
OUR HISTORY AND REORGANIZATION

HISTORY AND DEVELOPMENT

Background

Our history dates back to the year of 2000, when our predecessor, Poly Culture and Arts, was established as a limited liability company with a registered capital of RMB5 million in the PRC. Upon its establishment, the interest of Poly Culture and Arts was held by Poly Group and Poly Tech (a wholly-owned subsidiary of Poly Group) as to 80% and 20%, respectively.

Poly Culture and Arts underwent three rounds of registered capital increases by the then Shareholders and its registered capital was increased to RMB50 million, RMB100 million and RMB110 million in 2003, 2004 and 2008, respectively. In addition, two rounds of equity transfers between the then Shareholders, namely Poly Group and Poly Tech, were conducted in 2003 and 2004, and the equity interest in our Company held by Poly Group and Poly Tech was changed to 68% and 32%, respectively, before the Reorganization. Poly Wanhe Cinema Circuit was established in 2005.

In December 2009, Poly Culture and Arts was renamed as Poly Culture Group Co., Ltd. (保利文化集團有限公司). In December 2010, the Company was wholly converted into a joint stock limited liability company and renamed as Poly Culture Group Corporation Limited (保利文化集團股份有限公司), with a registered capital of RMB120 million, and the equity interest in our Company being held by Poly Group and Poly Tech remained the same. Our Company inherited all assets and liabilities from Poly Culture Group Co., Ltd. and there was no change to our main business activities before and after the Reorganization.

Immediately following the Reorganization, the Company's registered capital was further increased to RMB165 million in 2011.

In early 2013, the U.S. Department of State imposed sanctions on a number of enterprises and individuals in different countries pursuant to *Iran, North Korea and Syria Nonproliferation Act*, including Poly Tech and its successors, affiliates or subsidiaries. In preparation for the Global Offering and to mitigate any adverse impact on our Group, in June 2013, Poly Tech transferred its entire equity interest in the Company (i.e. 32%) to Poly Southern, a wholly-owned subsidiary of Poly Group, at nil consideration. After the transfer, Poly Tech ceased to be a Shareholder of our Company. Our PRC legal advisors have confirmed that the share transfer between Poly Tech and Poly Southern has obtained the relevant PRC approvals and has been duly completed in June 2013 and the transfer was effective and valid under the relevant PRC laws and regulations.

On June 17, 2011, the Company made an application to CSRC for the proposed A-Shares listing. CSRC has formally accepted the listing application for review on June 24, 2011. It was widely reported in the PRC media in early 2013 that CSRC has suspended all new listings, which was believed to be the cause of delays in existing listing application approvals. As the prospects of the proposed A-Shares listing became uncertain, the Company decided to abort it and commenced the preparation of its proposed H-Shares listing. The Company then made an application to CSRC for a suspension of its A-Shares listing on the ground that it intended to proceed with its proposed H-Shares listing instead. Such application for suspension was approved by CSRC on September 5, 2013.

For the detailed background of Poly Group, please see the section headed "Relationship with Our Controlling Shareholder".

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Milestones of Development

The following are the key milestones in our history to date:

<u>Year</u>	<u>Events</u>
2000	Poly Culture and Arts was established
2002	Beijing Poly Theatre obtained ISO9001 quality management system certification and became the first theatre in China to obtain that certification
2003	Poly Theatre Management was established
2004	Shanghai Oriental Art Centre Operation and Management Agreement was entered into between Shanghai Oriental Art Centre and Shanghai Oriental Art Centre Management Limited, which was a breakthrough for the ownership and management rights separation reform for theatres in the PRC
2005	Poly Auction Beijing was established
2007	Poly Auction Beijing was awarded as the “Most Influential Auction House in Mainland China in 2006”
2008	<ul style="list-style-type: none">• Poly Culture and Arts was awarded as one of the first “Top 30 National Culture Enterprises” in China (首屆中國文化企業30強)• Poly Auction Beijing was awarded the “Innovation Reward for Auction House of the Year” at the AAC2007 Art China Annual Influence Award Ceremony• Beijing Poly Theatre was awarded the “National Youth Civilization” (全國青年文明號) by SASAC and Central Committee of the Communist Youth League• Poly Auction Beijing held Beijing Poly 2008 Autumn Auction and achieved a turnover of RMB423 million
2009	<ul style="list-style-type: none">• Beijing Poly Theatre began to sell tickets through internet• Poly Auction Beijing held Beijing Poly 2009 Autumn Auction and achieved a record turnover of RMB1,770 million• Poly Culture and Arts was officially renamed as Poly Culture Group Co., Ltd.

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<u>Year</u>	<u>Events</u>
2010	<ul style="list-style-type: none">• Poly Film obtained the ISO9001 quality management certification• Poly Culture Group Co., Ltd. was awarded as one of the second “Top 30 National Culture Enterprises” in China (第二屆中國文化企業30強)• Poly Auction Beijing held Beijing Poly Fifth Anniversary 2010 Spring Auction and achieved a turnover of RMB3,304 million, which ranked the first globally among all auctions specialized in Chinese arts held during the same auction season• Poly Auction Beijing held Beijing Poly Fifth Anniversary 2010 Autumn Auction and achieved a turnover of RMB5,151 million, which ranked the first globally among all auctions specialized in Chinese arts held during the same auction season• Poly Culture Group Co., Ltd. was converted into a joint stock limited liability company
2011	<ul style="list-style-type: none">• Poly Culture was awarded as one of the third “Top 30 National Culture Enterprises” in China (第三屆中國文化企業30強)• Poly Auction Beijing held Beijing Poly 2011 Spring Auction and achieved a turnover of RMB6,117 million, which created a new record for the turnover of Chinese arts auctions worldwide• Poly Culture was awarded one of the “Ten Most Influential National Culture Bases” (十大最具影響力國家文化產業示範基地)• Poly Auction Beijing held Beijing Poly 2011 Autumn Auction and achieved a turnover of RMB4,944 million. Poly Auction Beijing also created a new record for the turnover of Chinese arts auctions worldwide with a total annual turnover of RMB12,100 million
2012	<ul style="list-style-type: none">• Poly Culture was awarded as one of the fourth “Top 30 National Culture Enterprises” in China (第四屆中國文化企業30強)• Poly Auction Beijing held Beijing Poly 2012 Spring Auction and achieved a turnover of RMB3,033 million and held Beijing Poly 2012 Autumn Auction and achieved a turnover of RMB2,330 million, which ranked the first among all auctions specialized in Chinese arts held during the same auction season• Poly Auction Hong Kong was established and achieved a turnover of RMB418 million in the first auction it held, which ranked the third among all auctions specialized in Hong Kong arts held during the same auction season

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Year	Events
2013	<ul style="list-style-type: none">• Poly Culture was awarded as one of the fifth “Top 30 National Culture Enterprises” in China (第五屆中國文化企業30強)• Poly Auction Beijing held Beijing Poly 2013 Spring Auction and achieved a turnover of RMB2,838 million and held Beijing Poly 2013 Autumn Auction and achieved a turnover of RMB2,869 million, which ranked the first among all auctions specialized in Chinese arts held during the same auction season

THE REORGANIZATION

In 2010, we underwent the Reorganization in preparation for the Global Offering. In June 2010, Poly Group and Poly Tech entered into a promoters’ agreement, pursuant to which Poly Culture Group Co., Ltd. shall be fully converted into a joint stock limited liability company.

Pursuant to the *Approval Reply on the Establishment of Poly Culture Group Co., Ltd.* (關於設立保利文化集團股份有限公司的批復) issued by SASAC on December 6, 2010 and as approved on the inaugural meeting of our Company on December 9, 2010, the Company was converted into a joint stock limited liability company on December 14, 2010 upon registration with SAIC and renamed as Poly Culture Group Co., Ltd.. Immediately after the conversion, our Company had a total of 120,000,000 issued Domestic Shares with a nominal value of RMB1.00 each. Poly Group held 81,600,000 Domestic Shares, representing 68% of our then total issued shares, and Poly Tech held 38,400,000 Domestic Shares, representing 32% of our then total issued shares.

The Reorganization required approvals from the relevant PRC government authorities, including SASAC. Our PRC legal advisors confirmed that we have obtained all the necessary approvals from the relevant PRC government authorities with respect to the Reorganization and completed all the necessary filing procedures in compliance with the relevant PRC laws and regulations.

PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, the Company has eight directly owned subsidiaries engaging in three business segments, namely (i) art business and auction, (ii) performance and theatre management, (iii) cinema investment and management.

1. Art business and auction segment

The Company carries out its art business and auction operations mainly through six directly owned subsidiaries, namely (i) Poly Auction Beijing; (ii) Poly Auction Hong Kong; (iii) Poly Auction Guangdong; (iv) Poly Art Centre; (v) Poly Art Investment; and (vi) Guilin Poly Culture Investment.

Poly Auction Beijing was established in July 2005 in the PRC and is currently a non-wholly-owned subsidiary of the Company with a registered capital of RMB10 million. Poly Auction Beijing has a wholly-owned subsidiary, Kangoo Overseas Ltd., which was established in British Virgin Islands and mainly acts as an agency entity for sourcing artworks from overseas markets.

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Poly Auction Hong Kong was established in October 2012 in Hong Kong. Its main business scope includes auction and wholesale of artworks, furniture and decoration art sales and consultation. It is currently a non-wholly-owned subsidiary of the Company with a registered capital of HKD100 million. The Company and Poly Auction Beijing hold 38.5% and 30% of the equity interest of Poly Auction Hong Kong, respectively.

Poly Auction Guangdong was established in November 2003 in the PRC. Its main business scope includes the auction of moveable property, immovable property, intangible assets, and the second and the third types of cultural relics. After a series of equity interest transfers and registered capital increases, Poly Auction Guangdong is currently a non-wholly-owned subsidiary of the Company with a registered capital of RMB16.6 million. Poly Auction Guangdong has a wholly-owned subsidiary, Guangdong Poly Asset Management Co., Ltd., which engages in the business of assets management, and consultation of acquisition, disposal, reorganization and related business.

Poly Art Centre was established in March 2007 in the PRC. Its main business scope includes sales of cultural relics, calligraphy and painting, artworks and jewelries, organization of culture and art communication activities, identification and restoration of cultural relics and arts, consultation of techniques for cultural relics, and undertaking exhibitions. After an equity interest transfer and two rounds of registered capital increases, Poly Art Centre is currently a wholly-owned subsidiary of the Company with a registered capital of RMB130 million.

Poly Art Investment was established in July 2010 in the PRC. Its main business scope includes investment management and consultation, authentication of antiques, calligraphy and painting, artworks and collection, organization of culture and art communication activities, undertaking exhibition. It is currently a non-wholly-owned subsidiary of the Company with a registered capital of RMB10 million.

Guilin Poly Culture Investment was established in November 2013 in the PRC. Its main business scope includes investments to art industry and related consultation services. It is currently a wholly-owned subsidiary of the Company with a registered capital of RMB10 million.

2. Performance and theatre management segment

The Company carries out its performance and theatre management operations mainly through Poly Theatre Management, a direct wholly-owned subsidiary of the Company. As of the Latest Practicable Date, Poly Theatre Management has 24 wholly-owned subsidiaries and 12 non-wholly-owned subsidiaries, most of which engage in performance and theatre management business.

Poly Theatre Management was established in October 2003 in the PRC. After a series of equity transfers and registered capital increases, Poly Theatre Management became a wholly-owned subsidiary of the Company in March 2011 and its registered capital was increased from RMB5 million to RMB50 million.

The main business scope of Poly Theatre Management includes performance operation and agency business, sales of packaged food, enterprises management consultation, theatre operation and management, enterprises image design, stage lighting equipment lease, organization of business performance, advertisement design. The subsidiaries of Poly Theatre Management mainly engage in the business of theatre management in the PRC.

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3. Cinema investment and management segment

The Company carries out its cinema investment and management operations mainly through Poly Film, a wholly-owned subsidiary of the Company. As of the Latest Practicable Date, Poly Film has five wholly-owned subsidiaries and two non-wholly-owned subsidiaries, most of which engage in cinema investment and management business.

The predecessor of Poly Film, Oriental Dragon Movie Co., Ltd. (“Oriental Dragon”), was established by Poly Group and Changchun Film Production Group in August 2002 in the PRC. In January 2004, Poly Group transferred its 90% equity interest in Oriental Dragon to the Company at nil consideration. In June 2008, Oriental Dragon was renamed as Poly Film Investment Limited Company. In May 2011, Changchun Film Production Group transferred its 10% equity interest in Poly Film to the Company at a consideration of RMB4,021,400 and Poly Film became a wholly-owned subsidiary of the Company.

The main business scope of Poly Film includes movie screening, production and sales of beverage, and retail of packaged food, project investment of movie and TV education industry, development, transfer, service, consultation of movie techniques, undertaking movie culture communication activities, construction and operation of cinema, and information consultation, labor service, design, production and advertisement for the above-mentioned business.

As of the Latest Practicable Date, Poly Film has five wholly-owned subsidiaries, including Guangzhou Poly Cinema, Wuxi Poly Cinema, Shanghai Poly Cinema, Rizhao Poly Cinema and Shenzhen Poly Cinema. Guangzhou Poly Cinema and Shenzhen Poly Cinema engage in movie screening; Wuxi Poly Cinema engages in organization and consultation of culture communication and company management; Shanghai Poly Cinema engages in cinema investment and assets management; and Rizhao Poly Cinema engages in cinema management.

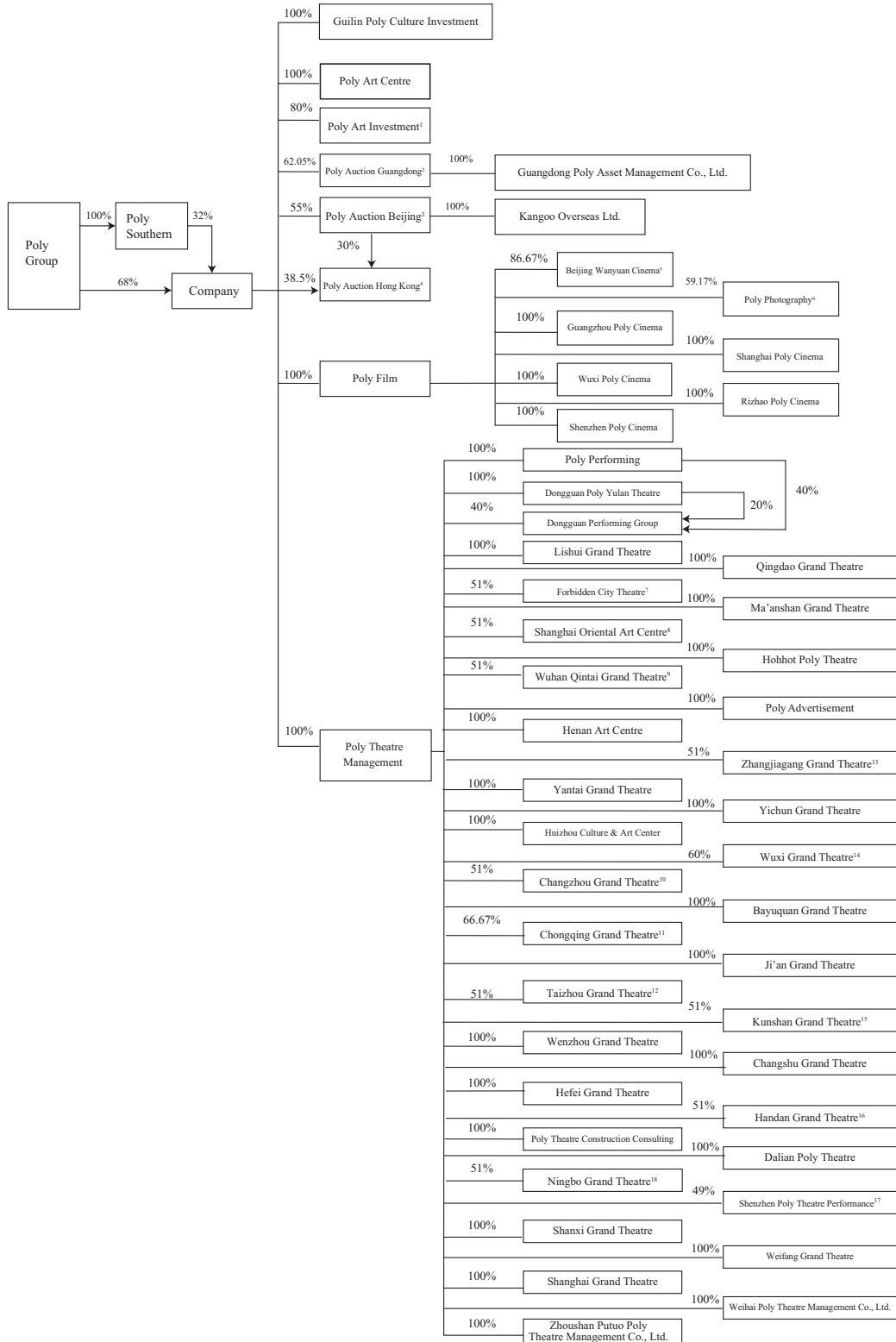
As of the Latest Practicable Date, Poly Film has two other non-wholly-owned subsidiaries, Beijing Wanyuan Cinema and Poly Photography, which mainly engage in movie screening and photo printing, respectively.

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 on the basis of audited net assets value of Poly Wanhue Cinema Circuit as of December 2012, of which the audit was performed by an independent local accounting firm. After such disposal, we no longer engage in the cinema circuit business. For more details, please see the section headed “Relationship with Our Controlling Shareholder”. Our Directors expect that, among others, taking into account the historical sound business relationship between Poly Wanhe Cinema Circuit and our cinemas, the cinema box office income sharing arrangement between our Group and Poly Wanhe Cinema Circuit previously established will continue after the Listing. For details, please see the section headed “Relationship with Our Controlling Shareholder” and “Connected Transactions”.

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CORPORATE STRUCTURE

The following chart sets out our corporate structure immediately prior to the Global Offering:



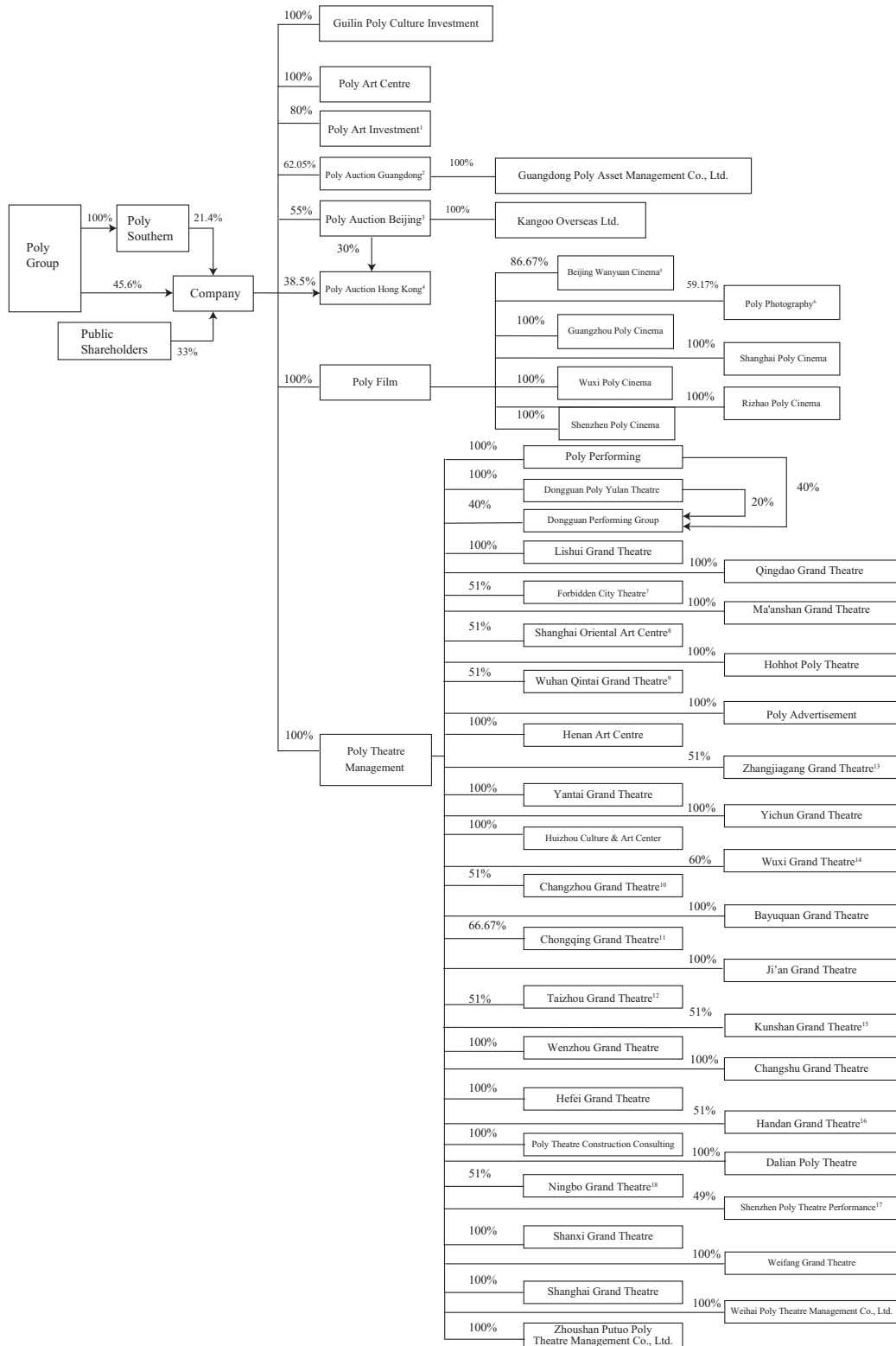
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Except for Mr. Li Yizhou and Mr. Zeng Ruoming, all of the following Shareholders of the non-wholly-owned subsidiaries are connected persons of the Company.

1. The remaining 20% of the equity interest is held by the Fangdeer (Beijing) Investment Consultation Limited Company (方德爾(北京)投資顧問有限公司).
2. The remaining 37.952% of the equity interest is held by Poly Southern (18.976%) and Guangzhou Fengjia Enterprise Development Limited Company (廣州市豐嘉企業發展有限公司) (18.976%). As at the Latest Practicable Date, Poly Southern holds 32% of the equity interests of the Company.
3. The remaining 45% of the equity interest is held by Ms. Li Da (李達) (22%), Mr. Zhao Xu (趙旭) (18%) and Mr. Li Yizhou (李移舟) (5%).
4. The remaining 31.5% of the equity interest is held by Mr. Zhao Xu (趙旭) (21.5%) and Mr. Chang Yihsiu (張益修) (10%).
5. The remaining 13.33% of the equity interest is held by Ms. Li Ying (李穎).
6. The remaining 40.83% of the equity interest is held by Hong Kong Lafeier Co. Ltd (香港拉費爾有限公司).
7. The remaining 49% of the equity interest is held by Beijing Performance & Art Group Limited Liability Company (北京演藝集團有限責任公司).
8. The remaining 49% of the equity interest is held by Wenhui Xinmin United Newspaper Group (文匯新民聯合報業集團).
9. The remaining 49% of the equity interest is held by Wuhan Tianhe Movie Limited Company (武漢天河影業有限公司).
10. The remaining 49% of the equity interest is held by Changzhou Sports Industry Development Limited Company (常州體育產業發展有限公司) (25%) and Changzhou Performance Company (常州市演出公司) (24%).
11. The remaining 33.33% of the equity interest is held by Chongqing Performance Management Department (重慶市演出管理處).
12. The remaining 49% of the equity interest is held by Broadcast Station of Taizhou City (泰州市廣播電台).
13. The remaining 49% of the equity interest is held by Culture Centre Management Committee Office of Zhangjiagang City (張家港市文化中心管理委員會辦公室).
14. The remaining 40% of the equity interest is held by Wuxi Taihu New City Construction Investment Management Limited Company (無錫太湖新城建設投資管理有限公司).
15. The remaining 49% of the equity interest is held by Kunshan Broadcast and TV Advertisement Limited Liability Company (昆山市廣播電視廣告有限責任公司).
16. The remaining 49% of the equity interest is held by Handan Cultural Arts Centre Co., Ltd. (邯鄲市文化藝術中心有限責任公司).
17. The remaining 51% of the equity interest is held by Shenzhen Poly Culture Plaza Co., Ltd. (深圳市保利文化廣場有限公司) (45%), a wholly-owned subsidiary of Poly Group, and Mr. Zeng Ruoming (曾若明) (6%).
18. The remaining 49% of the equity interest is held by Ningbo Culture Plaza Investment & Development Co., Ltd. (寧波文化廣場投資發展有限公司).

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The following chart sets out our corporate structure immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



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Except for Mr. Li Yizhou and Mr. Zeng Ruoming, all of the following Shareholders of the non-wholly-owned subsidiaries are connected persons of the Company.

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2. The remaining 37.952% of the equity interest is held by Poly Southern (保利南方集團有限公司) (18.976%) and Guangzhou Fengjia Enterprise Development Limited Company (廣州市豐嘉企業發展有限公司) (18.976%). As at the Latest Practicable Date, Poly Southern held 32% of the equity interests of the Company.
3. The remaining 45% of the equity interest is held by Ms. Li Da (李達) (22%), Mr. Zhao Xu (趙旭) (18%) and Mr. Li Yizhou (李移舟) (5%).
4. The remaining 31.5% of the equity interest is held by Mr. Zhao Xu (趙旭) (21.5%) and Mr. Chang Yihsiu (張益修) (10%).
5. The remaining 13.33% of the equity interest is held by Ms. Li Ying (李穎).
6. The remaining 40.83% of the equity interest is held by Hong Kong Lafeier Co. Ltd (香港拉費爾有限公司).
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9. The remaining 49% of the equity interest is held by Wuhan Tianhe Movie Limited Company (武漢天河影業有限公司).
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11. The remaining 33.33% of the equity interest is held by Chongqing Performance Management Department (重慶市演出管理處).
12. The remaining 49% of the equity interest is held by Broadcast Station of Taizhou City (泰州市廣播電台).
13. The remaining 49% of the equity interest is held by Culture Centre Management Committee Office of Zhangjiagang City (張家港市文化中心管理委員會辦公室).
14. The remaining 40% of the equity interest is held by Wuxi Taihu New City Construction Investment Management Limited Company (無錫太湖新城建設投資管理有限公司).
15. The remaining 49% of the equity interest is held by Kunshan Broadcast and TV Advertisement Limited Liability Company (昆山市廣播電視廣告有限責任公司).
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17. The remaining 51% of the equity interest is held by Shenzhen Poly Culture Plaza Co., Ltd. (深圳市保利文化廣場有限公司) (45%), a wholly-owned subsidiary of Poly Group, and Mr. Zeng Ruoming (曾若明) (6%).
18. The remaining 49% of the equity interest is held by Ningbo Culture Plaza Investment & Development Co., Ltd. (寧波文化廣場投資發展有限公司).