in Dadi Cinema Group was accounted for as financial assets at fair value through profit or loss and the other investments were accounted for as investments accounted for using the equity method.

Financial Resources and Liquidity

As at December 31, 2016, the Group had cash and cash equivalents of approximately RMB6.2 billion in multiple currencies. The Group had available-for-sale financial assets of approximately RMB2.0 billion. The available-for-sale financial assets mainly represent investments in wealth management products issued by listed banks in the PRC with expected return range from 2.46% to 4.44% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB43.4 million from its available-for-sale financial assets in 2016. The investments in wealth management products under available-for-sale financial assets were made in line with the Group's treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. The Group's significant cash reserves give it the financial means to undertake a variety of business initiatives and projects in the near future, including potential acquisitions of strategic assets to complement the Group's existing businesses. As at December 31, 2016, the Group had no long-term debt obligations. Short-term borrowings were denominated in Renminbi and amounted to RMB1.98 billion, which are secured by restricted cash of approximately RMB2.0 billion and repayable in advance at the discretion of the Group, and bear interest at 0.3% per annum. The Group is in a net cash position and its gearing ratio (net borrowings deducting cash and bank balances over total equity) was nil (December 31, 2015: nil).

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD and HKD. Although the majority of production costs and administrative expenses are denominated in RMB, many investment opportunities and collaborations with studios outside Mainland China require foreign currencies. The Group continues to monitor capital needs closely and manage foreign currency exposure accordingly. The Group has not used any currency hedging instruments.

Charge on Assets

As at December 31, 2016, the Group did not have any charge on assets (December 31, 2015: nil).

Contingent Liabilities

As at December 31, 2016, the Group did not have any material contingent liabilities (December 31, 2015: nil).

Employees

As at December 31, 2016, the Group, including its subsidiaries but excluding its associates, had 863 (December 31, 2015: 521) employees. Taken into account the share-based compensation (including, in particular, share-based payment under the share option scheme of the Company adopted in June 2012), the total employee benefit expenses of the Group were RMB540.9 million in 2016, compared to RMB241.8 million in 2015. The remuneration policies of the Group are based on 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, 2016, the Company has applied and complied with the applicable code provisions of the Corporate Governance Code (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.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu Yongfu, appointed as the chairman of the Board on November 21, 2016, also acts as the chief executive officer of the Company with effect from December 5, 2016. The Board considers that vesting the roles of both chairman and chief executive officer in the same person will facilitate the development and execution of the Group's business strategies, and enhance its internet and e-commerce capabilities, which will help the Company overcome market challenges and create more value for the shareholders of the Company. The Board believes that the balance of power and authority under the present arrangement will not be impaired and adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

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 independent non-executive director ("INED") and comprise a majority of INEDs. Following the resignation of Ms. Zhang Yu as a member with effect from November 3, 2015, the composition of the nomination committee of the Company did not meet the requirement that it shall comprise a majority of INEDs. 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 compliance with code provision A.5.1 with effect from January 29, 2016.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Tong Xiaomeng and Ms. Song Lixin, INEDs of the Company, were not able to attend the annual general meeting of the Company held on June 24, 2016 ("2016 AGM") due to their personal engagements during the meeting time.

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 Board 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 E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Shao Xiaofeng, the then chairman of the Board, was not able to attend the 2016 AGM due to his personal engagement during the meeting time.

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, 2016.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended December 31, 2016. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2016 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

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, 2016.

On behalf of the Board
Alibaba Pictures Group Limited
Yu Yongfu
Chairman & Chief Executive Officer

Hong Kong, March 30, 2017

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