

Alibaba film unit finds possible accounting issues

August 15 2014, by Kelvin Chan

The recently acquired film unit of Chinese e-commerce giant Alibaba said Friday that a review has uncovered possible accounting irregularities.

The disclosure by Alibaba Pictures Group comes as its [parent company](#) readies for what's expected to be a mammoth [initial public offering](#) in New York next month.

Alibaba Pictures said in a statement to the Hong Kong stock exchange that a new management team found "certain possibly non-compliant treatment of financial information" in the [company's](#) accounts. As a result, it is delaying the release of its first-half earnings.

The company said the accounting irregularities date to before Alibaba's purchase of the company in June.

Alibaba has made a slew of other recent acquisitions, including the purchase of a 50 percent stake in China's most popular soccer team, Guangzhou Evergrande.

The film business said the discrepancies mean it's likely that there has been "insufficient provision for impairment of certain assets" in the January-June period. That could mean the company has valued assets at more than they are worth.

An audit committee is investigating whether it would affect the

company's previous financial reports. Shares of Alibaba Pictures have been suspended from trading until further notice.

Alibaba bought 60 percent of the film company, previously known as ChinaVision Media Group, for more than \$800 million as part of its push into online content. The film company said in July it has signed development deals with "leading movie producers and directors" including Wong Kar-wai, director of films including "The Grandmaster" and "In The Mood for Love."

While little known in the United States, Alibaba is an e-commerce powerhouse that earns more than Amazon.com Inc. and eBay Inc. combined.

The company, whose IPO could top the \$16 billion raised by Facebook two years ago, has helped drive the rise of e-commerce in China and is now expanding into other businesses amid intensifying competition among the country's Internet companies.

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