

Acorn International, Inc.
Form 20-F
May 13, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to .

Commission file number: 001-33429

Acorn International, Inc.

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

19/F, 20th Building, 487 Tianlin Road, Shanghai 200233

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing three	New York Stock Exchange

ordinary shares, par value \$0.01 per share

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:
83,049,791

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transaction report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other
If Other has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report only, references to:

ordinary shares are to our ordinary shares, par value \$0.01 per share;

ADSs are to our American depositary shares, each of which represents three ordinary shares;

ADRs are to American depositary receipts, which, if issued, evidence our ADSs;

\$, US\$, USD and U.S. dollars are to the legal currency of the United States;

China and the PRC are to the People's Republic of China, excluding Taiwan and the special administrative regions of Hong Kong and Macau;

variable interest entities, or VIEs, refer to Shanghai Acorn Network Technology Development Co., Ltd., Beijing Acorn Trade Co., Ltd., Shanghai HJX Digital Technology Co., Ltd. and Beijing HJX Technology Development Co., Ltd., four domestic PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP due to our having effective control over, and our being the primary beneficiary of, the four companies;

consolidated affiliated entities refer to our variable interest entities and their direct and indirect subsidiaries;

RMB and Renminbi are to the legal currency of China; and

we , us , our , our company and our Group refer to Acorn International, Inc., its predecessor entities, subsidiaries and consolidated affiliated entities, as the context may require.

This annual report on Form 20-F includes our audited consolidated statements of operation data for the years ended December 31, 2012, 2013 and 2014, and audited consolidated balance sheet data as of December 31, 2013 and 2014.

We and certain of our shareholders completed the initial public offering of 8,855,000 ADSs in May 2007. Our ADSs are listed on the New York Stock Exchange under the symbol `ATV` .

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements based on our current expectations,

assumptions, estimates and projections about us and our industry. These statements involve known and unknown risks, uncertainties and other factors, including those listed under Risk Factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigations Reform Act of 1995. In some cases, these forward-looking statements can be identified by words or phrases such as aim , anticipate , believe , continue , estimate , expect , intend , is/are likely to , may , plan , potential expressions. The forward-looking statements included in this annual report relate to, among others:

anticipated operating results for the first quarter of 2015;

our ability to reduce our losses, generate cash flows and fund our operations, particularly given the qualification included in the audit report accompanying our 2014 financial statements;

our goals and strategies and our expansion plans;

expected trends in our direct-sales platform and our distribution network, and in our margins and certain cost or expense items as a percentage of our net revenues;

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our future business development, financial condition and results of operations;

our ability to introduce successful new products and attract new customers;

our ability to maintain and build our brand and revenue for our direct-sales products, particularly following our decision to terminate the purchase of TV airtime for TV direct-sales;

our ability to manage our featured product lines;

competition from companies in a number of industries, including internet companies that provide direct-sales marketing in China for consumer products;

expected changes in our revenues and certain cost or expense items resulting from changes in our business strategies in response to the new regulatory environment in China;

our ability to effectively control our cost of sales and efficiently access media channels;

PRC governmental policies and regulations relating to our businesses;

general economic and business condition in China and elsewhere; and

assumptions underlying or related to any of the foregoing.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in Item 3.D. Key Information Risk Factors. Those risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected consolidated statements of operations data for the three years ended December 31, 2012, 2013 and 2014, and the selected consolidated balance sheet data as of December 31, 2013 and 2014, have been derived from our audited consolidated financial statements for the years ended December 31, 2012, 2013 and 2014, and are included elsewhere in this annual report. Our selected consolidated statements of operations data for the years ended December 31, 2010 and 2011, and our consolidated balance sheet data as of December 31, 2010, 2011 and 2012, have been derived from our audited consolidated financial statements that are not included in this annual report. Our selected consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. The selected consolidated financial data should be read in conjunction with those consolidated financial statements and related notes and Item 5, Operating and Financial Review and Prospects in this annual report.

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	For the years ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except share and per share data)				
Condensed Consolidated Statements of Operations Data					
Revenues:					
Direct-sales, net	\$ 195,821	\$ 291,525	\$ 193,615	\$ 136,416	\$ 45,233
Distribution sales, net	97,420	70,533	48,959	48,295	49,522
Total revenues, net	293,241	362,058	242,574	184,711	94,755
Cost of revenues:					
Direct-sales	106,990	160,360	96,472	57,445	24,353
Distribution sales	74,732	45,584	35,475	35,046	32,570
Total cost of revenues	181,722	205,944	131,947	92,491	56,923
Gross profit	111,519	156,114	110,627	92,220	37,832
Operating (expenses) income:					
Advertising expenses	(58,470)	(68,563)	(58,338)	(51,731)	(16,233)
Other selling and marketing expenses(1)	(43,377)	(59,854)	(50,346)	(54,874)	(40,177)
General and administrative expenses(1)	(25,434)	(31,681)	(27,071)	(30,681)	(28,417)
Other operating income, net	2,977	5,084	3,277	2,615	2,121
Total operating (expenses) income	(124,304)	(155,014)	(132,478)	(134,671)	(82,706)
Income (loss) from operations	(12,785)	1,100	(21,851)	(42,451)	(44,874)
Other income, net	4,826	7,822	5,755	3,394	1,954
Income tax (expense) benefit	1,539	(3,111)	(1,822)	(646)	(1,171)
Equity in losses of affiliates	(797)	(772)		(205)	(235)
Income (loss) from continuing operations	(7,217)	5,039	(17,918)	(39,908)	(44,326)
Income from extraordinary items, net of tax	827				
Net income (loss)(2)(3)	(6,390)	5,039	(17,918)	(39,908)	(44,326)
Net income (loss) attributable to non-controlling interests	19	(84)	8	(12)	3
Net income (loss) attributable to Acorn International, Inc	(6,409)	5,123	(17,926)	(39,896)	(44,329)
	\$ (6,409)	\$ 5,123	\$ (17,926)	\$ (39,896)	\$ (44,329)

Net income (loss) attributable to
holders of ordinary shares

Income (loss) per ordinary
share:

Basic and Diluted	\$	(0.07)	\$	0.06	\$	(0.20)	\$	(0.47)	\$	(0.54)
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Weighted average number of
shares used in calculating
income (loss) per ordinary share

Basic	88,923,162	89,629,395	89,965,979	84,115,169	82,690,613
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Diluted	88,923,162	89,796,835	89,965,979	84,115,169	82,690,613
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	As of December 31,				
	2010	2011	2012	2013	2014
(in thousands)					
Condensed Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 91,667	\$ 111,180	\$ 90,975	\$ 82,552	\$ 34,686
Prepaid advertising expenses	8,433	11,655	8,563	3,215	6,162
Total assets	214,632	245,676	207,397	175,354	125,732
Deferred revenue			904	787	667
Total liabilities	30,812	48,781	27,595	39,082	34,061
Total liabilities and equity	\$ 214,632	\$ 245,676	\$ 207,397	\$ 175,354	\$ 125,732

	For the years ended December 31,		
	2012	2013	2014
(in thousands, except percentages)			
Selected Operating Data			
Number of inbound calls generated through direct-sales platforms	4,377	3,702	1,204
Conversion rate for inbound calls to product purchase orders	36.2%	31.2%	13.0%
Total TV direct-sales program minutes	187	115	131

(1) Includes share-based compensation of:

	For the years ended December 31,				
	2010	2011	2012	2013	2014
(in thousands)					
General and administrative expenses	\$ (215)	\$ (130)	\$ (424)	\$ (446)	\$ (428)

(2) Includes:

	For the years ended December 31,				
	2010	2011	2012	2013	2014
(in thousands)					
Share-based compensation	\$ (215)	\$ (130)	\$ (424)	\$ (446)	\$ (428)
Gain on change in fair value of derivative assets	199	306			

(3) Net income (loss) for the periods presented reflect effective tax rates, which may not be representative of our long-term expected effective tax rates in light of the tax holidays and exemptions enjoyed by certain of our PRC subsidiaries and our consolidated affiliated entities. See Item 5.A, Operating and Financial Review and Prospects Operating Results Taxation .

Exchange Rate Information

We have published our financial statements in U.S. dollars. Our business is primarily conducted in China and most of our revenues are denominated in Renminbi. Periodic reports will be made to shareholders and will be expressed in

U.S. dollars using the then current exchange rates. The conversion of Renminbi into U.S. dollars in this annual report is based on the official base exchange rate published by the People's Bank of China. Monetary assets and liabilities denominated in Renminbi are translated into U.S. dollars at the rates of exchange as of the balance sheet date; equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year as published by the People's Bank of China. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at \$1.00 to RMB6.1190, which was the prevailing rate on December 31, 2014. The prevailing rate on April 30, 2015 was \$1.00 to RMB6.1137. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

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The following table sets forth various information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you.

Period	Noon Buying Rate			
	Period End	Average(1)	Low	High
2010	6.6227	6.7668	6.6227	6.8284
2011	6.3009	6.4445	6.3009	6.6349