You should read this section in conjunction with our consolidated financial information, including notes thereto, as set forth in the "Accountants' Report" in Appendix I to this prospectus, which has been prepared in accordance with IFRS. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a leading culture and art enterprise in China with diversified business operations. We have successfully established leading market positions, premium brand names and strong competitiveness through three business segments, namely, the art business and auction segment, the performance and theatre management segment and the cinema investment and management segment. According to ARTRON, in terms of aggregate art auction turnover, we were the largest art auctioneer in China (including Hong Kong) in 2010, 2011 and 2012 and the six months ended June 30, 2013. As of October 31, 2013, we were one of the largest theatre management companies in China, in terms of number of theatres in operation. Since 2008, we have been awarded as one of the "Top 30 National Culture Enterprises" by *Guangming Daily* (光明日報) and *Economic Daily* (經濟日報) for five consecutive times. In 2011, we were ranked as one of the "Top Ten Most Influential National Culture and Art Industries Base" by the Ministry of Culture.

Details of our three business segments are set forth as below.

Art business and auction segment

We have developed an integrated platform including auction, art business and art investment consultation and other services, through which, we provide a diverse group of clients with comprehensive services that cover key areas along the value chain of the artwork industry, including authentication, valuation, auction, sales, investment and financing.

- **Auction**. We function as an agent by accepting artworks on consignment, stimulating market demand through professional marketing techniques and matching sellers (or consignors) to buyers (or bidders) through art auctions or private sales. We normally collect commissions from both buyers and sellers upon settlement of auction sales.

  During the Track Record Period, we also derived revenue from conducting auctions for items other than artworks, such as real estate, equipment and office facilities, through our subsidiary, Poly Auction Guangdong.

- **Art business**. We purchase artworks which we believe are undervalued or that have appreciation potential at auctions or through private sales and resell them at an appropriate time for profit.

- **Art investment consultation and other services**. We act as investment advisor providing advisory services on authentication, valuation, purchase and sales of artworks, primarily serving financial institutions, enterprises and individuals who participate in transaction of artworks for investment or finance purpose. Trustees pay us advisory fees and incentives for services we provided.

Performance and theatre management segment

We provide comprehensive services covering key functions of theatre management, including daily management of theatre, arrangement of performances, lease of theatres and theatre construction consultation services. Under this segment, we derive revenue primarily from theatre box office income from arranging and organizing a variety of performances, theatre management fees paid by theatre owners and rental fees charged to third parties for renting theatres.

Cinema investment and management segment

We invest, develop and operate cinemas and screen movies provided by Poly Wanhe Cinema Circuit. During the Track Record Period, we derived revenue primarily from cinema box office income from self-operated cinemas, circuit income from franchised cinemas, and partly from providing a variety of auxiliary goods and services such as selling derivative products and souvenirs of movies and advertisement services.

In June 2013, due to PRC regulatory restriction imposed on foreign investment into China’s cinema circuit companies, we disposed of and transferred our 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 sections headed “Our History and Reorganization”, “Relationship with our Controlling Shareholder” and “Connected Transactions”.

Through years of efforts, we have successfully established an extensive business network across China and with global reach. This enables us to reduce the exposure to risks associated with operating in a single business segment.

For the three years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our revenue amounted to approximately RMB1,216.1 million, RMB1,758.2 million, RMB1,649.9 million and RMB1,455.6 million, respectively. For the three years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our net profit amounted to approximately RMB371.6 million, RMB583.1 million, RMB386.3 million and RMB308.2 million, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our operating results and financial condition have been and will continue to be affected by a number of key factors, including economic conditions and market demand for culture and art products, relationship with our partners, customers and suppliers, scale of our theatre and cinema networks and competition.

Economic Conditions and Market Demand for Culture and Art Products

Fluctuations in China's economic development and volatility in the Chinese culture and art market will have an effect on our operations under different business segments. Benefiting from the rapid growth of the PRC economy and per capita disposable income, favorable government policies and increasing capital investment, the culture and art industries in China has seen significant growth, with the CAGR of the value added of such industries continuously outpacing that of national GDP between 2008 and 2011. Please see the section headed "Industry Overview". We believe that the growth of our operations during the Track Record Period has benefited from this favorable development. However, the PRC economy has experienced a mild slowdown since 2011. According to the National Bureau of Statistics 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. The adverse economic conditions had an impact on our art business and auction segment in 2012. Please see the section headed "– Results of Operations".

When the economy grows rapidly and the art market is flush with liquidity, artworks trend to become popular consumer products and ideal investment targets. As a result, market prices of artworks will increase and the buyers and sellers become more willing to carry out transactions, which would in turn result in higher auction commission income. This may also boost the market value of the artworks held by the artwork investment funds to which we provide consultation services, thus further enhancing our profitability. On the other hand, during economic downturns or political uncertainties, potential buyers and sellers may lack incentive to purchase and sell artworks. As a result, our auction commission income and profit from reselling artworks and providing investment consultation services to artworks trust plan could decrease. However, the decline in artwork prices may help us expand our artwork inventories at low costs, which will in turn improve the profitability of our art business in the future.

In managing our performance and theatre management segment and cinema investment and management segment, our theatre and cinema box office income is affected by economic fluctuations as demand for culture products, such as theatre performances and movies, changes with economic conditions. During economic recessions, audiences are more likely to decrease expenses on luxury and high-end culture products, while increasing spending on movies where they could relax with comparably lower costs, such as ordinary theatre performances and movies.

As such, we expect the economic conditions in China and the continuously changing market demand for culture and art products has caused and will continue to affect our results of operations.

Relationships with Our Partners, Customers and Suppliers

The success of our operations and sustainable development depend upon our ability to develop and maintain long-term relationships with major partners, customers and suppliers, many of whom have market reputation and status in the relevant industries and/or possess strong bargaining power.

In managing our art business and auction segment, our revenue, profitability and operating cash flow are affected by the financial strength of our clients, particularly high-end clients, and our ability to develop and maintain relationships with them. Over years, we have devoted ourselves to developing a broad client base which includes premium overseas and domestic clients. At present, we have subsidiaries and representative offices in Hong Kong, the 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.

In managing our performance and theatre management segment, we pursue a balance between fine art taste and commercial value to retain and attract lovers of fine art to be our audiences. Besides, we need to introduce a sufficient number of high-end performances each year in accordance with the theatre management agreements. Therefore, we need to maintain good relations with various art performing groups and performance agencies.

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. Any failure 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 results of operations. Please see the section headed "Business – Our Business – Performance and Theatre Management Segment".

In managing our cinema investment and management segment, we need to maintain the relationship with Poly Wanhe Cinema Circuit so as to secure movie resources. Pursuant to our agreement with Poly Wanhe Cinema Circuit, we are required to exclusively screen the movies provided by Poly Wanhe Cinema Circuit, and distribute net box income between Poly Wanhe Cinema Circuit and us according to agreed income-sharing agreement. Besides, we also need to maintain the relationship with the property owners of our cinemas and develop new partnership with other property owners. At the retail end, we have established cinema membership programs in various cities to enhance customer loyalty.

As such, our long-term relationships with our partners, customers and suppliers have a significant effect on our business growth.

Scale of our Theatre and Cinema Networks

The growth of our theatre and cinema networks directly impacts the results of operations of our performance and theatre management segment and cinema investment and management segment, as well as our working capital requirements. The following table sets forth details of our directly managed theatres and self-operated cinemas as of dates indicated.

	As of December 31,			**As of October 31,**
	2010	**2011**	**2012**	**2013**
Theatres				
Number of directly managed theatres	18	21	27	31[(1)]
Cinemas				
Number of self-operated cinemas . .	5	6	7	17[(2)]

Notes:

(1) As of October 31, 2013, we managed 31 theatres located in China, all of which were in commercial operation. In addition, as of October 31, 2013, we had four theatres under construction where we have already entered into theatre management agreement with the relevant owners. After October 31, 2013, Weihai Conference Center Grand Theatre has commenced its operation.

(2) As of October 31, 2013, we had 17 cinemas that were located in nine cities in China including three cinemas pending for commercial operations. In addition, as of October 31, 2013, we entered into leasing agreements or MOUs in respect of another 25 cinemas across China. After October 31, 2013, Changsha Xiyingmen Cinema has commenced its operations.

In managing our performance and theatre management segment, we strategically select to manage those theatres located in cities with advanced economies and comparatively high per capita GDP, or managed by local government authorities with strong financial capacity, or recognized as pilot cities to conduct reform or national culture system in China. As of October 31, 2013, we operated 31 high-end theatres in 29 cities across China. Additionally, we had four contracted theatres under construction. For performing groups or performance agencies, we have the unique ability to provide performing tour opportunities in multi-city and with multi-performance choices. This allows for delivery of uniform and standardized performances to a wide range of Chinese audiences in a cost-effective manner, which may enhance the profitability and market influence of the performances. We believe the extensive coverage of our theatre network will attract more performing troupes and agencies, thus enhancing our bargaining power and performance arrangement capabilities.

In managing our cinema investment and management segment, we strive to expand our cinema network coverage while maintaining good relationship with landlords of commercial properties on which we operate our cinemas. As of October 31, 2013, our 17 cinemas had a total of 122 screens including 82 3D screens and five Poly-Max screens. This makes us well-positioned to capture diversified demand from a wide range of audiences.

As such, our ability to expand the theatre and cinema networks with prime locations and on favorable terms will continue to affect our business, financial condition and results of operations.

Competition

China has liberalized its art auction industry to domestic private capital, leading to a high level of marketization in the industry. Since artworks may be originated from a variety of places, sellers and buyers may participate in auctions held in China and/or overseas, hence exposing us to global competition. In recent years, foreign auctioneers have actively explored opportunities in the China, notwithstanding various restrictions on range of business they could operate in China. Please see the section headed "Industry Overview". On the other hand, Chinese domestic art auctioneers have also entered into Hong Kong and other global markets. We incorporated Poly Auction Hong Kong in October 2012, which has held its first auction event in autumn 2012.

Most theatres in China are financed and built by central or local governments, contributing to a fragmented market. We primarily compete against other theatre management companies in China in terms of performances, coverage of theatre network and brand recognition. Some competitors have strong capacities in purchasing or producing performances, including CPAA Theatres.

Due to the fragmentation of cinema market in China and certain geographic limitations, we mainly compete against other cinema operators with operations in regions where we operate cinemas. Currently, all of our cinemas have joined the Poly Wanhe Cinema Circuit, which ranked the 15th largest cinema circuit in China in terms of cinema box office income for 2012. One of our cinemas, Shenzhen Poly Cinema was the 16th largest cinema in China and second largest in Shenzhen for 2012 in terms of cinema box office income. Leveraging on the Poly brand and our patented Poly-Max screening technology, we have been actively increasing the number of cinemas, our bargaining power and our market share.

BASIS OF PRESENTATION

Our financial information is presented in RMB, which is the same as the functional currency of our principal operating subsidiaries of our Group.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in

Section B(1) to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We base the assumptions and estimates on historical experience and on various other assumptions that we believe to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management re-evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions may change.

In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our management has formulated and implemented control measures with respect to the management estimate in accordance with our internal management manual. We have not experienced any material deviation between our management's estimates and actual results and have not changed these estimates during the Track Record Period. Our management does not expect any likely changes in these estimates in the foreseeable future.

When reviewing our financial information, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Art business and auction segment

Revenue from auction operation

In auction operation, we charge commissions from both buyers and sellers for the auction services we provide. We recognize revenue from the auction operation upon the settlement of auction sales with the sellers and/or buyers. Revenue from auction services includes buyer's commission and seller's commission, which are based on a percentage of the hammer price of the respective artwork. Please see the section headed "Business – Art Business and Auction Segment – Pricing" in this prospectus.

Revenue from art business operation

Revenue from art business operation is recognized upon the completion of the sale and delivery of the artwork to the buyer, upon which time the title and the risks of the artwork is transferred from us to the buyer. The carrying value of inventory sold under art business operations during the period is recorded as cost of inventories.

Revenue from art investment consultation and other services

We act as investment advisor providing advisory services on authentication, valuation, purchase and sales of artworks. During the Track Record Period, revenue from consultation service was recognized when our investment consultation services have been rendered to our clients.

Performance and theatre management segment

Revenue from theatre box office

Revenue from theatre box office is recognized when the audiences have watched the performance, at which time we have rendered our services to the customers in the theatre.

Revenue from theatre management services

We generally enter into theatre management agreements with theatre owners to manage high-end theatres with over 1,000 seating capacity.

Revenue from theatre management services is recognized upon the fulfillment of service and criteria as stipulated in these agreements.

Rental income – theatre rental

We charge third parties for renting theatres to organize various events or performance. Rental income is recognized when the theatre and relevant services are provided to the customers during the time period as stipulated in the theatre rental service agreement.

Revenue from other services

We provide advisory service on construction, design, and equipment installation of theatre. Revenue from theatre construction consultation services is recognized in proportion to the stage of completion of the transaction as of the balance sheet date. We also generate revenue from rendering ticketing agency services and advertising services.

Cinema investment and management segment

Circuit income from franchised cinemas

Circuit income from franchised cinemas is recognized when the audiences have watched the movies at franchised cinemas under Poly Wanhe Cinema Circuit, which represented the amount Poly Wanhe Cinema Circuit are entitled to collect from the net cinema box office income according to the relevant cinema circuit agreements. Net cinema box office income is derived by deducting a 3.3% tax and a 5% movie special fund levy from the gross cinema box office income.

Cinema Box office income from self-operated cinemas

Revenue from cinema box office of the our self-operated cinemas is recognized when the audiences have watched the movies and is net of a 3.3% tax of the gross cinema box office income.

Inventories

Inventories mainly consist of artworks we purchased under art business operation. Inventories are carried at cost or management's estimate of net realizable value, whichever is lower. Cost is valued on a specific identification basis for artworks. Net realizable value is the estimated selling price in the ordinary course of business to make sale.

Inventories are available for immediate sale. Our management determines the timing of the sale based on their judgment on unique nature of each piece of artwork and the cyclicality of the global art market for better profit. When inventories are sold, the carrying amount of those inventories is recognized as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Valuation of artwork inventory is subjective and the net realizable value fluctuates over time. Our management relies on the valuation opinion of specialists who consider a number of factors including (i) recent transactions of comparable artworks and (ii) supply and demand and current economic environment. Due to the subjectivity involved in estimating the realizable value, if the artwork market deteriorates and the overall economic condition is to deteriorate, actual write-offs would be higher than estimated.

Impairment Losses for Bad and Doubtful Debts

We estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. We base the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Trade, Bills and Other Receivables

Trade, bills and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

According to auction listing agreements, we have no obligations to make payment to the seller prior to the settlement of auction with the relevant buyer. However, upon request from seller who has a good credit record and/or a long-term relationship with us, we may make prepayments of auctioned artwork, prior to the settlement of auction sales 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 the relevant auctioned artwork or other auctioned artwork of the seller in our possession, which will be used to secure the prepayments of auctioned artwork. The amount of prepayments of auctioned artwork is determined through negotiation with the seller, taking into account various factors, including previous transaction records, amount payable to the relevant seller, the nature and auction turnover of the relevant artwork and our overall financial condition.

Consignor Advances

Consignor advances represent the amount we paid to relevant sellers in accordance with relevant consignor advance agreements, which are secured by the relevant artwork to be auctioned. Consignor advances are initially recognized at fair value less allowance for impairment of doubtful debts.

Impairment Losses of Non-current Assets

In considering the impairment losses that may be required for certain of our assets which include property, plant and equipment, long-term prepayments, investments in an associate and unquoted equity investment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of our Group and requires a significant level of judgment exercised by our Directors. Any changes in such assumptions and judgments would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Our management reviews the estimated useful lives of the assets regularly. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income Tax

We are subject to PRC enterprise income tax and Hong Kong profits tax. Judgment is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilization may be different.

Contingent Liabilities

Management judgment is required in the area of contingent liabilities particularly in assessing the outcome of possible obligations arising from the transactions. Our management reassesses the likelihood of the outcome of these possible obligations at the balance sheet date. Where a change in the probability that an outflow of economic resources will be required to settle the obligation, a provision will be recognized in the period in which such determination is made.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We generate revenue primarily from our three business segments, namely, (i) art business and auction; (ii) performance and theatre management and (iii) cinema investment and management. During the Track Record Period, we conducted our businesses substantially in China and Hong Kong.

In managing our art business and auction segment, we provide a broad range of services to diversified customers in the art market, including auction, art business and art investment consultation and other services. Our revenue mainly includes commissions for auction services that we provide to sellers and buyers, revenue from resale of artwork inventories, and consulting fees for providing advisory services on authentication, valuation, purchase and sales of artworks, primarily serving financial institutions, enterprises and individuals who participate in transaction of artworks for investment or finance purpose. In addition, through our subsidiary, Poly Auction Guangdong, we derived commission income from conducting auction for other than artworks, such as real estates, equipment and office facilities, and consulting fees for providing advisory services on asset acquisition, disposal, restructuring and other transactions.

In managing our performance and theatre management segment, we provide comprehensive services covering key sectors of theatre management and operation, including daily management of theatres, arrangement of performances, lease of theatres and theatre construction consultation services. Under this segment, our revenue mainly includes theatre box office income through arranging and organizing a variety of performances, theatre management fees paid by theatre owners, and theatre rent charged to third parties for organizing various events or performances. In addition, we generate revenue from providing theatre construction consulting services and various ancillary services in relation to theatre management.

In managing our cinema investment and management segment, we invest, develop and operate cinemas and generate revenue primarily through cinema box office income. 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 sections headed "Our History and Reorganization", "Relationship with our Controlling Shareholder" and "Connected Transaction".

The following table sets forth a breakdown of our revenue for the periods indicated:

	Year ended December 31,						Ten months ended October 31,			
	2010		2011		2012		2012 (unaudited)		2013	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in millions, except for percentages)									
Revenue										
Art business and auction(1)	680.3	55.9	1,087.2	61.8	792.7	48.1	603.2	48.6	636.7	43.7
Performance and theatre management	390.0	32.1	486.4	27.7	607.6	36.8	452.6	36.5	580.5	39.9
Cinema investment and management(2)	145.1	11.9	183.2	10.4	249.6	15.1	185.2	14.9	238.4	16.4
Others	0.7	0.1	1.4	0.1	0.0	0.0	0.0	0.0	–	–
Total	**1,216.1**	**100.0**	**1,758.2**	**100.0**	**1,649.9**	**100.0**	**1,241.0**	**100.0**	**1,455.6**	**100.0**

Notes:

(1) Include revenue derived through Poly Auction Guangdong from (i) auctions services for items other than artworks, such as real estate, equipments and office facilities, which amounted to approximately RMB10.9 million, RMB3.8 million, RMB3.0 million and RMB4.9 million, respectively, for the years ended December 31, 2010, 2011 and 2012 and ten months ended October 31, 2013, and (ii) consulting services for clients' asset acquisition, disposal, restructuring and other transactions, which amounted to RMB56.4 million in 2012.

(2) Include (i) cinema box office income from our self-operated cinemas, which includes the portion of cinema box office income they paid to Poly Wanhe Cinema Circuit that amounted to RMB17.5 million, RMB44.6 million, RMB60.4 million and RMB63.2 million, respectively, and (ii) circuit income from franchised cinema under Poly Wanhe Cinema Circuit, which amounted to approximately RMB50.0 million, RMB62.2 million, RMB88.5 million and RMB69.6 million, respectively, during the Track Record Period.

Cost of Sales

Cost of sales accounted for 45.6%, 40.7%, 50.8% and 52.5%, respectively, of our total revenue during the Track Record Period. The following table sets forth a breakdown of our cost of sales by business segments for the periods indicated:

	Year ended December 31,						**Ten months ended October 31,**			
	2010		**2011**		**2012**		**2012**		**2013**	
							(unaudited)			
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in millions, except for percentages)									
Art business and auction	180.7	32.6	249.2	34.9	223.2	26.6	131.9	22.8	167.1	21.9
Performance and theatre management	256.0	46.1	318.8	44.6	403.8	48.2	285.5	49.4	382.1	50.0
Cinema investment and management	117.5	21.2	146.9	20.5	211.1	25.2	160.7	27.8	214.6	28.1
Others	0.3	0.1	–	–	–	–	–	–	–	–
Total	**554.5**	**100.0**	**714.9**	**100.0**	**838.1**	**100.0**	**578.1**	**100.0**	**763.8**	**100.0**

Other Revenue

Other revenue mainly included one-off government grants, including the grants and awards for the development of the culture and art industries, and dividends from other financial assets, which refers to the dividends received from our minority interest investments in unlisted companies. Others mainly included insurance settlement, penalties for defaults on auctions and expired but unredeemed performance and movie tickets.

The following table sets forth a breakdown of our other revenue for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Government grants	7.4	2.8	34.3	11.0	9.6
Dividends from other financial assets	1.9	–	–	–	–
Others	3.8	7.1	8.9	6.4	2.2
Total	**13.1**	**9.9**	**43.2**	**17.4**	**11.8**

Other Net Gain/(Loss)

Other net gain or loss included net gain or loss on disposal of property, plant and equipment, net foreign exchange gain or loss, net gain on disposal of subsidiaries and net gain on disposal of other financial assets.

The following table sets forth a breakdown of our other net gain or loss for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Net gain/(loss) on disposal of property, plant and equipment	0.8	(0.0)	(0.0)	(0.0)	2.0
Net foreign exchange loss	(0.0)	(6.9)	(1.1)	(1.2)	(1.8)
Net gain on disposal of subsidiaries	3.1	–	–	–	5.8
Net gain on disposal of other financial assets	1.8	1.9	–	–	–
Total	**5.7**	**(5.0)**	**(1.1)**	**(1.2)**	**6.0**

We are exposed to currency risk primarily through receivables, payables and cash at bank and in hand that are mainly denominated in Hong Kong dollars attributable to our subsidiaries in Hong Kong. As of December 31, 2010, 2011 and 2012 and October 31, 2013, our net exposure to Hong Kong dollars amounted to RMB151.4 million, RMB43.5 million, RMB145.2 million and RMB130.8 million, respectively. Please see the section headed "– Market Risks – Currency Risk".

Selling and Distribution Expenses

Our selling and distribution expenses were primarily comprised of staff costs, travelling expenses, repairs, advertising and promotional expenses, office expenses, rentals, property management and utility costs and others. Others primarily included service charges, entertainment expenses and depreciation and amortization. Selling and distribution expenses accounted for 8.1%, 7.3%, 9.5% and 9.9%, respectively, of our revenue during the Track Record Period.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Staff costs	46.9	60.7	78.9	60.7	68.7
Travelling expenses	7.3	12.1	17.4	12.6	14.6
Repairs	5.1	5.8	5.9	4.3	5.8
Advertising and promotional expenses	7.8	8.0	6.3	5.1	4.6
Office expenses	3.8	4.9	7.0	5.0	4.9
Rental, property management and utility costs	6.6	9.5	9.6	2.9	11.6
Others	20.8	27.5	31.5	22.4	34.6
Total	**98.3**	**128.5**	**156.6**	**113.0**	**144.8**

Administrative Expenses

Our administrative expenses were primarily comprised of staff costs, office expenses, property management and utility costs, travelling expenses, entertainment expenses, depreciation and amortization, rental and others. Others primarily included auditors' remuneration and legal counsel fees, transportation, service charges and tax. Administrative expenses accounted for 8.3%, 7.9%, 10.9% and 10.9%, respectively, of our revenue during the Track Record Period.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Staff costs	58.2	76.0	89.7	69.9	80.3
Office expenses	7.2	11.3	13.3	9.7	11.1
Property management and utility costs	3.9	5.9	8.7	2.2	2.4
Travelling expenses	5.4	8.1	8.0	6.1	8.7
Entertainment expenses	4.6	6.9	6.5	4.8	6.4
Depreciation and amortization	5.1	5.5	7.0	6.2	7.6
Rental	2.0	7.1	21.2	20.7	18.2
Others	14.8	17.7	25.8	19.9	23.5
Total	**101.2**	**138.5**	**180.2**	**139.5**	**158.2**

Finance Income

Finance income mainly included interest income from consignor advances provided by us to artwork sellers. Please see the section headed "– Consignor Advances". In 2010, 2011 and 2012 and the ten months ended October 31, 2013, finance income amounted to RMB49.2 million, RMB39.3 million, RMB24.8 million and RMB15.6 million, respectively, representing 4.0%, 2.2%, 1.5% and 1.1%, respectively, of our total revenue.

Finance Costs

Our finance costs represented the difference between interest expenses and capitalized interest expenses. The following table sets forth our finance costs for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Interest expenses	36.4	39.4	28.3	23.4	16.9
Less: interest expenses capitalized into property, plant and equipment	(0.0)	(0.6)	(1.5)	(1.1)	(1.4)
Total	**36.4**	**38.8**	**26.8**	**22.3**	**15.5**

For the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, finance costs represented approximately 3.0%, 2.2%, 1.6% and 1.1% of our revenue, respectively. The effective annual interest rate of our bank borrowings ranged from approximately 4.78% to 6.81% in 2010, 6.10% to 6.89% in 2011, 5.40% to 6.00% in 2012 and 5.40% to 6.00% for the ten months ended October 31, 2013.

Our finance costs have been capitalized at effective interest rates of 5.55%, 6.06%, 6.19% and 6.00% for the years ended December 31, 2010, 2011 and 2012 and for the ten months ended October 31, 2013, respectively.

Income Tax

Income tax expenses represented our total current and deferred tax expenses. Historically, certain of our subsidiaries were entitled to preferential income tax rates in the PRC. Since 2011, all of our PRC subsidiaries have been subject to an enterprise income tax at the rate of 25%. Our subsidiary Poly Auction Hong Kong was incorporated in Hong Kong and carries out business in Hong Kong, which is subject to Hong Kong profits tax at 16.5%.

For the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our effective income tax rate was approximately 24.6%, 25.4%, 25.0% and 24.2%, respectively.

Profit Attributable to Equity Shareholders of the Company and Non-controlling Interests

For the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our profit attributable to equity shareholders of the Company amounted to RMB223.5 million, RMB344.6 million, RMB242.2 million and RMB174.1 million, respectively.

For the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, our profit attributable to non-controlling interests amounted to RMB148.1 million, RMB238.5 million, RMB144.1 million and RMB134.1 million, respectively. The profit attributable to non-controlling interests represents the profit attributable to minority shareholders of various non-wholly owned subsidiaries of our Company under each of our business segments. We believe that through acquiring controlling interests in these subsidiaries, we were better positioned to expand into the relevant industries by obtaining talents and resources in a short period of time, while ensuring our overall corporate governance and risk control measures to be implemented effectively. Please also see "Our History and Reorganization – Corporate Structure". For details of our non-wholly owned subsidiaries, please see Note 12 of Appendix I to this prospectus.

The changes in our profit attributable to non-controlling interests were mainly caused by changes in our total profit, the aggregate number of non-wholly owned subsidiaries we had and our equity interests in the relevant subsidiaries for the relevant periods. For detailed discussions on changes of our profit attributable to non-controlling interests during the Track Record Period, please also see the subsection headed "– Results of Operations" below.

SUPPLEMENTAL MEASURES BY SEGMENT

Reportable Segment Profit

Reportable segment profit for each segment is calculated by subtracting (i) cost of sales, selling and distribution expenses and administrative expenses of the respective segment from (ii) the sum of revenue, other revenue, other net income (or other net losses, where applicable) of such segment, adding back (iii) depreciation and amortization and impairment losses (or recovery, where applicable) of such segment.

Reportable Segment Profit Margin

Reportable segment profit margin for each segment is calculated by dividing (i) reportable segment profit with (ii) revenue of such segment.

Reportable segment profit and reportable segment margin are not standard measurements under IFRS. Reportable segment profit and reportable segment profit margin are provided to our management for the purpose of resource allocation and performance assessment of the segment. Prospective investors should be aware that segment measures presented in this prospectus may not be comparable to segment measures reported by other companies, due to different calculation methods or assumptions.

We mainly operate in three business segments: the art business and auction segment, the performance and theatre management segment and the cinema investment and management segment. The following table sets out the details of our revenue, gross profit and reportable segment profit by business segments and our gross profit margin and reportable segment profit margin for the periods indicated.

	Year ended December 31,						Ten months ended October 31,			
	2010		2011		2012		2012		2013	
							(unaudited)			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)									
Revenue										
Art business and auction	680.3	55.9	1,087.2	61.8	792.7	48.1	603.2	48.6	636.7	43.7
Performance and theatre management	390.0	32.1	486.4	27.7	607.6	36.8	452.6	36.5	580.5	39.9
Cinema investment and management(1)	145.1	11.9	183.2	10.4	249.6	15.1	185.2	14.9	238.4	16.4
Others(2)	0.7	0.1	1.4	0.1	0.0	0.0	0.0	0.0	–	–
Total	**1,216.1**	**100.0**	**1,758.2**	**100.0**	**1,649.9**	**100.0**	**1,241.0**	**100.0**	**1,455.6**	**100.0**
Gross Profit										
Art business and auction	499.6	75.4	838.0	80.3	569.5	70.2	471.3	71.1	469.6	67.9
Performance and theatre management	134.0	20.3	167.6	16.1	203.8	25.1	167.1	25.2	198.4	28.7
Cinema investment and management(1)	27.6	4.2	36.3	3.5	38.5	4.7	24.5	3.7	23.8	3.4
Others(2)	0.4	0.1	1.4	0.1	0.0	0.0	0.0	0.0	–	–
Total	**661.6**	**100.0**	**1,043.3**	**100.0**	**811.8**	**100.0**	**662.9**	**100.0**	**691.8**	**100.0**
Reportable Segment Profit										
Art business and auction	445.8	89.5	759.8	93.9	469.0	87.0	391.5	85.8	359.7	79.1
Performance and theatre management	29.4	5.9	26.5	3.3	35.3	6.5	46.1	10.1	60.2	13.2
Cinema investment and management	23.1	4.6	22.5	2.8	34.9	6.5	18.5	4.1	34.6	7.7
Total(3)	**498.3**	**100.0**	**808.8**	**100.0**	**539.2**	**100.0**	**456.1**	**100.0**	**454.5**	**100.0**

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
Gross Profit Margin (%)					
Art business and auction	73.4	77.1	71.8	78.1	73.8
Performance and theatre management	34.4	34.5	33.5	36.9	34.2
Cinema investment and management	19.0	19.8	15.4	13.2	10.0
Total	**54.4**	**59.3**	**49.2**	**53.4**	**47.5**
Reportable Segment Profit Margin (%)					
Art business and auction	65.5	69.9	59.2	64.9	56.5
Performance and theatre management	7.5	5.4	5.8	10.2	10.4
Cinema investment and management	15.9	12.3	14.0	10.0	14.5
Total	**41.0**	**46.0**	**32.7**	**36.8**	**31.2**

Notes:

(1) Prior to June 2013, we owned 51% of the equity interest of Poly Wanhe Cinema Circuit, through which, we operated Poly Wanhe Cinema Circuit. According to the cinema circuit agreement, franchised cinemas shall distribute a portion of their net box office income to the Poly Wanhe Cinema Circuit, after deducting a 3.3% tax and a 5% special movie fund levy from their gross cinema box office income. The Poly Wanhe Cinema Circuit shall further distribute the amount it received from its franchised cinemas with movie producers and distributors according to respective agreements. We disposed all of our equity interest in Poly Wanhe Cinema Circuit in June 2013. For details, please see the sections headed "Our History and Reorganization", "Relationship with our Controlling Shareholder" and "Connected Transactions".

(2) Others mainly comprises revenue or profits unallocated to the three business segments, including those generated by our headquarters during the Track Record Period.

(3) Please see Appendix I for reconciliations of reportable segment revenue and profit to our consolidated revenue and consolidated profit before taxation, respectively.

RESULTS OF OPERATIONS

The following table sets out the summary of our consolidated income statements for the period indicated. This information should be read together with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus.

	Year ended December 31,						Ten months ended October 31,			
	2010		2011		2012		2012		2013	
							(unaudited)			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)									
Revenue	1,216.1	100.0	1,758.2	100.0	1,649.9	100.0	1,241.0	100.0	1,455.6	100.0
Cost of sales	(554.5)	(45.6)	(714.9)	(40.7)	(838.1)	(50.8)	(578.1)	(46.6)	(763.8)	(52.5)
Gross profit	661.6	54.4	1,043.3	59.3	811.8	49.2	662.9	53.4	691.8	47.5
Other revenue	13.1	1.1	9.9	0.6	43.2	2.6	17.4	1.4	11.8	0.8
Other net gain/(loss)	5.7	0.5	(5.0)	(0.3)	(1.1)	(0.1)	(1.2)	(0.1)	6.0	0.4
Selling and distribution expenses	(98.3)	(8.1)	(128.5)	(7.3)	(156.6)	(9.5)	(113.0)	(9.1)	(144.8)	(9.9)
Administrative expenses	(101.2)	(8.3)	(138.5)	(7.8)	(180.2)	(10.9)	(139.5)	(11.2)	(158.2)	(10.8)
Profit from operations	**480.9**	**39.6**	**781.2**	**44.5**	**517.1**	**31.3**	**426.6**	**34.4**	**406.6**	**28.0**
Finance income	49.2	4.0	39.3	2.2	24.8	1.5	19.7	1.6	15.6	1.1
Finance costs	(36.4)	(3.0)	(38.8)	(2.2)	(26.8)	(1.6)	(22.3)	(1.8)	(15.5)	(1.1)
Share of losses of an associate	(0.5)	(0.0)	–	–	–	–	–	–	–	–
Profit before taxation	**493.2**	**40.6**	**781.7**	**44.5**	**515.1**	**31.2**	**424.0**	**34.2**	**406.7**	**28.0**
Income tax	(121.6)	(10.0)	(198.6)	(11.3)	(128.8)	(7.8)	(107.3)	(8.6)	(98.5)	(6.8)
Profit for the year/period	**371.6**	**30.6**	**583.1**	**33.2**	**386.3**	**23.4**	**316.7**	**25.6**	**308.2**	**21.2**
Profit attributable to:										
Equity shareholders of the Company	223.5	18.4	344.6	19.6	242.2	14.7	190.4	15.4	174.1	12.0
Non-controlling interests[(1)]	148.1	12.2	238.5	13.6	144.1	8.7	126.3	10.2	134.1	9.2
Profit for the year/period	371.6	30.6	583.1	33.2	386.3	23.4	316.7	25.6	308.2	21.2

Note:

(1) Profit attributable to non-controlling interests represents the profit attributable to minority shareholders of various non-wholly owned subsidiaries of our Company across each of our business segments. Please see "Our History and Reorganization – Corporate Structure". For details of our non-wholly owned subsidiaries, please see Note 12 of Appendix I to this prospectus. The changes in our profit attributable to non-controlling interests were mainly caused by changes in our total profit, the aggregate number of non-wholly owned subsidiaries we had and our equity interests in the relevant subsidiaries for the relevant periods.

Ten months ended October 31, 2013 Compared to ten months ended October 31, 2012

Overview of our operating results

The following table sets forth our financial information extracted from the consolidated comprehensive income statement in the ten months ended October 31, 2012 and 2013:

	Ten months ended October 31,		% of change
	2012	2013	
	(unaudited)		
	(RMB in millions)		
Revenue	1,241.0	1,455.6	17.3
Cost of sales	(578.1)	(763.8)	32.1
Gross profit	662.9	691.8	4.4
Other revenue	17.4	11.8	(32.2)
Other net (loss)/gain	(1.2)	6.0	(600.0)
Selling and distribution expenses	(113.0)	(144.8)	28.1
Administrative expenses	(139.5)	(158.2)	13.4
Profit from operations	426.6	406.6	(4.7)
Finance income	19.7	15.6	(20.8)
Finance costs	(22.3)	(15.5)	(30.5)
Profit before taxation	424.0	406.7	(4.1)
Income tax	(107.3)	(98.5)	(8.2)
Profit for the period	316.7	308.2	(2.7)

Revenue

Total revenue increased by 17.3% from RMB1,241.0 million in the ten months ended October 31, 2012 to RMB1,455.6 million in the ten months ended October 31, 2013, primarily due to increases in revenue from the performance and theatre management segment and the cinema investment and management segment, which was primarily due to the expansion of our theatre and cinema networks. The increase was also attributed to increase in revenue from the art business and auction segment as a result of increase in the total art auction turnover under our auction operations, as we commenced auction operation in Hong Kong in autumn 2012. Please see the section "– Discussion of Our Operating Results by Segment".

Cost of sales

Cost of sales increased by 32.1% from RMB578.1 million in the ten months ended October 31, 2012 to RMB763.8 million in the ten months ended October 31, 2013, primarily due to (i) an increase in net cinema box office income attributable to movie producers and distributors that the Poly Wanhe Cinema Circuit has shared with which was due to the growth of our cinema box office income as a result of the increase in the number of franchised cinema and in the number of cinemas we operated; and (ii) an increase in theatre performance costs which was due to the business growth of our performance and theatre management segment. The increase was also attributed to increase in cost of sales in our art business and auction segment primarily due to expanded auction operations in Hong Kong. Please see the section headed "– Discussion of our Operating Results by segment".

Gross profit

Gross profit increased by 4.4% from RMB662.9 million in the ten months ended October 31, 2012 to RMB691.8 million in the ten months ended October 31, 2013. Gross profit margin decreased from 53.4% in the ten months ended October 31, 2012 to 47.5% in the ten months ended October 31, 2013, primarily due to (i) a decrease in the revenue contribution of the art business and auction segment, which had a higher gross profit margin than our other business segments and (ii) a decrease in the gross profit margin of our cinema investment and management. Please see "– Discussion of Our Operating Results by Segment".

Other revenue

Other revenue decreased from RMB17.4 million in the ten months ended October 31, 2012 to RMB11.8 million in the ten months ended October 31, 2013, primarily due to an one-off liquidated damages paid to Poly Auction Beijing of RMB3.1 million.

Other Gain

We recorded an other gain of RMB6.0 million for the ten months ended October 31, 2013 mainly as a result of our disposal of Poly Wanhe Cinema Circuit in June 2013. Please also see sections headed "Our History and Reorganization", "Relationship with our Controlling Shareholder" and "Connected Transactions".

Selling and distribution expenses

Selling and distribution expenses increased by 28.1% from RMB113.0 million in the ten months ended October 31, 2012 to RMB144.8 million in the ten months ended October 31, 2013, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of selling and marketing employees, and an increase in travelling costs, both of which were attributable to our increased selling and marketing activities as a result of our efforts to promote and expand our business; and (ii) an increase in rentals, property management and utility costs as a result of our increased selling and marketing efforts including arranging preview exhibition, to promote our art business and auction segment.

Administrative expenses

Administrative expenses increased by 13.4% from RMB139.5 million in the ten months ended October 31, 2012 to RMB158.2 million in the ten months ended October 31, 2013, primarily due to an increase in staff costs as a result of an increase in the headcount of our administrative employees, which were attributable to our increased administrative activities.

Profit from operations

As a result of the foregoing, profit from operations decreased by 4.7% from RMB426.6 million in the ten months ended October 31, 2012 to RMB406.6 million in the ten months ended October 31, 2013. Operating profit margin decreased from 34.4% in the ten months ended October 31, 2012 to 27.9% in the ten months ended October 31, 2013.

Finance income

Finance income decreased by 20.8% from RMB19.7 million in the ten months ended October 31, 2012 to RMB15.6 million in the ten months ended October 31, 2013 as a result of a decrease in interest income from the consignor advances, which was primarily attributable to a decrease of cumulative consignor advances provided by us in the ten months ended October 31, 2013 and, in turn, attributable to our more prudent policies with respect to the grant of consignor advances to the sellers.

Finance costs

Finance costs decreased by 30.5% from RMB22.3 million in the ten months ended October 31, 2012 to RMB15.5 million in the ten months ended October 31, 2013, primarily due to a decrease in the amount of outstanding bank loans and the decrease in the interest rate applicable to our bank loans in 2013 primarily because favorable terms we managed to obtain from relevant banks as a result of improved market position and favorable policy in China promoting development of art and culture industries.

Income tax

Income tax decreased by 8.2% from RMB107.3 million in the ten months ended October 31, 2012 to RMB98.5 million in the ten months ended October 31, 2013, primarily due to a decrease in taxable income.

Profit for the period

As a result of the foregoing, profit for the period decreased by 2.7% from RMB316.7 million in the ten months ended October 31, 2012 to RMB308.2 million in the ten months ended October 31, 2013, and net profit margin decreased from 25.5% in the ten months ended October 31, 2012 to 21.2% in the ten months ended October 31, 2013.

The profit attributable to non-controlling interests increased from RMB126.3 million (representing 39.9% of the total profit for the year/period) for the ten months ended October 31, 2012 to RMB134.1 million (representing 43.5% of the total profit for the year/period) for the ten months ended October 31, 2013, primarily due to the increase in commission income from auction operation as we commenced auction operation of Poly Auction Hong Kong in autumn 2012. We established Poly Auction Hong Kong in October 2012, in which we hold 55% equity interests. Poly Auction Hong Kong successfully recorded a total auction turnover of approximately HK$989.1 million for its 2013 Autumn Auction, representing an increase of 90.6% from the total auction turnover of its 2012 Autumn Auction. The increase in our results of relevant subsidiaries in our performance and theatre management segment and cinema investment and management segment in the ten months ended October 31, 2013 also contributed to the increase in the profit attributable to non-controlling interests.

Discussion of Our Operating Results by Segment

The following table shows segment revenue, gross profit, gross profit margin, reportable segment operating profit and reportable segment operating profit margin of our business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Reportable Segment Profit		Reportable Segment Profit Margin	
	Ten months ended October 31,		Ten months ended October 31,		Ten months ended October 31,		Ten months ended October 31,		Ten months ended October 31,	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	(RMB in millions)		(RMB in millions)		(Percentages)		(RMB in millions)		(Percentages)	
Art business and auction	603.2	636.7	471.3	469.6	78.1	73.8	391.5	359.7	64.9	56.5
Performance and theatre management.	452.6	580.5	167.1	198.4	36.9	34.2	46.1	60.2	10.2	10.4
Cinema investment and management.	185.2	238.4	24.5	23.8	13.2	10.0	18.5	34.6	10.0	14.5
Unallocated	0.0	–	0.0	–	–	–	–	–	–	–
Total.	1,241.0	1,455.6	662.9	691.8	53.4	47.5	456.1	454.5	36.8	31.2

Art business and auction

The principal segment result data for our art business and auction business segment is as follows:

	Ten months ended October 31,				% of change
	2012		2013		
	(unaudited)				
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Auction operation	523.2	86.7	586.3	92.0	12.1
Art business operation .	73.4	12.2	39.2	6.2	(46.6)
Art investment consultation and other services	6.6	1.1	11.2	1.8	69.7
Subtotal	**603.2**	**100.0**	**636.7**	**100.0**	**5.6**
Cost of sales	(131.9)	(21.9)	(167.1)	(26.2)	26.7
Gross profit	**471.3**	**78.1**	**469.6**	**73.8**	**(0.4)**
Reportable segment profit	**391.5**	**64.9**	**359.7**	**56.5**	**(8.1)**

Revenue

Revenue of the art business and auction segment increased by 5.6% from RMB603.2 million for the ten months ended October 31, 2012 to RMB636.7 million for the ten months ended October 31, 2013, primarily due to the increase in commission from auction operation as we commenced auction operation in Hong Kong in autumn 2012. The increase was also attributable to increase in revenue from art investment consultations, mainly because of an increase in advisory fee generated from artwork financing trust plan. This increase is partially offset by the decrease in revenue from art business operation as we strategically sold less artworks for the ten months ended October 31, 2013 compared with what we sold in the ten months ended October 31, 2012, based on our judgment of Chinese art market.

Cost of sales

Cost of sales of the art business and auction segment increased by 26.7% from RMB131.9 million in the ten months ended October 31, 2012 to RMB167.1 million in the ten months ended October 31, 2013, primarily due to increase in costs associated with our expanded auction operations in Hong Kong. The increase was partially offset by decrease in cost of inventories primarily because of the slow down in the sales of our artwork inventories based on our observations of the art auction market condition in China.

Gross profit

Gross profit of the art business and auction segment decreased by 0.4% from RMB471.3 million for the ten months ended October 31, 2012 to RMB469.6 million for the ten months ended October 31, 2013. Gross profit margin remained relatively stable at 78.1% and 73.8%, respectively, for the ten months ended October 31, 2012 and 2013.

Reportable segment profit

Reportable segment profit of the art business and auction segment decreased by 8.1% from RMB391.5 million for the ten months ended October 31, 2012 to RMB359.7 million for the ten months ended October 31, 2013, primarily due to increases in selling and distribution expenses and administrative expenses. Reportable segment profit margin decreased from 64.9% for the ten months ended October 31, 2012 to 56.5% for the ten months ended October 31, 2013.

Performance and theatre management

The principal segment result data for our performance and theatre management segment is as follows:

	Ten months ended October 31,				% of change
	2012		2013		
	(unaudited)				
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Theatre box office income	139.1	30.7	200.6	34.6	44.2
Theatre management fees	231.4	51.2	287.7	49.5	24.3
Theatre rental	62.2	13.7	68.8	11.9	10.6
Others[(1)]	19.9	4.4	23.4	4.0	17.6
Subtotal	**452.6**	**100.0**	**580.5**	**100.0**	**28.3**
Cost of sales	(285.5)	(63.1)	(382.1)	(65.8)	33.8
Gross profit	**167.1**	**36.9**	**198.4**	**34.2**	**18.7**
Reportable segment profit	**46.1**	**10.2**	**60.2**	**10.4**	**30.6**

(1) Including revenue from theatre construction consultation services and others.

Revenue

Revenue of the performance and theatre management segment increased by 28.3% from RMB452.6 million for the ten months ended October 31, 2012 to RMB580.5 million for the ten months ended October 31, 2013, primarily because of (i) an increase in revenue from theatre box office income primarily because of the increase in both the number of theatre performances we provided in line with expansion of our operations and the average box office income of theatre performance in the ten months of 2013 as a result of our improved marketing efforts to promote the high-end theatre performances and audience attendance rate. For the ten months ended October 31, 2012 and 2013, the number of theatre performances increased from 1,602 to 3,544; and (ii) an increase in theatre management fees because the number of theatres managed by us increased to 31 as of October 31, 2013 from 27 as of October 31, 2012, both of which were primarily due to the continuing growth of the theatre performance market in China.

Cost of sales

Cost of sales of the performance and theatre management segment increased by 33.8% from RMB285.5 million for the ten months ended October 31, 2012 to RMB382.1 million for the ten months ended October 31, 2013, primarily due to an increase in theatre performance expense as a result of our business growth.

Gross profit

Gross profit of the performance and theatre management segment increased by 18.7% from RMB167.1 million for the ten months ended October 31, 2012 to RMB198.4 million for the ten months ended October 31, 2013. Gross profit margin remained relatively stable for the ten months ended October 31, 2012 and 2013 which was 36.9% and 34.2%, respectively.

Reportable segment profit

Reportable segment operating profit of the performance and theatre management business segment increased by 30.6% from RMB46.1 million for the ten months ended October 31, 2012 to RMB60.2 million for the ten months ended October 31, 2013, primarily due to an increase in revenue, partially offset by increases in cost of sales, selling and distribution expenses and administrative expenses. Reportable segment profit margin increased from 10.2% for the ten months ended October 31, 2012 to 10.4% for the ten months ended October 31, 2013.

Cinema investment and management

The principal segment result data for our cinema investment and management segment is as follows:

	Ten months ended October 31,				% of change
	2012		2013		
	(unaudited)				
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Circuit income from franchised cinemas[1]	63.4	34.2	69.6	29.2	9.8
Cinema box office income from self-operated cinemas[2]	104.8	56.6	142.5	59.8	36.0
Others	17.0	9.2	26.3	11.0	54.7
Subtotal	**185.2**	**100.0**	**238.4**	**100.0**	**28.7**
Cost of sales	(160.7)	(86.8)	(214.6)	(90.0)	33.5
Gross profit	**24.5**	**13.2**	**23.8**	**10.0**	**(2.9)**
Reportable segment profit	18.5	10.0	34.6	14.5	87.0

(1) Net of a 3.3% tax and a 5% movie special fund levy.

(2) Net of a 3.3% tax.

Revenue

Revenue of the cinema investment and management segment increased by 28.7% from RMB185.2 million for the ten months ended October 31, 2012 to RMB238.4 million for the ten months ended October 31, 2013, primarily due to (i) an increase in revenue from the cinema box office of our self-operated cinemas, which was primarily due to an increase in the number of our self-operated cinemas increased from six as of October 31, 2012 to 16 as of October 31, 2013 mainly as a result of our business expansion and an increase in screening 3D movies which have relatively higher ticket prices than that of 2D movies and (ii) an increase in circuit income from franchised cinemas attributable to Poly Wanhe Cinema Circuit, primarily due to the expansion of the cinema network operated by Poly Wanhe Cinema Circuit.

Cost of sales

Cost of sales of the cinema investment and management segment increased by 33.5% from RMB160.7 million for the ten months ended October 31, 2012 to RMB214.6 million for the ten months ended October 31, 2013, primarily due to an increase in net cinema box office income attributable to movie distributors and producers that the Poly Wanhe Cinema Circuit has shared, which was in turn attributable to the growth of our business.

Gross profit

Gross profit of the cinema investment and management segment decreased by 2.9% from RMB24.5 million for the ten months ended October 31, 2012 to RMB23.8 million for the ten months ended October 31, 2013. Gross profit margin decreased from 13.2% for the ten months ended October 31, 2012 to 10.0% for the ten months ended October 31, 2013, primarily because the new cinemas we opened during late 2012 and early 2013 have not fully realized their operating and earning potentials and hence had relatively low gross profit margin.

Reportable segment profit

Reportable segment profit of the cinema investment and management segment increased by 87.0% from RMB18.5 million for the ten months ended October 31, 2012 to RMB34.6 million for the ten months ended October 31, 2013. Reportable segment profit margin increased from 10.0% for the ten months ended October 31, 2012 to 14.5% for the ten months ended October 31, 2013, primarily because we managed our expense at a stable level.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Overview of our operating results

The following table sets forth our financial information extracted from the consolidated income statements for the years ended December 31, 2012 and 2011:

	Year ended December 31,		% of change
	2011	2012	
	(RMB in millions)		
Revenue	1,758.2	1,649.9	(6.2)
Cost of sales	(714.9)	(838.1)	17.2
Gross profit	1,043.3	811.8	(22.2)
Other revenue	9.9	43.2	336.4
Other net loss	(5.0)	(1.1)	(78.0)
Selling and distribution expenses	(128.5)	(156.6)	21.9
Administrative expenses	(138.5)	(180.2)	30.1
Profit from operations	781.2	517.1	(33.8)
Finance income	39.3	24.8	(36.9)
Finance costs	(38.8)	(26.8)	(30.9)
Profit before taxation	781.7	515.1	(34.1)
Income tax	(198.6)	(128.8)	(35.1)
Profit for the year	**583.1**	**386.3**	**(33.8)**

Revenue

Total revenue decreased by 6.2% from RMB1,758.2 million in the year ended December 31, 2011 to RMB1,649.9 million in the year ended December 31, 2012, primarily due to a decrease in revenue from the art business and auction segment as a result of the decreases in our total art auction turnover and the revenue derived from reselling artwork inventory as a result of a slowdown of the art auction market in China in 2012. The decrease was partially offset by an increase in revenue from the performance and theatre management segment and the revenue from cinema investment and management segment as a result of increases in the number of theatre performances and movies provided by us, which was primarily due to the expansion of our theatre and cinema networks. Please see the section "– Discussion of Our Operating Results by Segment".

Cost of sales

Cost of sales increased by 17.2% from RMB714.9 million in the year ended December 31, 2011 to RMB838.1 million in the year ended December 31, 2012, primarily due to (i) an increase in theatre performance costs, which was in line with the revenue growth of our performance and theatre management segment; (ii) an increase in cinema box office income attributable to movie distributors and producers that shared by Poly Wanhe Cinema Circuit, primarily due to the revenue growth of our cinema box office income; and (iii) an increase in staff costs as a result of an increase in the headcount of our employees, partially offset by a decrease in cost of inventories because our management decided to take a prudent approach and slow down the sales of our artwork inventories based on their observations of the art auction market condition in China.

Gross profit

Gross profit decreased by 22.2% from RMB1,043.3 million in the year ended December 31, 2011 to RMB811.8 million in the year ended December 31, 2012. Gross profit margin decreased from 59.3% in the year ended December 31, 2011 to 49.2% in the year ended December 31, 2012, primarily due to (i) a decrease in gross profit margin of the art business and auction segment; (ii) a decrease in the revenue contribution of the art business and auction segment, which had a higher gross profit margin than our other business segments; (iii) a decrease in gross profit margin of the cinema investment and management segment. Please see the section "– Discussion of Our Operating Results by Segment".

Other revenue

Other revenue increased significantly from RMB9.9 million in the year ended December 31, 2011 to RMB43.2 million in the year ended December 31, 2012, primarily due to a one-off government grants for the development of the culture and art industries provided by the MOF and the rebate of the special movie fund in 2012.

Other net loss

Other net loss decreased significantly from RMB5.0 million in the year ended December 31, 2011 to RMB1.1 million in the year ended December 31, 2012, primarily due to a significant decrease in foreign exchange loss.

Selling and distribution expenses

Selling and distribution expenses increased by 21.9% from RMB128.5 million in the year ended December 31, 2011 to RMB156.6 million in the year ended December 31, 2012, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of our selling and marketing employees, and (ii) an increase in travelling expenses, which were both attributable to our increased selling and marketing activities mainly as a result of the expansion of our theatre and cinema network and for sourcing artworks for auction.

Administrative expenses

Administrative expenses increased by 30.1% from RMB138.5 million in the year ended December 31, 2011 to RMB180.2 million in the year ended December 31, 2012, primarily due to (i) an increase in rental mainly because of the increase in leasing expenses for additional office and warehouse and (ii) an increase in staff costs as a result of an increase in the headcount of our administrative employees, which were primarily attributable to our increased administrative activities as a result of the expansion of our business operations in all three business segments.

Profit from operations

As a result of the foregoing, profit from operations decreased by 33.8% from RMB781.2 million in the year ended December 31, 2011 to RMB517.1 million in the year ended December 31, 2012, and operating profit margin decreased from 44.4% in the year ended December 31, 2011 to 31.3% in the year ended December 31, 2012.

Finance income

Finance income decreased by 36.9% from RMB39.3 million in the year ended December 31, 2011 to RMB24.8 million in the year ended December 31, 2012, due to a decrease in the interest income from the consignor advances, which was primarily attributable to a decrease of cumulative consignor advances provided by us during the year ended December 31, 2012 and, in turn, attributable to our more prudent approach in granting consignor advances to the sellers.

Finance costs

Finance costs decreased by 30.9% from RMB38.8 million in the year ended December 31, 2011 to RMB26.8 million in the year ended December 31, 2012, primarily due to a decrease in the amount of outstanding bank loans.

Income tax

Income tax decreased by 35.1% from RMB198.6 million in the year ended December 31, 2011 to RMB128.8 million in the year ended December 31, 2012, primarily due to a decrease in taxable income.

Profit for the year

As a result of the foregoing, profit for the year decreased by 33.8% from RMB583.1 million in the year ended December 31, 2011 to RMB386.3 million in the year ended December 31, 2012, and net profit margin decreased from 33.2% in the year ended December 31, 2011 to 23.4% in the year ended December 31, 2012.

The profit attributable to non-controlling interests decreased from RMB238.5 million (representing 40.9% of the total profit for the year/period) for the year ended December 31, 2011 to RMB144.1 million (representing 37.3% of the total profit for the year/period) for the year ended December 31, 2012, primarily due to decreases of our total art auction turnover as a result of a slowdown of the art auction market in China in 2012. According to ARTRON, the aggregate art auction turnover in China (including Hong Kong) decreased by 32.8% from RMB85.7 billion in 2011 to RMB57.6 billion in 2012. The decrease was partially offset by the increase in the results of relevant subsidiaries of our performance and theatre management segment and cinema investment and management segment in 2012. In 2012, we established two more non-wholly owned subsidiaries under our performance and theatre management business segment, in which we hold 51% and 60% of the equity interests, respectively, and one more non-wholly owned subsidiary under our art business and auction segment, namely Poly Auction Hong Kong, in which we hold 55% equity interests.

Discussion of Our Operating Results by Segment

The following table shows revenue, gross profit, gross profit margin, reportable segment profit and reportable segment profit margin of our business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Reportable Segment Profit		Reportable Segment Profit Margin	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
	(RMB in millions)		(RMB in millions)		(%)		(RMB in millions)		(%)	
Art business and auction	1,087.2	792.7	838.0	569.5	77.1	71.8	759.8	469.0	69.9	59.2
Performance and theatre management	486.4	607.6	167.6	203.8	34.5	33.5	26.5	35.3	5.4	5.8
Cinema investment and management	183.2	249.6	36.3	38.5	19.8	15.4	22.5	34.9	12.3	14.0
Unallocated	1.4	0.0	1.4	0.0	–	–	–	–	–	–
Total	1,758.2	1,649.9	1,043.3	811.8	59.3	49.2	808.8	539.2	46.0	32.7

Art business and auction

The principal segment result data for our art business and auction segment is as follows:

	Year ended December 31,				% of change
	2011		2012		
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Auction operation	897.9	82.5	619.9	78.2	(31.0)
Art business operation	185.4	17.1	107.3	13.5	(42.1)
Art investment consultation and other services	3.9	0.4	65.5	8.3	1,579.5
Subtotal	**1,087.2**	**100.0**	**792.7**	**100.0**	**(27.1)**
Cost of sales	(249.2)	(22.9)	(223.2)	(28.2)	(10.4)
Gross profit	838.0	77.1	569.5	71.8	(32.0)
Reportable segment profit	**759.8**	**69.9**	**469.0**	**59.2**	**(38.3)**

Revenue

Revenue of the art business and auction segment decreased by 27.1% from RMB1,087.2 million in the year ended December 31, 2011 to RMB792.7 million in the year ended December 31, 2012, primarily due to (i) a decrease in commission income from the auction business as a result of a decrease in our total auction turnover and (ii) a decrease in revenue from art business as a result of a decrease in sales of our artwork inventory, both of which were in turn due to the poor performance in the art market conditions in China in 2012. According to ARTRON, the aggregate art auction turnover in China (including Hong Kong) decreased by 32.8% from RMB85.7 billion in 2011 to RMB57.6 billion in 2012.

This decrease was partially offset by an increase in revenue from our art investment consultation and other services primarily due to the increase in size of funds to which we provided advisory services from RMB438.3 million as of December 31, 2011 to RMB688.3 million as of December 31, 2012, as a result of which, we collected more revenue for our services. We also derived consultation income from providing consulting services to two equity acquisitions by independent third parties through our subsidiary, Poly Auction Guangdong, which amounted to RMB56.4 million in 2012.

Cost of sales

Cost of sales of the art business and auction segment decreased by 10.4% from RMB249.2 million in the year ended December 31, 2011 to RMB223.2 million in the year ended December 31, 2012, primarily due to a decrease in sales of artworks under art business operation, which was in turn attributable to the overall decrease in the art auction market in China.

Gross profit

Gross profit of art business and auction segment decreased by 32.0% from RMB838.0 million in the year ended December 31, 2011 to RMB569.5 million in the year ended December 31, 2012. Gross profit margin decreased from 77.1% in the year ended December 31, 2011 to 71.8% in the year ended December 31, 2012, primarily due to the decrease in our commission income as a result of the decreases in total art auction turnover and in sales of our artwork inventories mainly as a result of an overall decrease in the art auction market in China. The percentage of decrease in revenue exceeded the percentage of decrease in cost of sales, because we incurred fixed expenses such as auction catalogues printing costs, site rentals for art auctions and exhibitions, which did not decrease in proportion to the decrease in revenue and some even increased as part of our efforts to promote our art business and auction operation.

Reportable segment profit

Reportable segment profit of the art business and auction segment decreased by 38.3% from RMB759.8 million in the year ended December 31, 2011 to RMB469.0 million in the year ended December 31, 2012, primarily due to a decrease in revenue of this segment and increases in selling and distribution expenses and administrative expenses. Reportable segment profit margin decreased from 69.9% in the year ended December 31, 2011 to 59.2% in the year ended December 31, 2012.

Performance and theatre management

The principal segment result data for our performance and theatre management segment is as follows:

	Year ended December 31,				**% of change**
	2011		**2012**		
	(RMB in millions)	**(% of revenue)**	**(RMB in millions)**	**(% of revenue)**	
Revenue					
Theatre box office income	143.0	29.4	200.2	32.9	40.0
Theatre management fees	239.5	49.2	295.7	48.7	23.5
Theatre rental	78.1	16.1	86.8	14.3	11.1
Others[(1)]	25.8	5.3	24.9	4.1	(3.5)
Subtotal	**486.4**	**100.0**	**607.6**	**100.0**	**24.9**
Cost of sales	(318.8)	(65.5)	(403.8)	(66.5)	26.7
Gross profit	**167.6**	**34.5**	**203.8**	**33.5**	**21.6**
Reportable segment profit	**26.5**	**5.4**	**35.3**	**5.8**	**33.2**

(1) Including revenue from theatre construction consultation services and others.

Revenue

Revenue of the performance and theatre management segment increased by 24.9% from RMB486.4 million in 2011 to RMB607.6 million in 2012, primarily due to (i) an increase in theatre box office income because the number of performances provided by us increased from 3,031 in 2011 to 3,600 in 2012; (ii) an increase in theatre management fees because the number of theatres managed by us increased from 21 to 27 during the same periods, both of which were primarily due to the growth of the performance market in China.

Cost of sales

Cost of sales of the performance and theatre management segment increased by 26.7% from RMB318.8 million in the year ended December 31, 2011 to RMB403.8 million in the year ended December 31, 2012, primarily due to our business growth.

Gross profit

Gross profit of the performance and theatre management segment increased by 21.6% from RMB167.6 million in the year ended December 31, 2011 to RMB203.8 million in the year ended December 31, 2012. Gross profit margin remained relatively stable at 34.5% and 33.5% for the years ended December 31, 2011 and 2012, respectively.

Reportable segment profit

Reportable segment profit increased by 33.2% from RMB26.5 million in the year ended December 31, 2011 to RMB35.3 million in the year ended December 31, 2012, primarily due to an increase in revenue of this segment, partially offset by increases in cost of sales, selling and distribution expenses and administrative expenses mainly caused by the increase in personnel and sales and marketing efforts in line with the expansion of our theatre network. Reportable segment profit margin increased from 5.4% in the year ended December 31, 2011 to 5.8% for the years ended December 31, 2012.

Cinema investment and management

The principal segment result data for our cinema investment and management segment is as follows:

	Year ended December 31,				% of change
	2011		2012		
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Circuit income from franchised cinemas[1]	62.2	34.0	88.5	35.5	42.3
Cinema box office income from self-operated cinemas[2]	101.0	55.1	135.6	54.3	34.3
Others	20.0	10.9	25.5	10.2	27.5
Subtotal	**183.2**	**100.0**	**249.6**	**100.0**	**36.2**
Cost of sales	(146.9)	(80.2)	(211.1)	(84.6)	43.7
Gross profit	36.3	19.8	38.5	15.4	6.1
Reportable segment profit	**22.5**	**12.3**	**34.9**	**14.0**	**55.1**

(1) Net of a 3.3% tax and a 5% special movie fund levy.

(2) Net of a 3.3% tax.

Revenue

Revenue of the cinema investment and management business segment increased by 36.2% from RMB183.2 million in 2011 to RMB249.6 million in 2012, primarily due to (i) an increase in revenue from cinema box office from self-operated cinemas, which was primarily due to an increase in the number of self-operated cinemas from six to seven with screens increasing from 30 to 43 during the period, and (ii) an increase in revenue from circuit income from franchised cinemas, primarily due to the expansion of the cinema network operated by Poly Wanhe Cinema Circuit, both of which benefited from the growth of the film industry in China.

Cost of sales

Cost of sales of the cinema investment and management business segment increased by 43.7% from RMB146.9 million in the year ended December 31, 2011 to RMB211.1 million in the year ended December 31, 2012, primarily due to an increase in cinema box office income attributable to movie distributors and producers that Poly Wanhe Cinema Circuit has shared, which was in turn attributable to the growth of our business.

Gross profit

Gross profit of the cinema investment and management business segment increased by 6.1% from RMB36.3 million in the year ended December 31, 2011 to RMB38.5 million in the year ended December 31, 2012. Gross profit margin decreased from 19.8% in the year ended December 31, 2011 to 15.4% in the year ended December 31, 2012, primarily due to (i) new cinemas opened by us in the year ended December 31, 2012, which have not fully realized their operating and earning potentials and hence had relatively low gross profit margin; (ii) increases in the rentals and depreciations of our existing cinemas, which further reduced our gross profit margin and (iii) an increase in the percentage of net cinema box office income attributable to movie distributors and producers that Poly Wanhe Cinema Circuit has shared with.

Reportable segment profit

Reportable segment profit of the cinema investment and management segment increased by 55.1% from RMB22.5 million in the year ended December 31, 2011 to RMB34.9 million in the year ended December 31, 2012, primarily due to an increase in revenue of this segment, partially offset increases in cost of sales, selling and distribution expenses and administrative expenses mainly attributable to the increase in our employees as a result of expansion of cinema network. Reportable segment profit margin increased from 12.3% in the year ended December 31, 2011 to 14.0% in the year ended December 31, 2012, primarily due to the increase in gross profit exceeding the increase in selling and distribution expenses and administrative expenses as we were able to manage its fixed expenses at a stable level.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Overview of our operating results

The following table sets forth our financial information extracted from the consolidated income statements for the years ended December 31, 2011 and 2010:

	Year ended December 31,		% of change
	2010	2011	
	(RMB in millions)		
Revenue	1,216.1	1,758.2	44.6
Cost of sales	(554.5)	(714.9)	28.9
Gross profit	**661.6**	**1,043.3**	**57.7**
Other revenue	13.1	9.9	(24.4)
Other net gain/(loss)	5.7	(5.0)	(187.7)
Selling and distribution expenses	(98.3)	(128.5)	30.7
Administrative expenses	(101.2)	(138.5)	36.9
Profit from operations	**480.9**	**781.2**	**62.4**
Finance income	49.2	39.3	(20.1)
Finance costs	(36.4)	(38.8)	6.6
Share of losses of an associate	(0.5)	–	(100.0)
Profit before taxation	**493.2**	**781.7**	**58.5**
Income tax	(121.6)	(198.6)	63.3
Profit for the year	**371.6**	**583.1**	**56.9**

Revenue

Total revenue increased by 44.6% from RMB1,216.1 million in the year ended December 31, 2010 to RMB1,758.2 million in the year ended December 31, 2011, primarily due to general increases in revenue from all of our three business segments, in particular an increase in the revenue from the art business and auction segment, primarily due to an increase in our total auction turnover in 2011 and the increase in revenue from reselling artworks inventories under our art business operation. Please see "– Discussion of Our Operating Results by Segment".

Cost of sales

Cost of sales increased by 28.9% from RMB554.5 million in the year ended December 31, 2010 to RMB714.9 million in the year ended December 31, 2011, primarily due to (i) an increase in theatre performance costs, which was due to the revenue growth of our performance and theatre management business segment; (ii) an increase in cinema box office income attributable to movie distributors and producers that Poly Wanhe Cinema Circuit has shared with, which was due to the growth of our cinema box office income; (iii) an increase in cost of inventories of the artworks sold by us, which was primarily because our management strategically increased the sales of our artwork inventories when the market prices of artworks kept increasing in 2011; and (iv) an increase in staff costs as a result of an increase in the headcount of our employees and, to a lesser extent, an increase in the compensation level of our employees.

Gross profit

Gross profit increased by 57.7% from RMB661.6 million in the year ended December 31, 2010 to RMB1,043.3 million in the year ended December 31, 2011. Gross profit margin increased from 54.4% in the year ended December 31, 2010 to 59.3% in the year ended December 31, 2011, primarily due to an increase in the gross profit margin of our art business and auction segment, as well as an increase in the revenue contribution of the art business and auction segment, which had a higher gross profit margin than our other business segments. Please see the section "– Discussion of Our Operating Results by Segment".

Other revenue

Other revenue decreased by 24.4% from RMB13.1 million in the year ended December 31, 2010 to RMB9.9 million in the year ended December 31, 2011, primarily due to a decrease in government grants.

Dividend income from other financial assets primarily include RMB1.7 million from our minority interest investments in Huaxia Film Distribution Co., Ltd. in 2010. We completed the disposal in 2011 and hence did not receive any dividends from other financial assets in 2011.

Other net gain or loss

We recorded other net gains of RMB5.7 million in the year ended December 31, 2010, which comprised net gain on disposal of certain interests held by us in Beijing Oriental Mingjiang Cinema Management Co., Ltd., as well as net gain on disposal of other financial assets of the minority interests in some PRC companies. We recorded other net losses of RMB5.0 million in the year ended December 31, 2011, primarily due to net foreign exchange loss due to the appreciation of Renminbi against the Hong Kong dollar, which was partially offset by net gain on disposal of other financial assets of the minority interests in Huaxia Film Distribution Co., Ltd.

Selling and distribution expenses

Selling and distribution expenses increased by 30.7% from RMB98.3 million in the year ended December 31, 2010 to RMB128.5 million in the year ended December 31, 2011, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of our selling and marketing employees and, to a lesser extent, an increase in the compensation level of our selling and marketing employees, and (ii) an increase in travelling expenses, which were all attributable to our increased selling and marketing activities as a result of the general growth of our three business segments, in particular the performance and theatre management segment.

Administrative expenses

Administrative expenses increased by 36.9% from RMB101.2 million in the year ended December 31, 2010 to RMB138.5 million in the year ended December 31, 2011, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of our administrative employees and, to a lesser extent, an increase in the compensation level of our administrative employees, (ii) increases in rental as we acquired new office space, and (iii) an increase in office expenses, which were all attributable to our increased administrative activities as a result of our business growth.

Profit from operations

As a result of the foregoing, profit from operations increased by 62.4% from RMB480.9 million in the year ended December 31, 2010 to RMB781.2 million in the year ended December 31, 2011, and operating profit margin increased from 39.5% in the year ended December 31, 2010 to 44.4% in the year ended December 31, 2011.

Finance income

Finance income decreased by 20.1% from RMB49.2 million in the year ended December 31, 2010 to RMB39.3 million in the year ended December 31, 2011, primarily due to a decrease in the interest income from the consignor advances, which was primarily attributable to a decrease of cumulative consignor advances provided by us in 2011 and, in turn, attributable to our more prudent approach in granting consignor advances to the sellers.

Finance costs

Finance costs increased by 6.6% from RMB36.4 million in the year ended December 31, 2010 to RMB38.8 million in the year ended December 31, 2011, primarily due to the increase of applicable interest rate in the PRC and the increase in average outstanding loans in 2011, primarily caused by the expansion of our auction operation in 2011.

Income tax

Income tax increased by 63.3% from RMB121.6 million in the year ended December 31, 2010 to RMB198.6 million in the year ended December 31, 2011, primarily due to an increase in taxable income.

Profit for the year

As a result of the foregoing, profit for the year increased by 56.9% from RMB371.6 million in the year ended December 31, 2010 to RMB583.1 million in the year ended December 31, 2011, and net profit margin increased from 30.6% in the year ended December 31, 2010 to 33.2% in the year ended December 31, 2011.

The profit attributable to non-controlling interests increased from RMB148.1 million (representing 39.9% of the total profit for the year/period) for the year ended December 31, 2010 to RMB238.5 million (representing 40.9% of the total profit for the year/period) for the year ended December 31, 2011, primarily due to increase in the commission income from the auction business, mainly caused by an increase in our total art auction turnover as a result of the overall growth of the art auction market in China. This increase was partially offset by the decrease in the results of relevant subsidiaries in our performance and theatre management segment and cinema investment and management segment in 2011 primarily due to increases in cost of sales, selling and distribution expenses and administrative expenses mainly caused by our expansion in these business segments. In 2011, we established one additional non-wholly owned subsidiary under our performance and theatre management business segment, in which we hold 51% of its equity interests.

Discussion of Our Operating Results by Segment

The following table shows revenue, gross profit, gross profit margin, reportable segment profit and reportable segment profit margin of our business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Reportable Segment Profit		Reportable Segment Profit Margin	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	(RMB in millions)		(RMB in millions)		(Percentages)		(RMB in millions)		(Percentages)	
Art business and auction	680.3	1,087.2	499.6	838.0	73.4	77.1	445.8	759.8	65.5	69.9
Performance and theatre management	390.0	486.4	134.0	167.6	34.4	34.5	29.4	26.5	7.5	5.4
Cinema investment and management	145.1	183.2	27.6	36.3	19.0	19.8	23.1	22.5	15.9	12.3
Unallocated	0.7	1.4	0.4	1.4	–	–	–	–	–	–
Total	**1,216.1**	**1,758.2**	**661.6**	**1,043.3**	**54.4**	**59.3**	**498.3**	**808.8**	**41.0**	**46.0**

Art business and auction

The principal segment result data for our art business and auction segment is as follows:

	Year ended December 31,				% of change
	2010		2011		
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Auction operation	546.5	80.3	897.9	82.5	64.3
Art business operation .	133.8	19.7	185.4	17.1	38.6
Art investment consultation and other services	–	–	3.9	0.4	–
Subtotal	**680.3**	**100.0**	**1,087.2**	**100.0**	**59.8**
Cost of sales	(180.7)	(26.6)	(249.2)	(22.9)	37.9
Gross profit	499.6	73.4	838.0	77.1	67.7
Reportable segment profit	445.8	65.5	759.8	69.9	70.4

Revenue

Revenue of the art business and auction segment increased by 59.8% from RMB680.3 million in 2010 to RMB1,087.2 million in 2011, primarily due to (i) an increase in the commission from the auction business, primarily due to an increase in our total art auction turnover, (ii) an increase in revenue from art business, primarily due to an increase in the total sales of our artwork inventories because we leveraged the artwork market development opportunities, both of which were in turn attributable to the overall growth of the art auction market in China. We generated revenue of RMB3.9 million from our art investment consultation and other services in 2011 as we had three artwork trust plans with the total fund size of RMB438.3 million. We commenced art investment consultation and other services since 2009 and did not generate any revenue under this business segment in 2010.

Cost of sales

Cost of sales of the art business and auction segment increased by 37.9% from RMB180.7 million in the year ended December 31, 2010 to RMB249.2 million in the year ended December 31, 2011, primarily due to (i) an increase in cost of inventories as a result of an increase in artwork sold by us; and (ii) increases in auction catalogues printing costs and auction site rentals as a result of our increased auction activities, both of which were due to our business growth.

Gross profit

Gross profit of the art business and auction business segment increased by 67.7% from RMB499.6 million in the year ended December 31, 2010 to RMB838.0 million in the year ended December 31, 2011. Gross profit margin increased from 73.4% in the year ended December 31, 2010 to 77.1% in the year ended December 31, 2011, primarily due to a significant increase in our auction revenue as a result of our record high art auction turnover, as well as an increase in revenue from our art business, the percentages of increase in revenue exceeded the percentage of increase in cost of sales.

Reportable segment profit

Reportable segment profit of the art business and auction segment increased by 70.4% from RMB445.8 million in the year ended December 31, 2010 to RMB759.8 million in the year ended December 31, 2011, primarily due to an increase in revenue, partially offset by increases in cost of sales, selling and distribution expenses and administrative expenses in line with expansion of our auction operation in 2011. Reportable segment profit margin increased from 65.5% in the year ended December 31, 2010 to 69.9% in the year ended December 31, 2011.

Performance and theatre management

The principal segment result data for our performance and theatre management segment is as follows:

	Year ended December 31,				% of change
	2010		2011		
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Theatre box office income	131.5	33.7	143.0	29.4	8.7
Theatre management fees	177.5	45.5	239.5	49.2	34.9
Theatre rental	61.6	15.8	78.1	16.1	26.8
Others[1]	19.4	5.0	25.8	5.3	33.0
Subtotal	**390.0**	**100.0**	**486.4**	**100.0**	**24.7**
Cost of sales	(256.0)	(65.6)	(318.8)	(65.5)	24.5
Gross profit	134.0	34.4	167.6	34.5	25.1
Reportable segment profit	**29.4**	**7.5**	**26.5**	**5.4**	**(9.9)**

(1) Including revenue from theatre construction consultation services and others.

Revenue

Revenue of the performance and theatre management segment increased by 24.7% from RMB390.0 million in 2010 to RMB486.4 million in 2011, primarily due to (i) an increase in theatre management fees because the number of theatres managed by us increased from 18 to 21 during the period, and (ii) an increase in revenue from theatre box office because the number of performances provided by us increased from 2,750 to 3,031, both of which benefited from the growth of the performance market in China. According to the *China Culture Relic Year Book*, the PRC's total theatre box office income increased by 19.1% from RMB28.8 billion in 2010 to RMB34.3 billion in 2011.

Cost of sales

Cost of sales of the performance and theatre management segment increased by 24.5% from RMB256.0 million in the year ended December 31, 2010 to RMB318.8 million in the year ended December 31, 2011, primarily due to an increase in theatre performance costs as a result of our business growth.

Gross profit

Gross profit of the performance and theatre management segment increased by 25.1% from RMB134.0 million in the year ended December 31, 2010 to RMB167.6 million in the year ended December 31, 2011. Gross profit margin remained relatively stable at 34.4% and 34.5% for the years ended December 31, 2010 and 2011, respectively.

Reportable segment profit

Reportable segment profit decreased by 9.9% from RMB29.4 million in the year ended December 31, 2010 to RMB26.5 million in the year ended December 31, 2011, primarily due to increases in cost of sales, selling and distribution expenses and administrative expenses mainly caused by the increase in personnel and sales and marketing efforts in line with our expansion of theatre network. Reportable segment profit margin decreased from 7.5% in the year ended December 31, 2010 to 5.4% in the year ended December 31, 2011.

Cinema investment and management

The principal segment result data for our cinema investment and management segment is as follows:

	Year ended December 31,				% of change
	2010		2011		
	(RMB in millions)	(% of revenue)	(RMB in millions)	(% of revenue)	
Revenue					
Circuit income from franchised cinemas[(1)]	50.0	34.5	62.2	34.0	24.4
Cinema box office from our self-operated cinemas[(2)] .	81.2	55.9	101.0	55.1	24.4
Others	13.9	9.6	20.0	10.9	43.9
Subtotal	**145.1**	**100.0**	**183.2**	**100.0**	**26.3**
Cost of sales	(117.5)	(81.0)	(146.9)	(80.2)	25.0
Gross profit	27.6	19.0	36.3	19.8	31.5
Reportable segment profit	23.1	15.9	22.5	12.3	(2.6)

(1) Net of a 3.3% tax and a 5% special movie fund levy.

(2) Net of a 3.3% tax.

Revenue

Revenue of the cinema investment and management segment increased by 26.3% from RMB145.1 million in 2010 to RMB183.2 million in 2011, primarily due to (i) an increase in revenue from circuit income from franchised cinemas attributable to Poly Wanhe Cinema Circuit, primarily due to the expansion of the cinema network operated by Poly Wanhe Cinema Circuit; and (ii) an increase in revenue from cinema box office of our self-operated cinemas, both of which were in turn attributable to the growth of the film industry in China.

Cost of sales

Cost of sales of the cinema investment and management business segment increased by 25.0% from RMB117.5 million in the year ended December 31, 2010 to RMB146.9 million in the year ended December 31, 2011, primarily due to an increase in cinema box office income attributable to movie distributors and paid through Poly Wanhe Cinema Circuit, which was in turn attributable to the growth of our business.

Gross profit

Gross profit of the cinema investment and management segment increased by 31.5% from RMB27.6 million in the year ended December 31, 2010 to RMB36.3 million in the year ended December 31, 2011. Gross profit margin remained relatively stable at 19.0% and 19.8% for the years ended December 31, 2010 and 2011, respectively.

Reportable segment profit

Reportable segment profit of the cinema investment and management segment decreased by 2.6% from RMB23.1 million in the year ended December 31, 2010 to RMB22.5 million in the year ended December 31, 2011, primarily due to increase in cost of sales, selling and distribution expenses and administrative expenses mainly attributable to the increase in our employees as a result of expansion of cinema network, which was partially offset by an increase in revenue of this segment. Reportable segment profit margin decreased from 15.9% in the year ended December 31, 2010 to 12.3% in the year ended December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to (i) settle auction payables; (ii) provide consignor advances, prepayments of auctioned artwork during the course of auction services; (iii) expand our artwork inventories by purchasing artwork inventories; (iv) expand our theatre and cinema networks and (v) fund other normal operating expenses.

Historically, we have financed our liquidity requirements through a combination of cash flows generated from our operating activities, capital injection from our Shareholders and bank loans.

Cash Flows

The following table sets forth certain information regarding our consolidated cash flows for the periods indicated.

	Year ended December 31,			Ten months ended October 31,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	(RMB in millions)				
Net cash generated from/(used in) operating activities	372.7	693.4	302.9	(158.3)	(124.7)
Net cash (used in)/generated from investing activities	(630.8)	130.7	39.8	148.4	17.1
Net cash generated from/(used in) financing activities	523.3	(237.5)	(510.0)	(563.2)	(20.0)
Net increase/(decrease) in cash and cash equivalents	265.2	586.6	(167.3)	(573.1)	(127.6)
Cash and cash equivalents at end of year/period . . .	484.4	1,070.9	904.0	497.8	773.9

During the Track Record Period, we had not experience any significant difficulty in rolling over our bank loans.

Net cash used in or generated from operating activities

Net cash used in operating activities for the ten months ended October 31, 2013 was approximately RMB124.7 million, which was mainly attributable to operating cash inflow before movements in working capital of RMB434.0 million, as adjusted by (i) a decrease in trade and other payables of RMB145.9 million, mainly because of settlement of auction payables; (ii) an increase in inventories of RMB136.7 million, mainly because we slowed down the sales of our artwork inventories and expanded our artwork inventories when the market prices of artworks were at a relatively low level; and (iii) income tax paid of RMB117.3 million, the effect of which was partially offset by a decrease in long-term prepayments of RMB0.3 million.

Net cash generated from operating activities in 2012 was approximately RMB302.9 million, which was mainly attributable to operating cash inflow before movements in working capital of RMB544.0 million, as adjusted by (i) an increase in deposits, prepayments and other receivables of RMB303.9 million, primarily due to the increase in prepayments of auctioned artwork which is attributable to our effort to promote art auction operation, increase in prepayments for purchasing of artwork inventories under our art business operation and increase in cinema set-up deposits in line with the increase in number of cinemas we manage and (ii) an increase in inventories of RMB108.1 million, mainly as a result of our increased purchase of artwork collections under art business operation, the effect of which was partially offset by (i) an increase in trade and other payables of RMB208.0 million, primarily due to the increase in payment we received from buyers for auctioned artworks that have not been settled with sellers and the increase in unsettled purchase of products and services in relation to auction, such as auction catalogues and advertising materials and (ii) a decrease in trade and bills receivables of RMB75.4 million, primarily because we successfully collected commission receivables in relation to our previous auctions.

Net cash generated from operating activities in 2011 was approximately RMB693.4 million, which was mainly attributable to operating cash inflow before movements in working capital of RMB798.1 million, as adjusted by (i) an increase in inventories of RMB198.2 million primarily due to our increased purchase of artworks under art business operation and (ii) an increase in trade and bills receivables of RMB89.9 million mainly caused by increase in commission receivables primarily as a result of increase of our art auction turnover in 2011, which was partially offset by (i) an increase in trade and other payables of RMB293.3 million, primarily due to the increase in payment we received from buyers for auctioned artworks that have not been settled with sellers and our increase in unsettled purchase of artwork collections in relation to art business and (ii) a decrease in deposits, prepayments and other receivables of RMB113.4 million primarily because we sped up settlement of our purchase of artwork collections under art business operation in 2011 based on our management's observation on market conditions.

Net cash generated from operating activities in 2010 was approximately RMB372.7 million, which was mainly attributable to operating cash inflow before movements in working capital of RMB489.2 million, as adjusted by (i) an increase in inventories of RMB133.1 million primarily due to our increased purchase of artwork collections under art business operation in 2010 and (ii) an increase in trade and bills receivables of RMB38.9 million primarily due to increase in commission receivables in line with expansion of our auction operation, which was partially offset by an increase in trade and other payables of RMB170.9 million, primarily due to the increase in payment we received from buyers for auctioned artworks that have not been settled with sellers in line with our expansion of auction operation.

Net cash used in or generated from investing activities

Net cash generated from investing activities for the ten months ended October 31, 2013 was approximately RMB17.1 million, consisting primarily of (i) repayment for consignor advances of RMB42.6 million (ii) withdrawal of bank deposit with maturity over three months of RMB41.5 million and (iii) interest received from consignor advances of RMB15.1 million, partially offset by payments for purchase of property, plant and equipment RMB89.4 million.

Net cash generated from investing activities for 2012 was RMB39.8 million, primarily attributable to repayment for consignor advances of RMB209.6 million from relevant sellers, partially offset by (i) payments for purchase of property, plant and equipment of RMB158.0 million, primarily for the decoration and equipment installment for our cinemas under construction, and (ii) addition of bank deposit with maturity over three months of RMB47.0 million as an investment.

Net cash generated from investing activities for 2011 was RMB130.7 million, primarily attributable to (i) repayment for consignor advances of RMB183.0 million from relevant sellers, and (ii) interest of RMB54.4 million generated from the consignor advances, partially offset by payments for purchase of property, plant and equipment of RMB96.1 million, primarily for the decoration and equipment installment for our cinemas under construction.

Net cash used in investing activities for 2010 was RMB630.8 million, primarily attributable to our payment for consignor advances of RMB652.6 million as requested by relevant sellers.

Net cash used in or generated from financing activities

Net cash used in financing activities was RMB20.0 million for the ten months ended October 31, 2013, primarily attributable to proceeds of bank loans and borrowings of RMB407.0 million for our artwork procurement and cinema development, partially offset by (i) repayment of borrowings of RMB318.0 million and (ii) dividends paid by subsidiaries to non-controlling equity owners of RMB96.9 million.

Net cash used in financing activities was RMB510.0 million in 2012, primarily attributable to (i) repayment of borrowings of RMB798.0 million, and (ii) dividends paid by subsidiaries to non-controlling equity owners of RMB184.1 million, partially offset by proceeds from bank loans and borrowings of RMB478.0 million we used for artwork procurement under art business operation and cinema network development.

Net cash used in financing activities was RMB237.5 million in 2011, primarily attributable to (i) repayment of borrowings of RMB798.0 million, and (ii) dividends paid by subsidiaries to non-controlling equity owners of RMB95.7 million, partially offset by proceeds from bank loans and borrowings of RMB698.0 million we used for our artwork procurement and cinema development.

Net cash generated from financing activities was RMB523.3 million in 2010, primarily attributable to proceeds of bank loans and borrowings of RMB1,218.0 million we used for our artwork procurement and cinema development, partially offset by repayment of borrowings of RMB620.0 million.

Working Capital

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loan facilities and the estimated net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital available to satisfy our liquidity requirements for at least 12 months following the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth the breakdown of our net current assets as of the dates indicated below:

	As of December 31,			As of October 31,	As of January 31,
	2010	2011	2012	2013	2014
					(unaudited)
	(RMB in millions)				
Current Assets					
Inventories	340.7	538.9	647.0	783.7	793.1
Trade and bills receivables	62.6	152.6	76.2	74.3	88.1
Consignor Advances	791.4	608.4	398.8	356.2	293.8
Deposits, prepayments and other receivables	381.7	250.1	542.3	644.1	658.6
Income tax recoverable	–	0.4	0.4	0.6	0.6
Bank deposits with original maturities over three months	13.1	9.0	56.0	14.5	43.5
Cash and cash equivalents	484.4	1,070.9	904.0	773.9	794.1
Total current assets	**2,073.9**	**2,630.3**	**2,624.7**	**2,647.3**	**2,671.8**
Current Liabilities					
Loans and borrowings	718.0	618.0	298.0	387.0	240.0
Trade and other payables	728.4	1,002.3	1,209.9	1,171.2	1,275.8
Income tax payable	47.4	21.0	40.7	35.0	28.5
Total current liabilities	**1,493.8**	**1,641.3**	**1,548.6**	**1,593.2**	**1,544.3**
Net current assets	**580.1**	**989.0**	**1,076.1**	**1,054.1**	**1,127.5**

Our net current assets, the difference between our total current assets and current liabilities, remained positive during the Track Record Period. As of December 31, 2010, 2011 and 2012 and as of October 31, 2013, we had net current assets of RMB580.1 million, RMB989.0 million, RMB1,076.1 million and RMB1,054.1 million, respectively.

CERTAIN ITEMS IN THE CONSOLIDATED BALANCE SHEET

Property, Plant And Equipment

The following table sets forth our property, plant and equipment as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Property, plant and equipment	107.6	183.7	315.9	365.7

Property, plant and equipment mainly included design and decoration of cinemas, such as movie screening systems and audio systems. Our property, plant and equipment consecutively increased during the Track Record Period, primarily due to the continued expansion of our cinema network.

Inventory

During the Track Record Period, our inventories primarily consist of artworks we purchased for resell under the art business, including antiques and artwork, Chinese calligraphy and painting, and oil painting and sculptures. The following table sets forth a summary of our total inventories as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Antiques and artwork	276.4	435.7	485.0	598.4
Chinese calligraphy and painting	53.1	89.2	125.3	147.1
Oil painting and sculptures	6.2	6.2	29.2	29.2
Small value items for resale	3.6	4.4	5.1	5.8
Low value materials	0.7	1.1	1.5	1.7
Drama rights	0.7	2.3	0.9	1.5
Total	**340.7**	**538.9**	**647.0**	**783.7**

Small value items for resale mainly included drinks, food, and containers for the kiosks in our theatres and cinemas, as well as souvenirs for our auction operation and performance and theatre management segment. Low value materials mainly included ancillary material or equipment we used for our operations, such as xenon lamps used to equip stages of our theatres and cinemas. Drama rights represented costs and expenses incurred during the development of our original repertoires under our performance and theatre management segment.

Our inventories increased by 20.1% from RMB538.9 million as of December 31, 2011 to RMB647.0 million as of December 31, 2012 and further to RMB783.7 million as of October 31, 2013, primarily due to increases in our artwork collections in our art business, primarily because our management decided to slow down the sales of our artwork inventories and expand our artwork inventories when market prices of artworks were at a relatively low level.

Our inventories increased by 58.2% from RMB340.7 million as of December 31, 2010 to RMB538.9 million as of December 31, 2011, primarily due to increases in our artwork collections for our art business, primarily because our management decided to expand our artwork inventories.

By January 31, 2014, the subsequent cost of our inventories sold subsequent to October 31, 2013 was approximately RMB26.8 million based on our unaudited and unreviewed record prepared by our management.

Inventories are carried at the lower of cost and management's estimate of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business to make sale. When inventories are sold, the carrying amount of such inventories is recognized as cost of sales in the period in which the related revenue is recognized. The following table sets forth the cost of inventories sold for the periods indicated:

	Year ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(RMB in millions)				
Cost of inventories	85.3	106.0	49.6	46.4	22.6

The fluctuations in the cost of inventories sold during the Track Record Period reflected our inventory policy. When the artwork market is flush with liquidity, we tend to sell more artwork inventories. On the other hand, during the artwork market downturns, we tend to sell less artwork inventories.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,			Ten months ended October 31,
	2010	2011	2012	2013
Average inventory turnover days[(1)].	180	225	258	281

(1) The average inventory turnover days for a year is the average of opening and closing inventory balances divided by cost of sales for that year and multiplied by 365 days. The average inventory turnover days for the ten months ended October 31, 2013 is the average of opening and closing inventory balances divided by cost of sales for that ten months and multiplied by 300 days.

The continuous increase in our average inventory turnover days during the Track Record Period was primarily due to an increase in average balance of our artwork inventories because we gradually built up our artwork inventories year by year and intend to hold the artwork for longer term for better profit based on our observations of market conditions.

During the Track Record Period, we have not made provisions to our inventory.

Trade and Bills Receivables

As of December 31, 2010, 2011 and 2012 and October 31, 2013, our trade and bills receivables were RMB62.6 million, RMB152.6 million, RMB76.2 million and RMB74.3 million, respectively. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Trade receivables				
Due from related parties	1.0	0.1	0.6	0.7
Due from third parties	63.8	107.1	78.7	74.4
Subtotal	64.8	107.2	79.3	75.1
Bills receivables				
Due from third parties	–	47.5	–	1.0
Subtotal	64.8	154.7	79.3	76.1
Less: allowance for doubtful debts	(2.2)	(2.1)	(3.1)	(1.8)
Total	**62.6**	**152.6**	**76.2**	**74.3**

During the Track Record Period, our trade receivables mainly included auction commissions, theatre and cinema box office income, circuit income from franchised cinemas, theatre management fees and theatre rental. We generally require our customers to settle trade receivables in accordance with contracted terms and other debts in accordance with relevant agreements. We may grant credit terms up to two months to our clients and customers depending on the nature of business.

Trade receivables increased by 65.4% from RMB64.8 million as of December 31, 2010 to RMB107.2 million as of December 31, 2011, primarily due to (i) an increase in auction commission receivable as a result of a significant increase in our art auction turnover in 2011; and (ii) an increase in circuit income receivable from franchised cinemas under Poly Wanhe Cinema Circuit as a result of an overall increase in cinema box office income in 2011. Trade receivables decreased by 26.0% from RMB107.2 million as of December 31, 2011 to RMB79.3 million as of December 31, 2012, primarily due to a decrease in auction commission income as a result of the slowdown of the art auction market in China in 2012. Trade receivables remained relatively stable as of December 31, 2012 and October 31, 2013.

Bills receivables represented amounts due from a buyer for artworks auctioned by us in 2011, which were due and fully settled in 2012.

For trade and bills receivables, the difference between the carrying amount and the present value of estimated future cash flows is recognized as impairment loss for doubtful debt and recorded using an allowance account. When we are satisfied that recovery of certain trade and bills receivables is remote, the amount considered irrecoverable is written off against the respective receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

The following table sets forth the breakdown of trade and bills receivables (net of allowance for doubtful debts) by business segments:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Art business and auction	40.6	123.1	22.5	34.1
Performance and theatre management	6.4	4.7	16.6	35.0
Cinema investment and management	15.6	24.8	37.1	5.2
Total	**62.6**	**152.6**	**76.2**	**74.3**

The following table sets forth the aging analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Within one month	53.1	89.0	51.8	25.5
One to three months	1.2	2.4	5.6	8.2
Three to six months	5.6	59.4	9.6	17.4
Six to twelve months	1.5	0.6	7.7	17.3
Over one year	1.2	1.2	1.5	5.9
Total	**62.6**	**152.6**	**76.2**	**74.3**

By January 31, 2014, the subsequent settlement of our trade and bills receivables as of October 31, 2013 was RMB62.5 million based on our unaudited and unreviewed record prepared by our management.

The following table sets forth the movement in the allowance for doubtful debts as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
As of January 1	1.5	2.2	2.1	3.1
Impairment losses recognized	1.4	1.5	1.8	0.5
Reversal of impairment losses	(0.7)	(1.6)	(0.8)	(0.4)
Uncollectible amounts written off	–	–	–	(1.4)
At the end of the year/period	2.2	2.1	3.1	1.8

The following table sets forth the aging analysis of trade and bills receivables that were neither individually nor collectively considered to be impaired as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Neither past due nor impaired	8.0	67.8	20.4	33.2
Within one month	6.0	29.9	2.9	6.8
Between one month and three months	22.5	11.7	22.6	5.2
Between three months to twelve months	24.7	40.3	22.5	23.3
Over twelve months	1.4	2.9	7.8	5.8
Amounts past due	54.6	84.8	55.8	41.1
Total	**62.6**	**152.6**	**76.2**	**74.3**

The following table sets forth our average trade and bills receivables turnover days for the periods indicated:

	Year ended December 31,			Ten months ended October 31,
	2010	2011	2012	2013
Average trade and bills receivables turnover days[(1)]	13	22	25	16

(1) The average trade and bills receivables turnover days for a year is the average of opening and closing gross trade and bills receivables balances divided by revenue for that year and multiplied by 365 days. The average trade and bills receivables turnover days for the ten months ended October 31, 2013 is the average of opening and closing trade and bills receivables balances divided by revenue for that ten months and multiplied by 300 days.

Our average trade and bills receivables turnover days increased significantly from 13 days in 2010 to 22 days in 2011, primarily due to the increase in the average balance of trade and bills receivables mainly as a result of the substantial increase in art auction turnover in 2011 in line with expansion of our auction operation. Our trade and bills receivables turnover days remains relatively stable in 2011 and 2012. For the ten months ended October 31, 2013, our trade and bills receivables turnover days decreased to 16 days primarily as a result of our continuing efforts to collect outstanding payment for auctioned artworks.

Consignor Advances

Under our auction operation, to attract appealing artworks and high-end customers, we may enter into consignor advance agreements with consignors upon request, according to which, we will provide consignors with consignor advances in an amount usually no more than 30.0% of valuation provided by our experts. The consignor advances shall be secured by the relevant artwork to be auctioned.

During the Track Record Period, we have not experienced any default of the repayment of consignor advances to us. As a result, our management believed that we would be able to fully recover such amounts and hence we did not provide any provision for consignor advances during the Track Record Period.

The interest income from consignor advances is recognized as finance income.

The following table sets forth the consignor advances as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Consignor advances	791.4	608.4	398.8	356.2

As of December 31, 2010, 2011 and 2012 and October 31, 2013, 84.5%, 47.3%, 22.6% and 18.1%, respectively, of the consignor advances was due from our largest customer. The decrease in consignor advances from RMB791.4 million as of December 31, 2010 to RMB398.8 million as of December 31, 2012 was primarily due to our more prudent approach in granting consignor advances to the sellers. Our consignor advances decreased to RMB356.2 million as of October 31, 2013, primarily due to our increased efforts to improve auction operations.

The table below sets forth aging analysis of our consignor advances.

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Within one year	786.3	606.0	228.7	232.8
One to two years	5.1	2.4	170.1	13.9
Two to three years	–	–	–	109.5
Over three years	–	–	–	–
	791.4	**608.4**	**398.8**	**356.2**

We incurred consignor advances aged over 180 days mainly because the relevant buyers have not settled the transactions in full amount, as a result of which, we could not settle such consignor advances in relation to the previously auctioned artworks with the corresponding sellers. Consignor advances aged between two to three years as of October 31, 2013 comprised amount due from sellers with whom we have long term business relationship. As of the Latest Practicable Date, all the artworks in relation to our consignor advances were in our possession and the amount of consignor advances did not exceed 30% of the valuation provided by our experts to relevant artworks. As of the Latest Practicable Date, we had no plan to put the relevant artworks to auction again or dispose of such artworks to recover consignor advances that are aged more than two years.

We evaluate the recoverability of consignor advances based on various factors, including the amount of consignor advances, value of the relevant artworks in our possession, the credit, transaction history and business relationship of the relevant sellers. Considering the factors that (i) the amount of consignor's advances it provided does not exceed 30% of the valuation of its experts to relevant artworks and (ii) many of the sellers are actually well-known collectors in the industry and all relevant artworks are in its possession, our Directors are of the view that no provision shall be made to the consignor advances.

For more information on consignor advances, please see the section headed "Business – Internal Control and Risk Management".

Deposits, Prepayments and Other Receivables

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Prepayments for auctioned artwork	219.8	159.6	407.7	436.9
Prepayments for purchase of inventories	65.2	0.0	17.2	57.6
Prepayments for performance	6.5	12.8	27.9	30.1
Rental deposits	6.6	6.6	11.8	20.6
Cinema set-up deposits	5.5	15.3	28.0	32.3
Interest receivables from consignor advances on auction artwork	44.6	26.7	12.0	8.9
Advances to staff for business related activities	9.4	11.9	20.7	26.8
Others	30.6	22.2	18.8	32.0
	388.2	255.1	544.1	645.2
Less: allowance for doubtful debts	(6.5)	(5.0)	(1.8)	(1.1)
Total	**381.7**	**250.1**	**542.3**	**644.1**

Prepayments of auctioned artwork represent the amounts we paid to sellers who have a good credit record and/or a long-term relationship with us upon their requests, prior to receiving full payment of purchasing price from the relevant buyers, which are secured by the relevant auctioned artwork. We only make prepayments of auctioned artwork, on the conditions that (i) we have received partial payment of the amount due from such buyer and (ii) we have the relevant auctioned artwork or other auctioned artwork of the seller in our possession, which will be used to secure the prepayments of auctioned artwork. Please see section headed "Business – Internal Control and Risk Management – Prepayments of Auctioned Artwork". Prepayments of auctioned artwork decreased from RMB219.8 million as of December 31, 2010 to RMB159.6 million as of December 31, 2011, primarily due to the improvement of timely settlement by the buyers. It increased significantly from RMB159.6 million as of December 31, 2011 to RMB407.7 million as of December 31, 2012 and maintained at RMB436.9 million as of October 31, 2013, primarily due to an increase in prepayments of auctioned artworks in the respective period, which were not settled as of the period. These increases in prepayments of auctioned artworks reflected our efforts to promote our auction operation.

Prepayments for purchase of inventories mainly represented the amount prepaid for the artwork we purchased for resale in our art business operation. Prepayments for purchase of inventories decreased significantly from RMB65.2 million as of December 31, 2010 to RMB35,000 as of December 31, 2011, primarily because we prepaid for two pieces of high-value artworks in 2010 and did not close the purchases as of December 31, 2010. Prepayments for purchase of inventories increased significantly to RMB17.2 million as of December 31, 2012 and further increased by 234.9% to RMB57.6 million as of October 31, 2013, primarily because we increased purchase of artwork and did not close the purchases as of the respective dates, as our management decided to expand our artwork inventories based on their observation of prevailing artwork market trend in China and suitable artwork available for purchase.

Prepayments for performance represented payments for the production and purchase of theatre performances, stage artistic design, costumes and the travelling expenses of the relevant personnel. Prepayments for performance increased from RMB6.5 million as of December 31, 2010 to RMB12.8 million as of December 31, 2011, further to RMB27.9 million as of December 31, 2012, and further to RMB30.1 million as of October 31, 2013.

Rental deposits represented the deposits for the office space rented by us. Rental deposits increased from RMB6.6 million as of December 31, 2011 to RMB11.8 million as of December 31, 2012 and further to RMB20.6 million as of October 31, 2013, primarily due to the office rental deposits for the incorporation of our subsidiary Poly Auction Hong Kong in 2012, and the additional office space and warehouse of our existing subsidiaries.

Cinema set-up deposits represented the deposits paid to the property owners for our cinemas. Cinema set-up deposits increased significantly from RMB15.3 million as of December 31, 2011 to RMB28.0 million as of December 31, 2012, and further increased to RMB32.3 million as of October 31, 2013, primarily due to the continuous expansion of our cinema network.

Receivables of the interest income from consignor advances decreased by 40.1% from RMB44.6 million as of December 31, 2010 to RMB26.7 million as of December 31, 2011 and RMB12.0 million as of December 31, 2012, and further decreased to RMB8.9 million as of October 31, 2013, primarily due to decreases in the cumulative consignor advances provided by us during the same periods and, in turn, attributable to our more prudent approach in granting of consignor advances to the sellers.

Advances to staff for business related activities represented advances to our employees in relation to travelling and other business activities, and for rental deposits provided to the owners of the auction sites. Advances to staff for business increased from RMB9.4 million as of December 31, 2010 to RMB11.9 million as of December 31, 2011 and RMB20.7 million as of December 31, 2012, and increased to RMB26.8 million as of October 31, 2013, primarily due to settlement of previous advances.

Impairment of deposits, prepayments and other receivables are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly. The following table sets forth the movement in allowance for doubtful accounts for the periods indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
As of January 1	7.8	6.5	5.0	1.8
Impairment losses recognized	0.3	0.9	0.3	–
Reversal of impairment losses	(1.6)	(0.5)	(3.5)	(0.1)
Uncollectible amounts written off	–	(1.9)	–	(0.6)
At the end of the year/period	6.5	5.0	1.8	1.1

Long-term Prepayments

Long-term prepayments mainly represented prepayments for advertising and other prepayments that will not be utilized within one year. The following table sets forth our long-term prepayments as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Long-term prepayments	–	4.0	4.6	4.3

Other Financial Assets

Other financial assets mainly represented our minority interest investments in unlisted companies in China. The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Other financial assets	3.1	0.1	0.1	0.1

Other financial assets decreased significantly from RMB3.1 million as of December 31, 2010 to RMB0.1 million as of December 31, 2011, primarily because we fully disposed of the interests in Huaxia Film Distribution Co., Ltd. in 2011. We held minority interests of RMB0.1 million in Poly Artist Management Co., Ltd. as of December 31, 2011 and 2012 and October 31, 2013.

Deferred Tax Assets

As of December 31, 2010, 2011 and 2012 and October 31, 2013, our deferred tax assets amounted to RMB3.0 million, RMB1.0 million, RMB2.1 million and RMB15.2 million. The decreased of deferred tax assets between December 31, 2010 and 2011, primarily due to the incremental in accrued interest income from consignor advances which offset deferred tax assets. The increase of deferred tax assets from December 31, 2011 to October 31, 2013 was mainly caused by an increase in unpaid staff costs.

Trade Payables

During the Track Record Period, our trade payables primarily consisted of cinema box office income attributable to movie distributors and producers, costs in relation to organizing auction or staging performances and rental to be paid by us. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of October 31,
	2010	**2011**	**2012**	**2013**
	(RMB in millions)			
Trade payables				
Due to related parties	18.4	47.7	47.4	62.5
Due to third parties	47.7	72.2	126.0	80.8
Total	**66.1**	**119.9**	**173.4**	**143.3**

The following table sets forth the breakdown of trade payables by business segments:

	As of December 31,			As of October 31,
	2010	**2011**	**2012**	**2013**
	(RMB in millions)			
Art business and auction	31.7	63.0	88.3	50.7
Performance and theatre management	10.3	15.8	20.6	22.4
Cinema investment and management	24.1	41.1	64.5	70.2
Total	**66.1**	**119.9**	**173.4**	**143.3**

Trade payables due to related parties mainly included artwork payables to Poly Art Museum and rental and utilities payables to our related parties for the lease of commercial properties where we develop our cinemas. Trade payables due to related parties increased significantly from RMB18.4 million as of December 31, 2010 to RMB47.7 million as of December 31, 2011, primarily due to an increase in artwork payables to Poly Art Museum.

Trade payables due to third parties increased by 51.4% from RMB47.7 million as of December 31, 2010 to RMB72.2 million as of December 31, 2011, and further increased by 74.5% to RMB126.0 million as of December 31, 2012 primarily due to (i) the increase in auction costs, mainly including the costs of auction catalogues and rental for auction sites, which was attributable to our Autumn Auction in 2011 and 2012 that were not settled as of end of 2012 and (ii) the increased payable of cinema box office income attributable to the movie distributors and producers as a result of the growth from our cinema box office income. Trade payables due to third parties decreased by 35.9% from RMB126.0 million as of December 31, 2012 to RMB80.8 million as of October 31, 2013, primarily due to a significant decrease in payable of auction costs as a result of the settlement of our Autumn Auction in 2012 during the ten months ended October 31, 2013.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Ten months ended October 31,
	2010	**2011**	**2012**	**2013**
Average trade payables turnover days[1]	39	47	64	62

Note:

(1) The average trade payables turnover days for a year is the average of opening and closing gross trade payables balances divided by cost of sales for that year and multiplied by 365 days. The average trade payables turnover days for the ten months ended October 31, 2013 is the average of opening and closing trade payables balances divided by cost of sales for that ten months and multiplied by 300 days.

Our average trade payables turnover days increased from 39 days in 2010 to 47 days in 2011, to 64 days in 2012 and decreased to 62 days for the ten months ended October 31, 2013, primarily due to the continuous improvement in the payment terms of our payables as a result of our strengthened credit.

Other Payables

The following table sets forth our other payables as of the dates indicated:

	As of December 31,			As of October 31,
	2010	**2011**	**2012**	**2013**
	(RMB in millions)			
Interest payables				
Due to related parties	8.5	8.5	8.5	8.5
Due to third parties	–	0.4	–	0.5
Payables of staff related costs	58.0	23.1	26.1	59.7
Payables of other taxes and surcharges	24.9	39.3	36.1	9.0
Dividends payable	0.2	0.5	0.8	157.9
Other accruals and payables				
Due to related parties	6.0	9.6	9.2	8.4
Due to third parties	436.0	696.1	816.6	555.6
Total	**533.6**	**777.5**	**897.3**	**799.6**

Interest payables due to related parties mainly represented interest on a loan from our related party, which loan was repaid before the Track Record Period. Interest payables due to third parties represented provided but unpaid interest of bank loans.

Payables of staff costs mainly included provided but unpaid salaries, bonuses and social benefits of our employees. Payables for staff costs decreased from RMB58.0 million as of December 31, 2010 to RMB23.1 million as of December 31, 2011, primarily because we did not settle the bonuses for 2010 by December 31, 2010, and settled bonuses for 2011 before December 31, 2011. Payables for staff related costs increased from RMB26.1 million as of December 31, 2012 to RMB59.7 million as of October 31, 2013, primarily because we settled bonuses for 2012 before December 31, 2012, and we did not settle the bonuses for the first half of 2013 before October 31, 2013.

Payables for other taxes and surcharges mainly included payables of value-added tax, business tax, personal income tax, urban maintenance and development tax and education levy. Payables for other taxes and surcharges increased from RMB24.9 million as of December 31, 2010 to RMB39.3 million as of December 31, 2011, primarily due to an increase in payable of personal income tax by our employees and the auction sellers that were withheld by us. Payables for other taxes and surcharges decreased from RMB36.1 million as of December 31, 2012 to RMB9.0 million as of October 31, 2013, primarily due to a decrease in the payable of personal income tax by our employees and the auction sellers that were withheld by us.

Other accruals and payables mainly included (i) payments we collected from buyers in respect of auctioned artworks that have not been settled with relevant sellers and (ii) payable of bidding deposits we collected from potential buyers of auction that have not been repaid. Our other accruals and payables increased from RMB436.0 million as of December 31, 2010 to RMB696.1 million as of December 31, 2011, primarily because the increase in partial payments we received from buyers pending for settlement in line with the increase of our total art auction turnover mainly as a result of the improved auction market in China. Our other accruals and payables further increased to RMB816.6 million as of December 31, 2012, primarily because the increase in partial payments of purchasing price from buyers pending for settlement mainly as a result of relevant buyer's delay in making full payment. This increase was partially offset by decrease in our total auction turnover from 2011 to 2012, primarily due to poor performance of the overall art auction market in China. Our other accruals and payables decreased to RMB555.6 million as of October 31, 2013.

Receipts in Advance

Receipts in advance represented advances for theatre performance tickets, deposits in cinema membership cards, sales of movie ticket redemption coupons, advances for group purchase of movie tickets, advance from theatre owners in relation to relevant theatre management agreements and advances that buyers paid to us to secure the relevant artworks they purchased from us in our art business operation. The following table sets forth receipts in advance as of the dates indicated:

	As of December 31,			As of October 31,
	2010	**2011**	**2012**	**2013**
	(RMB in millions)			
Receipts in advance				
Due to related parties	1.5	1.5	1.3	1.2
Due to third parties	127.2	103.4	137.8	227.1
Total	**128.7**	**104.9**	**139.1**	**228.3**

Receipts in advance due to third parties decreased from RMB127.2 million as of December 31, 2010 to RMB103.4 million as of December 31, 2011, primarily due to a decrease in the advances we received under art business operation in 2011 primarily because we improved settlement of sales of artworks in 2011 based on our judgment on market trend as a result of which, we delivered the artwork to related customers and recognized revenue accordingly. Receipts in advance due to third parties increased from RMB103.4 million as of December 31, 2011 to RMB137.8 million as of December 31, 2012, primarily due to the increase in advances for theatre performance tickets as a result of the growth of our performance and theatre management business. Receipts in advance due to third parties increased from RMB137.8 million as of December 31, 2012 to RMB227.1 million as of October 31, 2013, primarily because increase in advance from theatre owners in relation to relevant theatre management agreements primarily because the expansion of our theatre network.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Note 25 to the Accountants' Report in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Certain of the related party transactions set out in Note 25 to the Accountants' Report in Appendix I to this prospectus will continue after the Listing. For more details, please see the section headed "Connected Transactions" in this prospectus.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily comprised of expenditures on property and equipment, which amounted to RMB32.2 million, RMB96.1 million, RMB158.0 million and RMB89.4 million for the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, respectively.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments for the acquisition of property, plant and equipment outstanding but not provided for as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Contracted for	45.9	105.1	69.1	50.9
Authorized but not contracted for	30.5	315.8	575.0	563.2
Total	**76.4**	**420.9**	**644.1**	**614.1**

The continuous increases in capital commitment during the Track Record Period were primarily due to the procurement of equipment for our new cinemas as a result of the expansion of our cinema network.

OPERATING LEASE COMMITMENTS

Our Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher rental payments in the future.

The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Within one year	14.7	41.2	78.5	80.9
After one year but within five years	22.0	116.9	266.4	244.3
After five years	40.3	300.9	434.9	394.8
Total	**77.0**	**459.0**	**779.8**	**720.0**

INDEBTEDNESS

Bank Loans

As of December 31, 2010, 2011 and 2012 and October 31, 2013, our borrowings amounted to RMB718.0 million, RMB618.0 million, RMB298.0 million and RMB387.0 million, all of which were unsecured and repayable within one year. As of December 31, 2010, we had borrowings of RMB350.0 million from Poly Finance Company Limited, a related party of our Group. Such balance was settled in 2011. We did not have any loans from related parties as of December 31, 2011 and 2012 and October 31, 2013. As of December 31, 2010 and 2011, certain of our bank loans used to be guaranteed by Poly Group, which were released in the first half of 2012 upon the repayment of these bank loans.

Our bank loans decreased from RMB718.0 million as of December 31, 2010 to RMB618.0 million as of December 31, 2011, and further decreased to RMB298.0 million as of December 31, 2012, primarily because our operations generated sufficient cash inflows and we paid less consignor advances due to our more prudent approach to provide such advances to the auction sellers. Our bank loans increased from RMB298.0 million as of December 31, 2012 to RMB387.0 million as of October 31, 2013, primarily due to our increased need for working capital as a result of our business growth.

The effective annual interest rates of our bank loans ranged from 4.78% to 6.81%, from 6.10% to 6.89%, from 5.40% to 6.00% and from 5.40% to 6.00% for the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013, respectively.

As of December 31, 2013, the Latest Practicable Date for our indebtedness statement, we had total bank credit facilities of approximately RMB1,940.0 million, of which approximately RMB1,732.0 million was unutilized and unrestricted.

Our Directors confirm that we did not have any material default in payment of trade or other payables or bank borrowings, nor did we breach any material finance covenants during the Track Record Period. Our Directors have confirmed that we do not have any plan to raise material external debt financing as of the date of this prospectus.

Statement of Indebtedness

As of December 31, 2013, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in the subsection entitled "– Bank Loans" in this section, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities or guarantees. Since December 31, 2013, there has been no material adverse change in our indebtedness.

Contingent Liabilities

In 2009, we started to provide investment consulting services to the artwork trust plans, including artwork investment trust plans and artwork financing trust plans. Please see the section headed "Business – Our Business – Art Business and Auction Segment – Art Investment Consultation and Other Services" in this prospectus.

Under artwork financing trust plans, we are obliged to fund the difference between the total expected monetary trust property 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 and its guarantor fail to repay such amounts. The following table sets forth our contingent liabilities as of the dates indicated:

	As of December 31,			As of October 31,
	2010	2011	2012	2013
	(RMB in millions)			
Trust related	–	118.0	188.0	253.0

According to our internal management procedures, we usually advise a suggested purchasing price of the artwork to the trust manager that equals to 40% to 50% of the value estimated by our experts. Our Directors believe that it is unlikely for 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) to go beyond the total expected monetary trust property, and hence we did not make any provision for such contingent liabilities during the Track Record Period.

As of the Latest Practicable Date, other than disclosed in this prospectus, our Group did not have any contingent liabilities.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB63.2 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, where applicable), of which approximately RMB44.4 million is expected to be capitalized after the Listing. The remaining listing expenses in the amount of approximately RMB18.8 million is expected to be charged to our income statement.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

	As of/Year ended December 31,			As of/Ten months ended October 31,
	2010	2011	2012	2013
Gross margin[(1)]	54.4%	59.3%	49.2%	47.5%
Net profit margin[(2)]	30.6%	33.2%	23.4%	21.2%
Return on equity[(3)]	61.1%	54.6%	26.2%	N/A
Return on assets[(4)]	23.0%	23.3%	13.4%	N/A
Current ratio[(5)]	1.4	1.6	1.7	1.7
Quick ratio[(6)]	1.2	1.3	1.3	1.2
Gearing ratio[(7)]	103.9%	52.6%	21.3%	26.9%
Net debt to equity ratio[(8)]	31.9%	Net cash	Net cash	Net cash
Interest coverage[(9)]	14.5	20.8	19.2	25.1

Notes:

(1) The calculation of gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%.

(2) The calculation of net profit margin is calculated by dividing net profit by revenue and multiplying the resulting value by 100%.

(3) The calculation of return on equity is calculated by dividing profit attributable to equity holders by average of the beginning and ending equity attributable to equity Shareholders and multiplying the resulting value by 100%.

(4) The calculation of return on assets is calculated by dividing net profit by average of the beginning and ending total assets and multiplying the resulting value by 100%.

(5) The calculation of current ratio is calculated by dividing total current assets by total current liabilities.

(6) The calculation of quick ratio is calculated by dividing current assets net of inventories by current liabilities.

(7) The calculation of gearing ratio is calculated by dividing total interest-bearing debt by total equity and multiplying the resulting value by 100%.

(8) The calculation of the net debt to equity ratio is calculated by dividing total interest-bearing debt net of cash and cash equivalents and bank deposits with original maturities over three months by total equity and multiplying the resulting value by 100%. "Net cash" status indicates that the Company had more cash and cash equivalents and bank deposits with original maturities over three months than interest-bearing debt at respective dates.

(9) The calculation of the interest coverage is calculated by dividing profit before interest and tax by interest costs.

Return on equity decreased from approximately 61.1% for 2010 to 54.6% for 2011, primarily due to a significant increase in total equity as of December 31, 2011 as a result of a significant increase in reserves, partially offset by an increase in profit attributable to equity holders of our Company primarily as a result of the increase in revenue of our art business and auction segment mainly due to expansion of our auction operation in 2011. Return on equity decreased from approximately 54.6% for 2011 to 26.2% for 2012, primarily due to an increase in total equity mainly as a result of increase in reserves and a decrease in profit attributable to equity holders of our Company for 2012 mainly because of the decrease in revenue of our art business and auction segment which was primarily due to a decrease in art auction turnover in 2012 as a result of the overall decrease in the art auction market in China.

Return on total assets remained relatively stable at 23.0% and 23.3% for 2010 and 2011, respectively. Return on total assets decreased from 23.3% for 2011 to 13.4% for 2012, because our net profit decreased mainly because of the decrease in net profit from art business and auction segment which was primarily due to a decrease in art auction turnover in 2012 as a result of the overall decrease in art auction market in China and an increase in our total assets in 2012 primarily attributable to increase in property, plan and equipment as a result of the expansion of theatre and cinema network.

Current ratio increased from 1.4 as of December 31, 2010 to 1.6 as of December 31, 2011, and remained relatively stable at 1.7 as of December 31, 2012 and October 31, 2013, primarily due to the comparatively higher percentage increase in current assets as compared with the percentage increase in current liabilities. Our total current assets increased from RMB2,073.9 million as of December 31, 2010 to RMB2,630.3 million as of December 31, 2011, primarily due to increase in inventories as a result of our increased purchase of artworks under art business operation and the increase in cash and cash equivalents mainly as a result of the expansion of our business operation, in particular, our auction operation in 2011. Current ratio remained relatively stable at 1.6 as of December 31, 2011, 1.7 as of December 31, 2012 and 1.7 as of October 31, 2013.

Quick ratio remained relatively stable at approximately 1.2, 1.3, 1.3 and 1.2 as of December 31, 2010, 2011 and 2012 and October 31, 2013, respectively.

Gearing ratio decreased from 103.9% as of December 31, 2010 to 52.6% as of December 31, 2011 and further to 21.3% as of December 31, 2012, primarily due to the comparatively higher percentage increase in total equity as compared with the percentage increase in total interest-bearing debt. In 2010, 2011 and 2012, we adopted prudent policy in utilizing of bank borrowings and funded our business expansions mainly with cash generated from our operations and capital injection from Shareholders. Gearing ratio increased from 21.3% as of December 31, 2012 to 26.9% as of October 31, 2013, primarily due to the comparatively higher percentage increase in total interest-bearing debt as compared with the percentage increase in total equity. We mainly used the proceeds from the bank borrowings to fund expansion of our cinema network in line with our business expansion strategy.

We had net cash as of December 31, 2011 and 2012 and October 31, 2013, primarily because the balances of cash and cash equivalents exceeded the balances of interest-bearing debts as of these dates.

Interest coverage ratio increased from 14.5 for 2010 to 20.8 for 2011, primarily due to the comparatively higher percentage increase in operating profit as compared with the percentage increase in interest cost. Interest coverage ratios remained relatively stable at 20.8 and 19.2 as of December 31, 2011 and 2012. Interest coverage ratio increased to 25.1 as of October 31, 2013 primarily because of the comparatively higher percentage increase in operating profit as compared with the percentage increase in interest cost.

MARKET RISKS

Credit Risk

Our credit risk is primarily attributable to cash at bank and in hand, trade and bills receivables, consignor advances, deposits, prepayments and other receivables and other non-current assets. Our management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of our cash at bank and in hand are deposited in the stated owned or controlled PRC banks, and our Director assessed the credit risk to be insignificant.

In respect of trade and bills receivables, consignor advances, deposits, prepayments and other receivables and other non-current assets, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We generally require customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to our customers, depending on the nature of business.

Except for the financial guarantees given by our Group as disclosed otherwise in this prospectus, we do not provide any other guarantees which would expose our Group to credit risk.

Liquidity Risk

Our goal is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

Our Company is responsible for our Group's overall cash management and the raising of borrowings to cover expected cash demands. Our policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For details regarding the remaining contractual maturities for our non-derivative financial liabilities based on the agreed repayment terms, please see Note 22(b) to the Accountants' Report in Appendix I.

Interest Rate Risk

Our Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk.

Our Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, our management did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

As of December 31, 2010, 2011 and 2012 and October 31, 2013, it is estimated that a general increase of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, our profit after tax and retained profits would have decreased by approximately RMB4.3 million, RMB3.9 million, RMB1.8 million and RMB0.7 million, respectively. Other components of consolidated equity would not be affected by the general increase or decrease in interest rates.

Currency Risk

Our Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and in hand that are denominated in a foreign currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily the Hong Kong dollar.

For details regarding our exposure to the currency risk and the sensitivity analysis, please see Note 22(d) to the Accountants' Report in Appendix I.

IMPACT OF DISPOSAL OF POLY WANHE CINEMA CIRCUIT

In June 2013, due to PRC regulatory restriction 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 (the "Disposal"). After the Disposal, we no longer engage in the cinema circuit business. For more details, please see the sections headed "Our History and Reorganization", "Relationship with our Controlling Shareholder" and "Connected Transactions". In managing the franchised cinemas, we recorded circuit income received by Poly Wanhe Cinema Circuit as revenue, which is usually 45%-50% of net box office income, and recorded net box office distribution to movie producers and distributors as cost. In managing self-operated cinemas, we recorded cinema box office income as revenue, which is gross box office income net of 3.3% tax, and recorded net box office distribution to movie producers and distributors as cost. As a result, franchised cinema business usually has a smaller gross margin compared to that of self-operated cinema business.

We recognized and consolidated the financial results of Poly Wanhe Cinema Circuit in our cinema investment and management business segment for the Track Record Period. We recognized gain from the disposal of subsidiaries of RMB5.8 million for the ten months ended October 31, 2013 as a result of the Disposal. The following table sets forth revenue and net profit of Poly Wanhe Cinema Circuit for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	(RMB in millions)			
Revenue	68.1	107.1	149.1	107.2
Net Profit	3.2	0.9	3.5	2.8

Prior to the Disposal, the costs of our cinema investment and management business segment primarily comprised the costs resulted from the distribution of net box office income with movie distributors and producers. As disclosed in the section headed "Industry Overview" in the Prospectus, in practice, due to their relatively strong bargaining power, the cinemas normally retain 50%-55% of the net cinema box office income, being the gross cinema box office income net of 3.3% tax and 5% special movie fund levy. As a result, although Poly Wanhe Cinema Circuit may collect 45%-50% percent of net box office income based on relevant cinema circuit agreements, it normally only retains 1%-5% of the net cinema box office income after distribution with movie producers and distributors.

After the Disposal, the costs of our cinema investment and management business segment primarily include the costs in relation to distribution of net box office income under the cinema circuit agreements, according to which, we generally distribute 45% to 50% of the net box office income of our self-operated cinemas to Poly Wanhe Cinema Circuit. In the meantime, we will no longer receive revenue or incur costs in relation to franchised cinemas.

DIVIDEND AND DIVIDEND POLICY

In July 2013, our Directors declared to make a dividend distribution of RMB156.8 million to our existing holders, 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 accumulated earnings of RMB235.3 million generated by our subsidiaries in China up to March 31, 2013 will be retained. After the Listing, the payment of dividends will be made to our existing and new shareholders at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. We are not allowed to distribute profits to our Shareholders until we have made up our losses and made appropriations to our statutory and general reserves. In addition, our Controlling Shareholder will be able to influence our dividend policy.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business. The Board will review the dividend policy on an annual basis. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. The amounts of distribution that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2013

Estimated consolidated profit attributable to equity shareholders of the Company[1, 2 and 3]	Not less than RMB271 million (approximately HK$344 million)
Unaudited pro forma estimated earnings per Share[3]	Not less than RMB1.14 (approximately HK$1.45)

Notes:

(1) The basis on which the profit estimate has been prepared are set out in Appendix III to this prospectus. The estimated consolidated net profit attributable to equity shareholders of the Company for the year ended December 31, 2013 is based on the actual consolidated results of the Group for the ten months ended October 31, 2013 and our estimate of the consolidated results of the Group for the two months ended December 31, 2013.

(2) The calculation of the unaudited pro forma estimate earnings per Share is arrived at by dividing the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2013 assuming a total of 235,710,000 Shares in issue during the entire year assuming the Global Offering has been completed on January 1, 2013 without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The estimated consolidated profit attributable to equity shareholders of the Company and the unaudited pro forma estimated earnings per Share are converted into Hong Kong Dollars at the exchange rate of RMB0.7862 to HK$1.0000 (set by the PBOC for foreign exchange transactions prevailing on January 30, 2014). No representation is made that HK$ amount have been, could have been or may be converted to RMB, or vice verse, at that rate or at all.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of our Group had the Global Offering been completed as of October 31, 2013 or any future date. They are prepared based on our consolidated net assets as of October 31, 2013 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of October 31, 2013[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[3]	
	RMB'000	**RMB'000**	**RMB'000**	**RMB[4]**	**HK$[4]**
Based on an Offer Price of HK$28.20 per Share . . .	1,051,626	1,507,718	2,559,344	10.86	13.81
Based on an Offer Price of HK$33.00 per Share . . .	1,051,626	1,768,157	2,819,783	11.96	15.22

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as of October 31, 2013 is compiled based on the consolidated balance sheets included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated net assets attributable to the equity shareholders of the Company as of October 31, 2013 of RMB1,056.4 million after deducting intangible assets of RMB4.8 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$28.20 and HK$33.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, without taking into account the exercise of the Over-allotment Option and any discretionary incentive fees, where applicable. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.00 to RMB0.7862 prevailing on January 30, 2014.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 235,710,000 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to HK$ at the rate at RMB0.7862 to HK$1.0000 (set by the PBOC for foreign exchange transactions prevailing on January 30, 2014). No representation is made that HK$ amount have been, could have been or may be converted to RMB, or vice verse, at that rate or at all.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since October 31, 2013 and there is no event since October 31, 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. Our Directors consider that all information necessary for the public to make an informed assessment of the activities and financial position of our Group has been included in this prospectus.