Before investing in our H Shares, you should read carefully all the information stated in this prospectus, including risks and uncertain factors described below. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares may also decline due to any such risks and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For details about China and relevant matters described hereinafter, please see the section headed "Regulatory Overview". Please also see the sections headed "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" of this prospectus.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and the industries; (ii) risks relating to the People's Republic of China; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Risks Relating to Our Art Business and Auction Segment

The demand for artworks is unpredictable and may materially and adversely affect our ability to obtain and sell artworks, our business, financial condition and results of operations.

The demand for artworks is influenced by various factors, many of which are beyond our control. These factors include the overall economic and political environment, changing trends in the art market as to which collecting categories and artists are most sought after and the collecting preferences of individual collectors. For example, under our auction operation, a decrease in market demand may cause fewer art auctions to be completed, which could in turn result in lower commission income earned by us. Under our art business operation and art investment consultation and other services, the demand for artworks may decrease during the period when we intend to resell artworks we purchased as principal or sell artworks that managed under relevant artwork trust plans where we provide investment advisory services. As a result, our profit from reselling artworks and/or providing investment advisory services to relevant artworks trust plans could decrease. Should any of the above mentioned incidents occurred, our cash flow may be negatively impacted, which may further materially and adversely affect our results of operations. On the other hand, when market demand is high, we may not be able to purchase favorable artworks at reasonable prices, or at all. In any of the above circumstances, our business, financial condition and results of operations could be materially and adversely affected, which could cause significant variability in our results of operations from period to period.

The quality and quantity of artworks that are available for auction, collection or resale are influenced by various uncertainties, which may cause sharp fluctuations in our financial condition and results of operations.

The quality and quantity of artworks that are available for us to source, put on auction, or resell are influenced by various uncertainties which are not within our control. These uncertainties include overall market activity, market demand and willingness of potential buyers (or bidders) or sellers (or consignors) to purchase or sell particular artworks, which is influenced by various factors including personal financial resources, health, and marital status. All of these factors are difficult to predict and each factor may adversely impact the quantity and quality of artworks we can obtain and our ability to sell consigned artworks. The above circumstances may have a material and adverse effect on our business, financial condition and operating results.

Our business could be adversely affected if we are unable to develop or maintain our existing client base.

We believe that our revenue, profitability, and operating cash flow are affected by the financial resources of our clients and our ability to develop and maintain relationships with them. Over the years, we have devoted ourselves to developing a broad client base which includes premium overseas and domestic clients. At present, we have subsidiaries and/or representative offices in Hong Kong, United States, Japan and Taiwan. We have also expanded our operations to regions such as Europe and Southeast Asia. We intend to continue maintaining and further developing our client base through our network with global reach. If we are unable to maintain and develop our client relationships, our business could be materially and adversely affected.

There is no assurance that we will fully recover consignor advances or prepayments of auctioned artwork, which may have a material and adverse effect on our business, financial condition and results of operations.

Under our auction operations, to attract appealing artworks and premium clients, we may enter into a consignor advance agreement with a consignor upon request, according to which we will provide the consignor an amount no more than 30% of the valuation provided by our experts, which is secured by artworks to be auctioned. Should the auction for the relevant artworks fail to conclude, we may return the artworks to the consignor after obtaining full repayment of the consignor advances with accrued interest. As of December 31, 2010, 2011 and 2012 and October 31, 2013, the aggregate amount of consignor advances amounted to RMB791.4 million, RMB608.4 million, RMB398.8 million and RMB356.2 million, respectively.

According to the terms of our standard form auction listing agreement, we have no obligation to make payment to the consignor prior to receiving full payment from the buyer. However, upon request from a seller who has good credit record and/or long-term relationship with us, we may make prepayments of auctioned artwork, prior to receiving full payment of the amount due from the relevant buyer, on the conditions that (i) we have received partial payment of the amount due from such buyer and (ii) we have relevant auctioned artworks or other auctioned artworks of the seller in our possession, which will be used to secure the prepayments. The amount of prepayments of auctioned artwork is determined through negotiation with the seller, taking into account various factors, including previous transaction record, amount payable to the relevant seller, the nature and auction turnover of the relevant auctioned artwork and our overall financial condition. As of December 31, 2010, 2011 and 2012 and October 31, 2013, the aggregate amount of prepayments of auctioned artwork amounted to RMB219.8 million, RMB159.6 million, RMB407.7 million and RMB436.9 million, respectively. Please also see the sections headed "Business – Internal Control and Risk Management – Prepayments of Auctioned Artwork" and "Financial Information – Certain Items in the Consolidated Balance Sheet – Consignor Advances".

There is no assurance that we will always be able to recover consignor advances and prepayments of auctioned artwork in its full amount, or at all. In addition, we cannot assure you that there will be no significant adverse fluctuations in the value of artworks held by us securing relevant consignor advances or prepayments of auctioned artwork, which we may dispose of through auction or private sales and use the proceeds to settle the amount due to us. If the realizable value of the relevant artworks turns out to be less than the amount we are entitled to recover, we will incur losses. Furthermore, when there are competing claims on the relevant artworks that we used to secure consignor advances or prepayments of auctioned artwork, or the relevant counterparty with obligations to pay us becomes subject to bankruptcy or insolvency laws, our ability to recover such outstanding amount may be limited or delayed. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risks relating to overseas expansions.

We believe that the expansion to overseas markets is of strategic importance. We strive to improve our capacity to source artworks of high value in overseas markets; develop and maintain relationships with premium overseas clients. As of the Latest Practicable Date, we had an extensive business network for the art and auction business comprising subsidiaries and representative offices in Hong Kong, United States, Japan and Taiwan and had expanded our operations to regions such as Europe and Southeast Asia. In addition, since 2012, we have commenced art auction operations in Hong Kong through our subsidiary, Poly Auction Hong Kong. We are subject to various risks relating to our business expansion overseas. For example, during the early stage of our expansion into overseas markets, we may have limited understanding of the art market and artworks in the relevant overseas markets as compared with the local competitors in such markets. We may also be subject to obligations to comply with foreign laws and other regulatory requirements that limit our development in local markets. Furthermore, compared with experienced competitors who have longer operating histories in relevant markets than we do, we may have limited access to distribution channels for the sourcing and the sale of artworks. Our ability to collect auction receivables from overseas may also be adversely impacted by the banking and foreign laws and regulations of the various jurisdictions including the United States, Japan and Taiwan. The willingness and interest of overseas collectors to enter into trades in China's art market may also be affected by changes in economic, political and cultural conditions, as a result of which, our ability to obtain premium artworks from overseas may be affected. As a result, our expansion may not be as successful as we expect, and our business, financial condition and results of operations could be materially and adversely affected.

Our business is subject to risks relating to the authentication, valuation on relevant prices and management's determination of artworks which rely on the subjective judgment of our management and experts.

We usually engage experts to perform authentication and valuation for artworks. We have also implemented strict internal control procedures which allow our management to further ascertain the (i) auction reserve price; (ii) purchasing price of artworks; or (iii) recommended purchasing price of artworks, where applicable. The authentication, valuation and determination of relevant prices of artworks rely on the subjective judgment of our management and experts. Please see the section headed "Business – Internal Control and Risk Management".

In addition, in connection with our art investment consultation and other services, we, as an investment advisor, are required to issue written opinions on authenticity of artworks to assist the trustee in making purchasing decisions. According to the terms of the relevant agreements, we are liable for economic damages incurred to the trustee, should the court determine that our authenticated and approved artworks are actually counterfeits. In recent years, the techniques of counterfeiting have been continuously evolving and are becoming increasingly difficult to distinguish from the authentic artworks. There is no assurance that during the course of our operations, disputes in relation to the authenticity of specific artworks, particularly master pieces of well-known artists, would not arise.

When the market price of artworks becomes lower than our auction reserve price, the auction may fail and we may lose the relevant commission income. We may also incur loss when the market price of artworks we purchased as principal falls below our purchasing price. Furthermore, under our art investment consultation and other services, we may not be able to collect the incentive fees or we may be liable for losses incurred by the trustee when the market value of the artworks under management decreases below the purchasing price. Please see the section headed "Risk Factors – Upon expiration of artwork financing trust plans, we may be liable to pay the trustee the difference between the total monetary assets under the trust and the aggregate amount of principal of the trust and other expected gains and expenses, which may in turn have a material and adverse effect on our results of operations".

The occurrence of any of the above-mentioned incidents could materially and adversely affect our business, financial condition and results of operations. Furthermore, if we fail to resolve any dispute in relation to the authenticity and value of artworks, such dispute may have a material and adverse effect on our brand image and reputation which could materially and adversely affect our business, financial condition and results of operations.

Our results of operations could be adversely affected by buyer's default in making payment in due course.

Under our auction operation, we generally collect auction receivables from the winning bidder after auction. We normally make payment to consignors and recognize commission income upon settlement of auction sales with buyers and/or sellers. Please see the section headed "Business – Our Business – Art Business and Auction Segment". As a result, our business, financial condition and results of operations could be materially and adversely affected if the buyer fails to make payment in due course. In addition, when we agreed to deliver auctioned artworks to the buyer who has good credit record and/or long-term relationship with us, prior to receiving full payment according to our policy, we are exposed to risks associated with such buyer's default in making payment in due course. We may assist auction parties to enter into payment arrangements for a longer credit period over one year or instalment payment for relevant buyers, particularly for buyers who purchased artworks of high value. As of October 31, 2013, the accumulated settlement rate for our art auction sales for the year ended December 31, 2010 ,2011 and 2012 and the ten months ended October 31, 2013 was 74.0%, 55.8%, 55.5% and 52.9%, respectively. (The accumulated settlement rate is derived by dividing (i) the total settled amount of hammer price of artworks that were auctioned through our art auction sales during each of the year or period as of October 31, 2013, with (ii) the total amount of hammer price of our art auction sales during such year or period.) For details on our relevant policy, please see section headed "Business – Internal Control and Risk Management – Settlement". Although we actively review the outstanding fees and liaise with relevant parties to speed up the collection process, there is no assurance that we could settle all the amount from relevant buyers in due course, or at all. When there are competing claims on the relevant artworks that we used to secure such outstanding payment or the realizable value of the relevant artworks turns out to be less than the amount we are entitled to recover, our ability to recover such outstanding amount may be limited or delayed and we may incur loss.

We may not be able to match payment from buyers with relevant artworks in a timely manner, which may in turn adversely affect our results of operations.

Under our auction operation, we generally collect auction receivables from the winning bidder after the auction. In practice, we may encounter difficulties in timely matching auction receivables collected by us in respect of relevant artworks sold in the auction, in particular, when the relevant buyer has secured multiple pieces of artworks during the auction or such buyer was also a consignor in another transaction arranged by us. As we normally recognize commission income upon settlement of auction payment with buyers or sellers, delays in settlement may have an adverse effect on our business and results of operations.

We are exposed to losses in the event of title claims arising from sale of artworks.

Prior to accepting artworks consigned to us for auction or purchasing artwork as principal, we conduct a series of due diligence checks on the backgrounds of owners of the relevant artworks through our experts. Please see the section headed "Business – Internal Control and Risk Management". As advised by our PRC legal advisors, as long as we perform reasonable verification regarding the ownership of the relevant artwork, we are not liable for ownership of the relevant artworks consigned to us for sale under PRC laws and regulations. For artworks, there is no objective and quantified industry standard that allow for the verification of ownership of artworks. Hence, we normally rule out guarantees by us of ownership of artworks in our bidding agreement, which preclude us from liability in relation to the ownership of the relevant artworks. For auctions conducted in Hong Kong, the sellers are required to give certain irrevocable title warranties to us and the buyers which are set out in the Condition of Business published in our auction catalogues. Such warranties include warranties as to the sellers' absolute ownership of the artworks or legal right to dispose of the artworks and the auction of the artworks not being in violation of any applicable laws and regulations. We will not accept any artwork which we know is subject to title disputes or legal impediments. However, any title claim against us may nevertheless cause a diversion of management attention and resources from our existing business and expose us to reputational risks which could adversely affect our business, financial condition and results of operations.

Artworks consigned to us could be subject to damage or theft, which could have a material and adverse effect on our art business and auction segment and brand reputation.

Under our auction operation and art business operation, we need to put artworks consigned for sale or artworks we purchased as a principal into storage. In addition, prior to auction, we generally organize preview exhibitions in different cities. In addition, particular types of artworks may require special treatment with regards to their storage, transportation and exhibition environment, including temperature, humidity and light. There is no assurance that our security and inventory management measures will be sufficient to prevent theft of or damages to artworks or that our insurance coverage would be sufficient to cover our losses incurred, which could subject us to claims and litigation. Any such claims may adversely affect our reputation, client relationships and ability to source artworks for auction in the future. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Insurance coverage for artworks may be difficult to obtain, exposing us to losses for artworks in our possession.

For our auction operation in Hong Kong, we maintain insurance coverage for publicly exhibited artworks. However, in China, relevant insurance coverage for artworks may be difficult to obtain. As a result, we do not purchase insurance coverage for artworks put up for auction and stored in our facilities in China. In addition, the exclusiveness and rarity of artworks may require different or specific maintenance conditions, hence we may not be able to find suitable insurance policy to purchase in the market, as a result of which we may not be able to cover our loss in case of damages or loss of relevant artworks. We may also need to narrow our scope of insurance coverage and premium if the insurance premium becomes overly high in the future. Furthermore, the development of the insurance industry may fall behind the rapid development of the art industry which could be detrimental to our ability to obtain insurance policies. In line with industry practice and subject to the insurance available in China, we do not currently have insurance coverage for certain risks, such as damage and theft to the artwork consigned for auction or artworks stored in our facilities in China. Consequently, if we suffer any harm resulting from the materialization of these risks could result in significant capital expenditures and expenses as well as liabilities, thereby harming our business and operating results.

In our performance and theatre management segment and cinema investment and management segment, we purchase relevant insurance policies for performers and audiences according to industry practice and legal requirements. However, we cannot assure you that our current insurance policies will insure us against risks and losses that may arise in the future, nor can we assure you that we will enter into new policies or renew our current policies on similar or commercially acceptable terms, if at all. As such, any loss associated with our insurance coverage could have a material and adverse effect on our results of operations and financial condition.

Our art business operation are subject to risks relating to fluctuation of interest rates.

Under our art business operation, we purchase artworks which we believe are undervalued, or which we believe have appreciation potential, and resell them at an appropriate time to make profit. We mainly rely on our working capital and bank loans to fund our acquisitions of artworks. Increase in interest rates may increase our costs to purchase and hold the relevant artworks, which could in turn adversely affect our results of operations if we are unable to pass costs to customers when we resell the relevant artworks.

Upon expiration of artwork financing trust plans, we may be liable to pay the trustee the difference between the total monetary assets under the trust and the aggregate amount of the principal of trust and other expected gains and expenses, which may in turn have a material and adverse effect on our results of operations.

In managing our art investment consultation and other services, we act as investment advisor, providing authentication and valuation opinions on relevant artworks for trustee to make relevant investment decisions. Under the terms of the artwork financing trust plans, upon expiration of artwork financing trust plans, we are obliged to pay the trustee the difference between the total monetary assets under the trust as of the date specified in the relevant agreements and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees), if the borrower or its guarantor fail to repay such amount. As of December 31, 2010, 2011 and 2012 and October 31, 2013, the amount of contingent liabilities was nil, RMB118.0 million, RMB188.0 million and RMB253.0 million, respectively. For details, please see the section headed “Financial Information – Contingent Liabilities”. However, we cannot guarantee that borrowers and their guarantors can pay for the relevant deficit when the relevant trust plan becomes due or that we can hold them liable for the deficit we paid. In these circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to Our Performance and Theatre Management Segment

If we are unable to offer our audiences quality performances, our results of operations will be adversely affected.

We obtain theatre box office income through staging different types of performances. During the Track Record Period, we focused on marketing culture performances, such as orchestra concerts, ballets, operas, dramas, musicals and concerts. The great diversity of culture in different areas in China requires us to be selective about what performances are suitable for theatres in different regions in order to cater to different audiences tastes and preferences. Our success depends in part on our ability to successfully predict and adapt to tastes and preferences of our audiences in the areas where our theatres are located. If our culture performances do not achieve sufficient acceptance from the audience or if audiences tastes and preferences change, our business, financial condition or results of operations could be materially and adversely affected.

For our productions of original repertoires, there may be cost overruns and we may be unable to recover our own investments.

In recent years, we began producing our own original repertoires which involve long periods of production time and large capital investments. Furthermore, the continuous development of art appreciation levels of audiences in China requires us to keep improving theatre management and performance standards. There is no assurance that the performances we produce could successfully attract sufficient audiences when it launches, under such circumstance, our theatre box office income may decrease and we may not be able to recover our costs, which may in turn have a material and adverse effect to our business, financial condition and results of operations.

If we cannot get regulatory approvals for foreign performances in time or at all, our performances will be adversely affected.

According to applicable PRC laws and regulations, we are required to obtain prior approval from the relevant PRC government authorities governing the culture and art industries before we are allowed to stage any foreign performances. Please see the section headed “Regulatory Overview”. There is no assurance that we will be able to get such approvals in time, or at all, the occurrence of which could have an adverse effect to our overall performances at our theatres, which could in turn have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to renew relevant theatre management agreements with the theatre owners, our business, financial position and results of operations may be materially and adversely affected.

We generally enter into theatre management agreements with owners of relevant theatres to provide theatre management and operation services and determine the amount of theatre management fees the owners shall pay. During the negotiation of the theatre management agreements, various factors are taken into consideration in order to determine the theatre management fee, including the local economic development of the area that the theatre is located in, the size and scale of the relevant theatre and our estimated costs and expenses in relation to managing and operating the theatre. Additionally, we negotiate key terms in the theatre management agreement with theatre owners, including a ceiling on the annual highest average ticket prices for performances and the number and categories of performances we are obligated to provide. Please see the section headed "Business – Our Business – Performance and Theatre Management Segment". For the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our theatre management fees amounted to RMB177.5 million, RMB239.5 million, RMB295.7 million and RMB287.7 million, respectively. During the Track Record Period, we successfully renewed all our existing theatre management agreements. However, there is no assurance that we can continue to renew our theatre management agreements on favorable terms or in time, or at all. In addition, according to the terms of our theatre management agreements, if we breach the terms of the theatre management agreements including failure to stage the minimum number of shows required or failure to achieve the required minimum attendance rate, the theatre owners can terminate such agreements prior to their expiration. Any failure by us to meet our obligations under the terms of the theatre management agreements or to renew our existing theatre management agreements on favorable terms, or at all, could have a material and adverse effect on our reputation, ability to retain theatres under our management, market share, business and results of operations and may subject us to claims from theatre owners and other disputes.

Unexpected cost overruns for performances that we purchase under buyout agreements could adversely affect our results of operations.

From time to time, we purchase performances from performance troupes or agents through buyout agreements, where we make a lump-sum payment in a fixed amount based on our estimate of the number of performance shows to be held, location of relevant theatres and other expenses, such as accommodation and travelling expenses for performers as well as market competition. However, our actual costs can vary from our estimated costs because of changes in assumed market conditions, among other factors. As a result, we may experience reduced profitability or losses on projects if our purchasing price is too high and/or our actual costs exceed estimated costs. Moreover, unexpected changes in weather, traffic congestion and other operating disturbances could also give rise to delays in performance, which may further increase our actual costs and as a result, materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Cinema Investment and Management Segment

A decrease in the number of movies to be screened or in the attractiveness of relevant movies to the audiences will have an adverse effect on our business.

Our business depends on both the availability of suitable movies for screening in our cinemas and the success of those movies in the markets. Movie producers' failure to provide sufficient numbers of movies could result in lower attendance and reduced cinema box office income, which in turn could materially and adversely affect our business, financial condition and results of operations.

Market tastes and preference for different types of movies keep changing, which makes it hard to predict audiences' interests in the movies to be screened in our cinemas. A decrease in the attractiveness of movies to audiences may lead to a decrease attendance and accordingly, a decrease in our cinema box office income, which in turn may have an adverse effect on our results of operations.

We rely on Poly Wanhe Cinema Circuit to supply movies that are approved for screening in China. A deterioration in our relationship with Poly Wanhe Cinema Circuit could adversely affect our ability to obtain commercially successful movies.

The supply of major imported movies and domestic movies in China comes primarily through cinema circuits. Individual cinema operators would normally need to join a cinema circuit in order to obtain a film print for screening. According to relevant PRC laws and regulations, each individual cinema can only join one cinema circuit. Please see the section headed "Regulatory Overview". During the Track Record Period, we joined Poly Wanhe Cinema Circuit to obtain film prints for screening out our cinemas. We cannot guarantee that we will be able to obtain premium movies for screening at a reasonable costs, or at all, from the cinema circuits. Furthermore, income sharing arrangement between Poly Wanhe Cinema Circuit and our cinemas can be adjusted from time to time, which may result in a decrease in our cinema box office income. If such circumstances occur, our business, financial condition and results of operations may be materially and adversely affected.

Alternative movie distribution channels may adversely affect our results of operations.

We face competition for audience from a number of alternative movie distribution channels, such as DVDs, pay television channels, satellite television channels and, in particular, online streaming and downloading services. These alternative movie distribution channels may offer more flexible screening schedules and lower costs compared with traditional cinemas. In addition, the window to screen a movie at cinemas, which represents the time from the date of a movie's cinema release to the date a movie is available on alternative movie distribution channels, has been shrinking in recent years. This window could continue shrinking or be eliminated altogether, which may make audience more likely to choose alternative channels over traditional cinemas. In recent years, to increase the audience's willingness to go to the cinema, technical innovation in the film industry can be seen in both the creation of content and the mode of screen, in particular, the production of 3D movies and movies suitable for watching on a huge screen. However, there is no assurance that the public will continue to watch movies in the cinema in light of the advancement of alternative channels. A significant increase in the popularity of these alternative movie distribution channels and competing forms of entertainment could have a material and adverse effect on our business, financial condition and results of operations.

Movie piracy, and particularly the availability of pirated movies through online distribution, may have an adverse effect on our business.

In recent years, movie piracy has been aggravated by technological advances, which has enabled the conversion of movies into digital formats and illegal downloading of movies on the internet. Movie piracy enables audiences to watch movies that are currently screening or soon to be screened in the cinemas at a low price or even for free. If such movie piracy persists and audiences increasingly choose to watch pirated movies, our business, financial condition and results of operations could be materially and adversely affected.

We lease commercial properties for cinemas development. If the rental or other payments set forth in the leasing agreements increase, our profitability may be adversely affected.

We develop cinemas primarily on leased commercial properties with leasing agreements that have valid periods between 15 and 20 years. We generally agree to pay rent annually (i) in a fixed amount or (ii) at an agreed percentage of aggregate annual net cinema box office income of the relevant cinema, whichever is higher. As a result, our capacity to lower our rent is restricted. Our leasing expenses have increased during the Track Record Period and are likely to continue to increase as a result of the scarcity of commercial properties with premium locations and overall increase in property prices in China, which may adversely affect our profitability. From time to time, we may undertake specific obligations upon request from the landlords, including (i) restrictions on developing additional cinemas within a certain distance of the relevant property; (ii) providing promotion or discount to selected customers upon request from the landlords and (iii) obtaining approval from the landlord prior to organizing large-scale marketing activities in the cinema. There is no assurance that these additional obligations will not bring extra costs or have adverse effect to our business plan, under which circumstance, our business, financial condition and results of operations could be materially and adversely affected.

Our expansion in existing and new regional markets may not be successful.

We intend to expand our operations in existing or new markets through developing new cinemas or acquiring existing ones when we deem appropriate. There is no assurance that we could obtain premium cinemas or venues for cinema expansion at a commercially reasonable price, or obtain terms that are favorable to our interest. In addition, our estimates on performance or competition environment of existing and new cinemas may not be accurate. For instance, our competitors may open new cinemas near our existing or developing cinemas. In addition, our competitors in new local market may have a better understanding of local culture and market preferences or their cinemas may have better locations. The occurrence of such circumstance could have a material and adverse effect on our business, financial condition and results of operations.

Failure to keep pace with the continuous evolution of movie screening technology may have an adverse effect on our results of operations.

Movie screening technology is vital to the success of our cinema investment and management business. To capture the increasing demand for wide screens and 3D movies in China, we invested and adopted various advanced movie screening equipment and technologies, such as 3D screens, in our cinemas to improve the audience's experience and increase our profitability. In addition, we have developed Poly-Max movie screening equipment and technology, or Poly-Max system, and implemented Poly-Max system in five of our cinemas as of October 31, 2013. In May 2013, we applied for patent rights for Poly-Max equipment and technology in China. Please see the section headed "Business – Our Business – Cinema Investment and Management Segment – Poly-Max". However, evolving movie screening technology or changing preferences of audience may force us to make substantial investments to upgrade or change our existing equipment in the future. Failure to keep pace with the continuous evolution of movie screening technology may decrease our profitability and have a material and adverse effect on our business, financial condition and results of operations.

Risks Related to Our Overall Business and Industries

The uncertainties in the global economy, in particular China's economy, may have adverse effect on our business.

Unfavorable global economic conditions, in particular volatility in China's economy may adversely affect our business. Due to influences from the European debt crisis and unfavorable financial or economic conditions caused by global financial crisis, the recent development of global economy and the economic growth of main emerging economies such as China have slowed down. According to statistics of the National Bureau of Statistic of China, the annual growth rate of China's real GDP fell from 10.4% in 2010 to 9.3% in 2011 and further to 7.8% in 2012.

Under our art business and auction segment, the results of our operations are particularly exposed to risks associated with fluctuation of regional economic, political and financial environment in areas such as China, the United States, Europe and Asia Pacific countries. Any unfavorable development in the aforementioned areas may have a detrimental impact on artwork supply and demand, and in turn have a significant adverse impact on our business, financial condition and results of operations. For instance, at times of economic downturns and political instability, potential buyers and sellers may lack an incentive to purchase and sell artworks. As a result, our auction commission income, profit from reselling artworks and providing investment advisory services to artworks trust plans could decrease. On the other hand, when prices of artworks increase driven by an improved global economy, we may find it harder to obtain artworks at reasonable prices as a principal, while our overall performance may be increased as a result of the expected improvement in commission income under auction operations.

In addition, during the economic recession, the public may be less likely to purchase culture products such as dramas and movies, which may further affect our theatre and cinema box office income. In spite of a depressed economy and although the film industry possesses a certain resilience to economic downturns, the sustainability of such resilience may not be strong enough to overcome long-term economic depression or austerity, which could adversely affect the film industry.

Our past results are not indicative of our future performance, and fluctuations in market demand for culture products may cause significant turbulence in our results of operations.

Market demand for our products and services is affected by various factors, many of which are beyond our control, including overall economic and political environment, changing trends in the art market as to which collecting categories and artists are most sought after, collecting preference of individual collectors, willingness of potential buyers or sellers to purchase or sell particular artworks, audience preferences for the types of performances or movies and the timing producers, distributors or performance troupes completing or marketing commercially successful movies or performances. These factors are very hard to predict and could lead to a significant fluctuation in our results of operations. For instance, our auction turnover in 2012 decreased by 46.3% from 2011 primarily due to the reversal of the artwork industry in China in 2012. There is no assurance that similar circumstances will not recur in the future. In addition, we normally recognize commission income upon settlement of auction sales with buyers and/or sellers which usually occurs after auction sales. As a result, the commission income we recognized in a selected period may be from auction sales occurred in a previous period and may not timely reflect our auction turnover of the relevant periods. Please also see the section headed "Risk Factors – Our results of operations could be adversely affected by buyer's default in making payment in due course". In June 2013, due to PRC regulatory restriction imposed on foreign investment into China's cinema circuit companies, we disposed of and transferred 51% equity interest in Poly Wanhe Cinema Circuit to our Controlling Shareholder. After the Disposal, we no longer engage in the cinema circuit business. For more details, please see the section headed "Our History and Reorganization". During the Track Record Period, we derived revenue from Poly Wanhe Cinema Circuit, including its entitled portions of net cinema box office income paid by our self-operated cinemas and by franchised cinemas, respectively. However, after our disposal of Poly Wanhe Cinema Circuit, we are no longer entitled to its future revenue and profits. As such, our past results should not be relied on as indicative of our future performance.

Our business relies on our relationships with suppliers, customers and business partners, many of which have strong bargaining power. Any interruption in such negotiations could have a material and adverse effect on our business.

Our three business segments rely on our relationships with some suppliers, customers and business partners, many of which have high reputations and status in the industries and strong bargaining power. Under art business and auction segment, we rely on a small number of high-end clients and major collectors to supply us with artworks. If such clients decide to terminate our cooperation relationships or if we fail to reach consensus in negotiations, in such circumstances, our profitability, results of operations and financial condition could be materially and adversely affected. Under our performance and theatre management segment, we are committed to providing premium culture performances, therefore we would need to introduce a sufficient number of these performances. If we are unable to reach a consensus with art performance troupes to cooperate with us, our theatre box office income or theatre management operation could be materially and adversely affected. Under cinema investment and management segment, we are dependent on the largest movie distributor of Poly Wanhe Cinema Circuit, China Film Group Digital Cinema Line Co., Ltd, to provide favorable pricing for us to conduct movie screenings. If we are unable to continue to cooperate with movie distributors such as China Film Group Digital Cinema Line Co., Ltd, and obtain favorable or commercially reasonable pricing for such cooperation, our business could be materially and adversely affected.

Our results of operations are subject to seasonal fluctuations.

We have historically experienced and expect to continue to experience seasonal fluctuations in our business, particularly in the art business and auction segment. In line with industry practice, we organize two principal selling seasons each year – the Spring Auction and the Autumn Auction. The Spring Auction takes place between April and July each year while the Autumn Auction takes place between September and December each year. Each year, the sales derived from the Spring Auction and the Autumn Auction contribute a major portion of our annual auction income. In addition, audience attendance rate at our theatres and cinemas is generally higher during the statutory public holidays and traditional festivals in China, including National Day holidays, Labor Day holidays, New Year and Spring Festival holidays, as well as summer holidays for schools. As a result, our revenue is higher during the corresponding periods. As our revenue fluctuates seasonally, comparisons of sales and operating results between different periods in a single financial year for our business segments, or between the same periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of our future performance. The seasonal fluctuation in our revenue requires us to control our operating capital carefully so as to provide our business with adequate cash for operations. Failure to manage seasonality in our business may cause our revenue and financial condition to be materially and adversely affected.

Our business operations are capital intensive. Failure to obtain necessary funds on time or on favorable terms may have an adverse effect on our business.

We need a large amount of working capital to facilitate our business operations. For example, in our art business and auction segment, a large amount of capital is required to pay consignor advances to consignors, especially, for artworks of high value and with premium clients with whom we have long-term relationships. In the performance and theatre management segment and cinema investment and management segment, a large amount of capital is needed to finance production of original repertoires and development of cinemas, respectively. In addition, to enhance the competitiveness of our cinemas, we may have to invest in developing new cinemas, upgrade or renovation of existing cinemas' facilities, so that we could improve our brand reputation and profit. Historically, we have funded our capital expenditures through a combination of bank loans, Shareholders' equity, and cash generated from operating activities. However, there is no assurance that we could have sufficient capital resources to fund our operations or we could obtain sufficient bank loans in time or with favorable terms, or at all. The occurrence of such circumstance may materially and adversely affect our business, financial condition and results of operations.

We operate in highly regulated industries. We may not be able to obtain or renew major licenses, permits and approvals required for our operations. The suspension or termination of any of our licenses, permits or approval may have a negative impact on our business.

Our business operations are subject to regulatory supervision of various PRC government authorities, including the Publicity Department of CPC Central Committee, the State Administration of Cultural Heritage, the Ministry of Commerce, Ministry of Culture and the SAPPRFT. For each of our business segments, we need to obtain and timely renew relevant licenses and permits in accordance with applicable laws and regulations. For our arts business and auction segment, art auction enterprises engaged in the auction of cultural relics shall, in accordance with the laws, apply for and obtain the License for Auction of Cultural Relics (拍賣經營批准證書) issued by the state and provincial authorities. Under our performance and theatre management segment, we would need to obtain approval of our business license from relevant authorities. For our cinema investment and management segment, there is a series of rules and regulations that set qualification requirements for movie screening. For details, please see the section headed "Regulatory Overview" and "Business – Qualifications and Licenses". In addition, as the PRC legal system is still evolving, the PRC government authorities may enact new laws and regulations that impose more stringent standards for us to comply with in order to obtain or renew relevant licenses or permits. We cannot guarantee that we will be successful in renewing all of our licenses on a periodic basis. The suspension, termination or expiration of one or more of these licenses could materially and adversely affect our revenue and profits. In addition, any changes to the licensing requirements for any of our licenses could affect our ability to maintain the licenses.

All our business segments may be adversely affected by competition.

For our art business and auction segment, we mainly compete against domestic and overseas auctioneers in China and overseas markets with the capacity of sourcing, authenticating and valuating artworks, including Christie's Hong Kong, Sotheby's Hong Kong, China Guardian, Beijing Hanhai and Beijing Council. Some of our competitors have competitive advantages over us in terms of their financial resources, network coverage, client base and brand recognition. At present, international leading players such as Christie's and Sotheby's are using Hong Kong as a base to facilitate the Chinese art business and as a platform to attract Chinese customers. In September 2012, Sotheby's had taken a step further in joining forces with Beijing Gehua Fine Art Company (北京歌華美術公司) for the establishment of its joint venture Sotheby's (Beijing) Auction Co., Ltd which became the first international auction house to set foot in China's market. In April 2013, Christie's announced that it was the first foreign enterprise to be granted an auction license in Shanghai to conduct auction operations independently in China. Although the domestic markets are currently safeguarded by the current *PRC Law on Protection of Cultural Relics (《文物保護法》)* which prohibits foreign enterprises from engaging in auction of cultural relics, there is no assurance that the PRC government authorities will not amend such restriction, which could bring up more intensive competition in the art industry in China. Competition may cause a decrease in our commission income and an increase in the cost of sourcing, purchasing and sales of artworks and in the recruitment of talents in the industry. For our performance and theatre management segment, we compete against other theatre management companies in China in terms of performance resources, coverage of theatre network and brand recognition. Some competitors have strong capabilities in purchasing or producing performances, including CPAA Theatres. For our cinema investment and management segment, we mainly compete against other cinema operators with operations in regions where we operate cinemas. We expect that the competition in the theatre and film industry in China will become more intensive in the future. Competition may force us to decrease ticket prices or increase costs associated with purchasing performance or movies or upgrade or renovation of facilities in theatres or cinemas, as a result of which our profit may decrease. If we are unable to successfully compete against our competitors, our business, financial condition and results of operations could be materially and adversely affected.

Our development strategy may not be successful.

We intend to utilize proceeds from the Global Offering primarily in the expansion of our business operations, including the expansion of global client network to promote artwork sourcing and sales, expanding the coverage of our theatres by engaging in management of more theatres across China and the development of new cinemas. For details, please see the section headed "Business – Development Strategies" and "Future Plans and Use of Proceeds". There is no assurance that performance of our new cinemas and theatres can meet our expectation as a result of the changes in the assumed market conditions and customer tastes and preferences, all of which are hard to predict. In addition, as we operate in three distinct business segments, we face challenges in allocating capital, management and personnel resources, implementing our business development strategy in each segment and in achieving synergies, in particular given the challenges associated with differences in regulatory environment, market trends of relevant industries and the limited resources of qualified employees and capital of our Group. The successful implementation of our development strategy poses challenges to our capability to allocate management and capital resources and is subject to various risks beyond our control, including potential difficulties in the retention and assimilation of qualified personnel, lack of experience and knowledge in the operations or geographic markets we intend to develop, the diversion of management attention and resources from our existing business and the inability to generate sufficient revenue to offset costs and expenses. Acquisitions may also result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities with respect to the acquired businesses, and incurrence of impairment charges related to goodwill and other intangible assets. If we are unable to successfully implement our development strategy, our business, financial condition and results of operations could be materially and adversely affected.

Our business may be adversely affected if we are unable to retain and hire qualified employees.

Our success has been substantially attributable to a group of qualified key employees. In art business and auction segment, we rely on a number of professionals accredited with the National Auctioneer's Qualification Certificate to operate auctions. In addition, we rely on selected experts to conduct authentication and valuation of artworks, who require long-term practice to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on qualified employees to ensure that we can manage our theatres and cinemas with unified and high level standards to improve audience's experience, our brand recognition and profitability. However, competition to hire qualified employees with experience in managing and operating theatres and cinemas has become more and more intensive in China. If we are unable hire or retain qualified employees, our business, financial condition and results of operations could be materially and adversely affected.

A failure in our IT systems could disrupt our operations, result in leakage of confidential information, damage our reputation and cause losses.

Our business operations rely on proper operations of electronic IT systems. We rely on an electronic artworks database to keep track of historical trading prices and authentication and valuation results of a large variety of artworks and gain access to information on a broad range of collectors and buyers. In addition, we deliver electronic auction catalogues on time updates to potential buyers. We also rely on our IT systems, in particular, our ticketing and payment system, to support on-line ticket booking, payment and recording of cinema and theatre box office income, which we believe has improved our management efficiency and audience's ticket-purchasing experience. Please see the section headed "Business – Information Technology". However, our IT system is not equipped to provide protection against human errors, natural disasters, power failure, computer virus, spam attack, illegal invasion and other similar interference. If one or more such event occurs, it could jeopardize confidential information processed and stored in, and transmitted through our computer systems and networks; cause interruptions and malfunctions in our operations; or interfere with the customers' use of the internal or external technologies of our online products and services. As a result, our competitiveness, financial condition, results of operations and brand reputation could be materially and adversely affected.

Our businesses and prospects may be materially and adversely affected if our risk management and internal control systems are ineffective in preventing business-related risks.

We have established risk management and internal control systems. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. For details, please see the section headed "Business – Internal Control and Risk Management". Our business, financial condition and prospects may be materially and adversely affected if our efforts to maintain these systems prove to be ineffective or inadequate. Our internal control system may contain inherent limitations caused by misjudgement. As a result, there is no assurance that our internal control and risk management systems are adequate or effective in preventing any business-related risks.

As of the date of this prospectus, we had a large number of subsidiaries. The number of subsidiaries will continue to expand following the ongoing development of our business. As a result, we may be exposed to greater operational risk exposure in our business service, logistics arrangements, human resource management and finance management. Inappropriate management decision may be detrimental. As a result, investigations and disciplinary actions or even prosecution may be brought against us or our employees which may have a material and adverse effect on our financial condition and results of operations.

We cannot assure you that our internal control system in relation to anti-money laundering and anti-corruption will be effective in preventing our auction operation from being exploited for money laundering or other illegal purposes.

Our business operations are subject to strict laws and regulations in relation to anti-money laundering and anti-corruption, as well as relevant rules being enforced by relevant financial institutions and supervisory organizations. We have also implemented relevant internal controls to prevent such illegal activities. However, we are unable to guarantee that strict adherence and enforcement of such laws and regulations would effectively prevent the occurrence of money laundering or other illegal activities. Any money laundering or corruption litigation, investigation or probes against our company, employees, our clients or other service providers could have a material and adverse impact on our reputation, operations, financial condition, future development and relationships with supervisory organizations. Any major investigation of money laundering and corruption could have a revocation or suspension of our business. For details in relation to the anti-money laundering and anti-corruption laws and regulations, please see the section headed "Regulatory Overview". Please also see the section headed "Business – Internal Control and Risk Management".

Misconduct or illegal activities of employees, representatives, agents and third-party service providers could have a material and adverse effect on our business and reputation.

Misconduct or illegal activities of employees, representatives, agents and third-party service providers could result in violations of law by us, regulatory sanctions, mandatory penalties and material reputational or financial harm. Such misconduct could include a binding transaction that exceeds authorized limits, illegal disclosure of confidential information, providing fraudulent information, engaging in unauthorized trading, money laundering and bribery that are to the detriment of our company, or otherwise not complying with our internal control measures. As of the Latest Practicable Date, we have not been subject to any legal or administrative penalty for such incidents of employee misconduct or illegal activities. However, we cannot assure you that it will always be possible to detect misconduct of employees, representatives, agents or third-party service providers. We could also suffer from negative publicity, reputational damage or litigation losses that could arise from misconduct of our employees, which may have a material and adverse effect on our business and reputation.

Failure to protect our own and third-party intellectual property rights could materially and adversely affect our business.

Our intellectual property rights mainly consist of copy right of our original repertoires and trademarks. From time to time, we are also granted the rights to use the trademark of our Controlling Shareholder. For details, please see the section headed "Business – Intellectual Property Rights". As the "Poly" brand name is also used by other members of Poly Group, if any of these entities takes any action that damages the "Poly" brand name, or any negative publicity is associated with any of these entities, our reputation, business, growth prospects, results of operations and financial condition may be adversely affected. We also need to offer legal protection for intellectual property rights of third parties, in the case of consigned auction items, purchased artworks, theatrical plays and movies and other derivative rights. We strive to protect our intellectual property rights and those of third parties and have adopted relevant management guidelines for the management, duplication, screening, recording and promotion of artworks. However, we cannot assure you that such mechanisms can effectively prevent infringement of intellectual property rights in forms such as imitating and copying. Such risks could have a material and adverse effect on our business and reputation.

The trademarks of "POLY" and "保利" have been registered by third parties in the U.S., Hong Kong and other jurisdictions. As a result, we are exposed to legal risks caused by disputes in the right of trademark use in these jurisdictions. For details, please see the section headed

"Business – Intellectual Property Rights – Trademark Disputes". We cannot assure you that relevant judicial or regulatory authorities will enter favorable judgment for us. As a result, our reputation and business development could be materially and adversely affected.

A failure to appropriately identify and prevent conflicts of interest could adversely affect our business and reputation.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest between clients, employees and us. We play multiple roles in our art business and auction segment. In art business operation, we act as agents for both sellers and buyers of the relevant artworks concerned. In art investment consultation and other services, we give purchasing advice to trustees and may act as consignors of the relevant artworks under trust plans. In auction operation, we act as agents for both seller and buyer. Our multiple roles in the art business and auction segment may cause conflicts of interest between clients, employees and our company if we fail to effectively manage these matters. We cannot assure you that our measures can effectively prevent and detect potential conflicts of interest. As a result, our reputation, which is one of our most important assets, could be damaged and the willingness of clients to enter into transactions with us may be adversely affected. In addition, conflicts of interest could give rise to litigation or regulatory enforcement actions.

Failure to protect private or sensitive information of customers could have a material and adverse effect on our business.

We are required to comply with applicable laws and regulations in jurisdictions in which we operate regarding the protection of confidential and sensitive information. Any leakage of such information could harm our client relationships. If we fail to effectively comply with applicable laws and regulations, the relevant government agencies may impose sanctions and other penalties on us. We could also be liable for economic loss suffered by our customers as a result of our failure to protect their sensitive information. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our Controlling Shareholder is able to exercise significant influence over us.

Immediately following the transfer of state-owned shares and upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Poly Group will directly and indirectly hold approximately 67.0% of our outstanding Shares and remain the largest Shareholder of our Company. As the largest Shareholder of our Company, Poly Group will have the ability to exercise significant influence over us, including, among others, matters relating to:

- Nomination or election of our Directors and Supervisors;
- Determination of corporate strategies and investment plans;
- Determination of dividend distribution;

- Change of use of proceeds; and
- Review of any plans relating to major corporate activities including consolidation, mergers, acquisitions or investments.

Although Poly Group has undertaken to us that it will not prejudice the interests of our Company, or our other Shareholders by taking advantage of its position as our Controlling Shareholder, it has substantial influence over us and its interests may not be consistent with that of other Shareholders of our Company. Under our cinema investment and management segment, our film prints for screening are supplied by Poly Wanhe Cinema Circuit, which is a subsidiary of Poly Group. According to relevant PRC laws and regulations, individual cinemas shall join a cinema circuit and may only join one cinema circuit entitled to obtain film print for screening, in particular for imported movies. Please see the section headed "Regulatory Overview". As a result, we rely upon Poly Wanhe Cinema Circuit to obtain film prints for screening. There is no assurance that our Controlling Shareholder will, through their controlling rights in Poly Wanhe Cinema Circuit, continue to supply us with film prints on commercially reasonable terms, or at all.

The leases for the properties used by us for our operations have not been properly registered and some of the properties we occupy may not have proper legal titles.

As of the Latest Practicable Date, we leased 39 material properties with an aggregate GFA of about 104,480 square meters in China. Among the 39 material leased properties, our landlords held defective ownership certificates of 13 properties, with an aggregate GFA of approximately 54,218 square meters, amounting to about 51.9% of our total leased material properties. Among these 13 material leased properties, the landlords of eight material leased properties provided partial documents as evidence of their ownership. Among the remaining five material properties, three are used for warehouses. The other two are used for cinemas, namely Beijing Wanyuan cinema and Beijing Poly International cinema (Dongzhimen). However, due to the landlord's failure to provide evidence of ownership to the properties, our lease agreements may be challenged as to their validity. Although our Controlling Shareholder has agreed to indemnify us against any losses incurred by us and our subsidiaries arising from defective ownership certificates, if the lease agreements are deemed to be invalid by the competent authorities or if the landlords do not possess valid titles, we may still have to relocate our offices and in such circumstances, our operations could be temporarily disrupted. Please also see section headed "Business – Leased properties".

In addition, leasing agreements with respect to 37 out of the 39 material leased properties had not been registered with the relevant PRC authorities. Our PRC legal advisors have advised us that the non-registration of said lease agreements would not affect their validity, but our Group may be unable to challenge a third party acting in good faith due to the non-registration of the lease agreements.

In the event that the occupation and use of the properties are interrupted beyond our Group's control due to failure of the landlords of the properties to provide evidence of ownership of the properties, or due to the non-registration of said lease agreements, our Group may be required to relocate some of our operations and such relocation may adversely affect our financial condition and results of operations.

We may be subject to litigation, allegations, complaints and investigations, and our reputation, corporate image and operating results could be adversely affected if such results are adverse to our interests.

Our business is subject to the risks of litigation, allegations, complaints and investigation, particularly in our operations relating to consignment, authentication and transaction of artworks. Customers may commence litigation or arbitration proceedings against us and we may also be subject to inquiries, investigations, litigations and proceedings by governmental agencies. From time to time, we may also be involved into disputes, complaints or litigations with joint venture partners or other counter parties in our normal business operations. Actions brought against us may result in settlements, injunctions, fines, penalties or other adverse results that could harm our reputation and corporate image. A significant judgment, arbitration award or regulatory action against us arising from adverse adjudication in proceedings against our Directors, Supervisors and senior management could have a material and adverse effect on our business, financial condition, results of operations and prospects. In addition, if we fail to solve any disputes, litigation, complaints or investigation in a timely manner, our brand image and reputation may be adversely affected.

We may no longer be able to enjoy the tax preferential treatment and other favourable treatment from the PRC government in the future, which may cause adverse effect to our business.

As of the Latest Practicable Date, some of our subsidiaries were entitled to preferential tax treatment in respect of VAT. For instance, Poly Art Centre was entitled to enjoy lower VAT tax rate for income generated from sales of certain artworks according to applicable tax laws and regulations. There is no assurance that we could continue to be granted to such preferential tax rate in the future due to changes in tax policies to be adopted by the PRC government authorities. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the effective tax rate, our tax liability would increase correspondingly. In addition, we received government grants of RMB7.4 million, RMB2.8 million, RMB34.3 million and RMB9.6 million during the Track Record Period, for the development of the culture and art industries. We cannot assure you that we will be able to continue receiving such government grants in the future. The occurrence of the above mentioned incident, could have a material and adverse impact to our business, results of operations and financial condition.

The sanctions imposed on Poly Tech may have an adverse effect on our reputation.

Effective on February 5, 2013, the U.S. Department of State imposed sanctions under the *Iran, North Korea and Syria Nonproliferation Act* (the "**INKSNA Sanctions**") on Poly Tech and other entities or individuals (together with Poly Tech, the "**INKSNA Sanctioned Entities**") and any of its subunits, successors or subsidiaries. The INKSNA Sanctions do not apply to Poly Tech's parent company or its sister companies. On February 11, 2013, Poly Tech issued a public announcement objecting to the INKSNA Sanctions imposed upon it and urging the U.S. government to lift such sanctions. In February 2013, the Ministry of Foreign Affairs of PRC and Ministry of Commerce of PRC issued announcements objecting to the INKSNA Sanctions imposed upon Poly Tech and other Chinese individuals and entities. The Chinese government also demanded that the U.S. government lift these sanctions immediately.

Prior to June 2013, Poly Tech owned a 32% equity interest in our Company, while Poly Group owned the remaining equity interests. We and Poly Tech operate in different industries without overlapping operations. In addition, since our establishment, we have been a consolidated subsidiary of Poly Group and a sister company of Poly Tech. As a result, we were not subject to INKSNA Sanctions. In June 2013, Poly Tech transferred its entire equity interest in the Company to Poly Southern, a wholly-owned subsidiary of Poly Group, at nil consideration (the "**Transfer**"). Please also see the section headed "Our History and Reorganization" in this prospectus. After the Transfer, Poly Tech ceased to be our Shareholder. Accordingly, as advised by our legal advisor, given that, on or after February 5, 2013 and up to the Latest Practicable Date, none of the members of our Group was a subunit, successor or subsidiary of Poly Tech subject to the INKSNA Sanctions, the INKSNA Sanctions therefore did not apply to our Company or any Group members that own, or that are owned by, the Company, as of the Latest Practicable Date.

Although we do not think the INKSNA Sanctions would have impacted the Group's operations as no member of the Group has dealings with the U.S. government, imports materials into the U.S. or deals in defense articles, it is possible that as a result of our relationship with Poly Tech, we may be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors' perceptions of us. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

Any future occurrence of force majeure events, natural disasters, outbreaks of pandemics or terrorist attacks may have a material and adverse effect on our business.

Over the past decades, China has been threatened by outbreaks of contagious diseases, including avian influenza, swine influenza, H1N1 influenza, H7N9 influenza and severe acute respiratory syndrome. Any recurrence of avian influenza, severe acute respiratory syndrome or other outbreaks of epidemics could have a material and adverse effect on our business. Earthquakes, floods, landslides and pollution, which have frequently occurred in China in recent years, could create public fear or restrictions in traffic and transportation. Wars, terrorist activities and social unrest could affect economic development and our business operability. Any force majeure events could lead to isolation or closure of parts of our representative offices and facilities; senior management and employees suffering from severe diseases and the overall slowdown of China's economy, and could have a material and adverse effect on our business, results of operations and financial condition.

Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected as a result of negative media coverage relating to us, our personnel, our Controlling Shareholder or the PRC auction industry.

The PRC auction industry continues to be covered by various media. We have also been subject to and associated with negative media coverage, including those on internet, with respect to our corporate affairs, disputes with certain joint venture partners and alleged misconduct of our personnel, our Controlling Shareholder or other industry peers. For instance, there have been allegations in the media and on the internet that certain PRC auctioneers participated in mock auctions or committed other types of frauds in their operations. In particular, these articles discuss certain challenges arise together with the rapid growth of art auction market in China in recent years, including failure of certain buyers to make timely payment after the auction sales and difficulties for investors to accurately authenticate or estimate value of Chinese artworks being auctioned. For details, please refer to the section headed "Industry Overview – The Art Business and Auction Industry". We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. There is no assurance that we will not be named in such negative reports on art auction market in China as a result of our leading market position in China, or the authenticity or value of the artworks auctioned by us will not questioned by negative media reports. As disclosed in further details in the section headed "Business – Internal Control and Risk Management", we attach great importance to our internal control and risk management system, through which we identify, evaluate and manage various risks inherent to our business operations. We have also established a set of internal control and risk management rules regulating our daily operations. Nonetheless, negative coverage regarding us, our employees or our Controlling Shareholder, whether or not accurate or applicable to us, may have a material adverse effect on our reputation and consequently may undermine clients' or investors' confidence. As a result, our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Most of our assets are located in China, and a significant portion of our revenue came from China during the Track Record Period. Therefore, our results of operations, financial position and prospects are greatly affected by risks relating to business operations in China.

Changes in China's economy, politics, social conditions and governmental policies may affect our results of operations and financial position.

China's economy is distinct from those of developed countries in many aspects such as economic structure, governmental participation, level of development, growth rate, control over capital investment and foreign exchanges as well as resources allocation. During the past 30 years, the Chinese government carried out economic reform measures to highlight the role of the market in economic development. However, economic reform measures may be adjusted and amended or may vary with industries or regions.

In terms of GDP, China has been one of the fastest-growing economies in the world in recent years. However, China may not be able to maintain such growth. To achieve sustainable development, the PRC government adopts macro control or other policies and measures from time to time, including tightening or expanding policies and measures adopted when changes are currently or are expected to be emerging in China's economy. Since 2008, the economic growth in China has slowed down under the impact of global financial crisis and deteriorating economy. In order to stimulate economic growth, the PRC government has adopted and may continue to adopt a number of monetary policies as well as other economic measures so as to expand its investment in infrastructure projects, increase the liquidity of the credit market, encourage employment and boost consumption. However, we cannot guarantee the success of such monetary and economic measures.

In the future, subject to any economic reform, monetary or other economic measurements adopted by the PRC government in light of the economic downturns, the benefits that we are entitled to may diminish. Furthermore, we are unable to predict whether the changes in China's politics, economy, social conditions, laws and regulations or governmental policy changes will have an adverse effect on our business, results of operations or financial condition in the future.

We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and investors' investments.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 10, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexibly managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. From July 21, 2005 to December 31, 2009, the value of the Renminbi appreciated by approximately 21.2% against the U.S. dollar. In August 2008, the PRC revised the PRC Foreign Exchange Administration Regulations to promote the reform of its exchange rate regime. On June 19, 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate.

The recent change in the PRC currency policy has resulted in the appreciation of the Renminbi against the U.S. dollar from approximately RMB6.83 to US$1 on December 31, 2008 to approximately RMB6.06 to US$1 on January 31, 2014. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies.

Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency-denominated revenue and assets. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations will further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than the Renminbi until we obtain the necessary approvals from relevant PRC regulatory authorities to convert the same into Renminbi.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and to process such transactions at designated foreign exchange banks within China that have licenses to conduct foreign exchange business. As a result, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Our foreign exchange transactions under the capital account, however, must be approved in advance by the SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfilment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to Shareholders or other changes in foreign exchange policies resulting in insufficient foreign currency, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our capital expenditure plans, and even our business, financial condition and results of operations, may be adversely affected.

Payment of dividends is subject to restrictions under PRC laws.

According to PRC law and our Articles of Association, we may only pay dividends out of our distributable profits. Distributable profits (as determined either by PRC GAAP or IFRS, whichever is lower) refer to the net profits in a certain period, less any recovery of cumulative losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to ensure us that we make dividend distributions to our Shareholders in the future. Any undistributed profit of the preceding year which has not been distributed will be retained and available for distribution in subsequent years.

Moreover, as distributable profits are calculated differently under PRC GAAP than under IFRS, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distribution to our Shareholders in the future, including those periods for which our financial statements indicate that our operations have been profitable.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the available legal protections.

Our company and our major operating subsidiaries are incorporated in the PRC, and most of our business is conducted in the PRC. These entities and operations must therefore comply with the laws of the PRC. The PRC legal system is based on written statutes and various administrative regulations and policy decrees. Prior court decisions or rulings may be cited for reference in courts and administrative proceedings but have limited precedential value. Since the 1970s, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in its laws and regulations governing economic matters such as Shareholders' rights, foreign investment, company organization and management, business, tax and trade. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and implementation. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government decisions. These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material and adverse effect on our business, prospects, financial condition and results of operations.

Unexpected changes in applicable PRC taxes and tariff or the implementation measures or policies currently adopted by relevant PRC government authorities may materially and adversely affect our results of operations.

Our operations are subject to various types of taxes in the PRC, including business tax, income tax and VAT. PRC tax laws and regulations are still evolving and there are uncertainties about their interpretation and implementation. In particular, the PRC government has, in recent years, adopted revisions to the tax regime on selected industries where VAT, instead of business tax, will be applied. As of the Latest Practicable Date, interpretation or implementation in relation to new tax regime of VAT are still subject to clarification. As advised by our PRC legal advisors, during the Track Record Period and as of the Latest Practicable Date, we have complied with relevant taxation laws and regulations in China in all material aspects.

For instance, according to *Provisional Regulations on Value-added Tax of People's Republic of China* (中華人民共和國增值稅暫行條例) issued by the State Council of the PRC in 1993 and further amended in 2008, VAT is applied to, among other things, income generated from sales and importation of goods. In addition, the PRC government authorities clarified that sales of used goods of individuals shall be exempted from paying VAT. In March 1999, SAT further issued *Notice on Questions of Levying Value-added Tax and Business Tax on Auction Income of Auction House* (關於拍賣行取得的拍賣收入徵收增值稅、營業稅有關問題的通知) (the "1999 VAT Notice"), according to which, VAT shall be applied, at the tax rate of 4%, to hammer price and buyer's commission made by buyers to auction houses for successful auctions, with exceptions to goods that are not subject to VAT according to the relevant PRC laws and regulations, in which case, VAT could be waived pursuant to approval by relevant tax authorities at county level or above. According to the 1999 VAT Notice, the seller's commission is subject to business tax.

Although it has been over 14 years since the 1999 VAT Notice has been issued, the implementation rules and measures of the 1999 VAT Notice remains unclear. In line with the prevailing industry practice in China and pursuant to practice of the PRC tax authorities, we have been paying business tax for auction commission income from both buyers and sellers. As of the Latest Practicable Date, we have not been challenged by the PRC tax authorities for this practice. Furthermore, according to tax certificates issued by the relevant PRC tax authorities in Beijing and Guangzhou, Poly Auction Beijing and Poly Auction Guangdong, respectively, has not been subject to any material penalty for breach of applicable PRC tax laws and regulations between January 1, 2008 and May 31, 2013. In addition, according to *Law of the People's Republic of China Concerning the Administration of Tax Collection* (中華人民共和國稅收徵收管理法) and the relevant implementation rules, in general, the PRC tax authorities may only pursue the collection of tax in arrears within five years. As advised by our PRC legal advisor, according to the tax certificates issued by the competent PRC tax authorities, we will not be penalized for not paying VAT in accordance with the 1999 VAT Notice.

In addition, according to a verbal notice from East District Branch of Beijing Bureau of SAT (the "2013 VAT Notice"), for auction houses in Beijing, VAT will be applied, at the tax rate of 4%, to hammer price and buyer's commission in respect of auctioned goods that are consigned by institutional sellers, which will not be applied retrospectively. In addition, the buyer's commission will no longer be subject to business tax. In accordance with the 2013 VAT Notice, we filed tax registration at the East District Branch of Beijing Bureau of SAT on August 13, 2013 for VAT payment regarding applicable income of Poly Auction Beijing for the six months ended December 31, 2013 at the rate of 4%. The East District Branch of Beijing Bureau of SAT has accepted our filings. On the other hand, as of the Latest Practicable Date, we have not received any notice from Tianhe District Branch of Guangzhou Bureau of SAT on whether it plans to change its policy in collecting taxes on auction houses.

We could not assure you that we will not receive interpretations of the 1999 VAT Notice and other applicable tax laws and regulations from relevant PRC government authorities that are inconsistent with and less favourable to our own interpretations. There is no assurance that, compared with our competitors, we may receive less favourable interpretations of the 1999 VAT Notice or other applicable tax laws and regulations in relation with VAT applications to income from auction operations. For instance, we may face greater competition for our auction operation, should our competitors that are registered in other cities are able to receive more favourable tax treatment from the local tax authorities than we do in Beijing and Guangzhou.

In addition, according to the *Notice to Pilot Tax Policy of MOF and State Administration of Taxation on Levying Value-added Tax instead of Business Tax to China's Transportation Industry and Selected Modern Service Industry* (財政部、國家稅務總局關於在全國開展交通運輸業和部份現代服務業營業稅改徵增值稅試點稅收政策的通知) jointly issued by MoF and SAT in May 2013, enterprises operate in modern service industries, including broadcast, TV and film industries, advisory services industries and convention and exhibition services industries shall pay VAT. As of the Latest Practicable Date, we have been preparing applications to relevant PRC tax authorities to confirm the specific rate of VAT we shall be liable for our operations under cinema investment and management segment. Should our tax liability increase in the future as a result of this change in tax policy, our business and financial condition could be adversely affected. In addition, the importation of artworks into China is currently subject to an import tariff of 6%-50%. In 2012, the customs heightened its efforts in levying import tariff on artworks (including cultural relics), PRC which may affect the willingness for relevant sellers and buyers to participate in art auctions, which may in turn decrease our income.

As advised by our PRC legal advisors, during the Track Record Period and as of the Latest Practicable Date, we have complied with relevant taxation laws and regulations in China in all material aspects. However, there is no assurance that taxes (in terms of types and/or rates) that are related to our principal business or the implementation policies or measures on applicable taxation laws currently adopted by the relevant PRC government authorities will not be subject to changes in the future, the occurrence of which may have an adverse impact on our business and financial condition.

It may be difficult to serve service of process upon, or to enforce any judgments obtained outside the PRC against, us, our Directors, or our senior management members who live inside the PRC.

Substantially all of our existing Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to serve service of process from outside the PRC upon us or such persons in the PRC. In addition, the enforcement of foreign judgments in the PRC involves uncertainty. If there exists a treaty between an overseas jurisdiction and the PRC or a similar judgment made by a PRC court has been recognized before such foreign judgment, the judgment made in the jurisdiction might be recognized and enforced in the PRC. However, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

Foreign individual holders of our H Shares may become subject to PRC income tax.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and Non-PRC Resident Enterprises are subject to different tax obligations with respect to the dividends paid to them by use or the gains realized upon the sale or other disposition of H Shares.

At present, non-PRC resident individuals are exempted from individual income tax for the realized profit made in selling H Shares. Dividends and bonuses distributed by foreign funded enterprises and received by non-PRC resident individuals are temporarily exempted from individual income tax. If the Chinese government repeals such exemption in the future, relevant non-PRC resident individuals could be subject to individual income tax notwithstanding applicable regulations in treaties entered into between China and the jurisdiction of the residence of the non-PRC resident that lower or exempt relevant taxation obligation.

Pursuant to the *PRC EIT LAW (《中國企業所得稅法》)* which came into effect since January 2008, for Non-PRC Resident Enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under this law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. In accordance with the *Notice Regarding Questions on Withholding Enterprise Income tax When PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares (Guoshuihan [2008] No. 897)* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知)(國稅函[2008]897號) issued by the State Administration of Taxation, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of residence of the relevant Non-PRC Resident Enterprise.

Although it has been five years since the PRC EIT Law (《中國企業所得稅法》) has come into effect, the implementation rules are subject to unilateral changes introduced by the relevant authorities and the enforcement of which remains opaque to public scrutiny. Areas of concern include but are not limited to the taxation of capital gains by Non-PRC Resident Enterprises. PRC tax laws, regulations and rules are subject to amendment at intermittent periods. Any amendment in law and regulations as well as implementation rules may affect the value of your H shares investment. For more information, please see the section headed "Appendix IV – Taxes and Foreign Exchange".

RISKS RELATING TO GLOBAL OFFERING

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the completion of the Global Offering, no public market has existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. Factors including but not limited to our income, profits, changes of cash flow or any other circumstances related to us may affect the trading volume and price of our H Shares.

Because the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering will experience immediate dilution upon such purchase.

The Offer Price of our H Shares is higher than our net tangible book value per share as of October 31, 2013. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value of HK$17.78 per H Share based on our net tangible book value per share as of October 31, 2013 (assuming an Offer

Price of HK$33.00, which is the high end of our indicative Offer Price range, and assuming the Over-allotment Option is not exercised), and our existing Shareholders will receive an increase in the pro forma adjusted net tangible asset value per share of their shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

Since there will be a gap of several days between pricing and trading of our Offer Shares, and holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future public offering in the PRC or re-registration of Shares held on our Domestic Share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings or share options. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Undertakings to the Stock Exchange pursuant to Listing Rules". After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

Our Domestic Shares immediately after the Global Offering will amount to 157,929,000 Shares, representing approximately 67.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 156,868,400 Shares, representing approximately 63.7% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares issued and sold by the Company under the Global Offering will amount to 70,710,000 H Shares, representing approximately 30.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or 81,316,000 H Shares, representing approximately 33.0% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares to be converted from Domestic Shares and offered for sale by the Company on behalf of the Selling Shareholders under the Global Offering will amount to 7,071,000 H Shares, representing approximately 3.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 8,131,600 H Shares, representing approximately 3.3% of our total issued share capital assuming the Over-allotment Option is exercised in full). Please see the section headed "Share Capital."

In addition, subject to the approval of the State Council securities regulatory authority, all of our Domestic Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, shares currently held on our Domestic Share register may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

In July 2013, our Directors declared to make a dividend distribution of RMB156.8 million to our existing shareholders, which will be funded by our internal resources and was recognized as a liability as of the Latest Practicable Date. We intend to pay this dividend in April 2014. Our Directors resolved that an accumulated earnings of RMB235.3 million generated by our subsidiaries in China up to March 31, 2013 will be retained. Historical dividend declaration and distribution patterns do not indicatively reflect future dividend policy as changes to policy will be subject to factors including but not limited to our business and financial performance, capital and regulatory requirements and overall business operations. The Board of Directors is responsible for proposing declarations and distributions of dividends and there is no absolute correlative relationship between profits stated to our financial statements compiled in accordance with IFRS and our financial capacity in distributing of dividends to our Shareholders. Please see the section headed "Financial Information – Dividend and Dividend Policy".

Facts and other statistics in this document derived from official government publications or public database sources.

Facts and other statistics in this document have been derived from various official sources from government departments and organizations of the culture and art industries such as NBSC, the Ministry of Culture and ARTRON that we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of our or their respective directors, officers, agents, employees, advisors or representatives or any other person or party involved in the introduction and no representation is given as to their accuracy.

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