The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

February 24, 2014

The Directors
Poly Culture Group Corporation Limited

CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Poly Culture Group Corporation Limited (together with its predecessors as further described below, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated balance sheets of the Group and the balance sheets of the Company as at December 31, 2010, 2011 and 2012 and October 31, 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013 (the "Track Record Period"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated February 24, 2014 (the "Prospectus").

The Company was established as a limited liability company in the People's Republic of China (the "PRC") in 2000 under the name of Poly Culture and Arts Co. Ltd.. On December 22, 2009, the Company was renamed as Poly Culture Group Co., Ltd.. In connection with a group reorganization as detailed in the section headed "Our History and Reorganization" in this Prospectus, the Company was converted to a joint stock limited liability company in December 2010 and renamed as Poly Culture Group Corporation Limited.

All subsidiaries of the Company have adopted December 31 as their financial year end date. Details of the Company's subsidiaries are set out in note 12 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the PRC and were audited by 大信會計師事務所(特殊普通合夥) (PKF DAXIN Certified Public Accountants LLP). As at the date of this report, no audited financial statements have been prepared for Poly Auction (Hong Kong)

Limited and Kangoo Overseas Ltd.. As Poly Auction (Hong Kong) Limited was incorporated in Hong Kong in October 2012, it is not yet subject to statutory audit requirements under Hong Kong Laws. Kangoo Overseas Ltd. was incorporated in the British Virgin Islands and is not subject to statutory audit requirements under the relevant rules and regulations.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to October 31, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2010, 2011 and 2012 and October 31, 2013 and the Group's consolidated results and cash flows for the Track Record Period then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the ten months ended October 31, 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED INCOME STATEMENTS

	Section B Note	Years ended December 31,			Ten months ended October 31,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	*3*	1,216,086	1,758,246	1,649,915	1,241,047	1,455,633
Cost of sales		(554,533)	(714,941)	(838,105)	(578,190)	(763,799)
Gross profit		661,553	1,043,305	811,810	662,857	691,834
Other revenue	*5*	13,058	9,930	43,184	17,427	11,786
Other net gain/(loss)	*5*	5,652	(5,048)	(1,059)	(1,248)	6,004
Selling and distribution expenses		(98,291)	(128,509)	(156,577)	(113,030)	(144,841)
Administrative expenses		(101,107)	(138,510)	(180,295)	(139,448)	(158,158)
Profit from operations		480,865	781,168	517,063	426,558	406,625
Finance income		49,241	39,348	24,793	19,666	15,618
Finance costs	*6(a)*	(36,418)	(38,826)	(26,779)	(22,283)	(15,491)
Share of loss of an associate		(489)	–	–	–	–
Profit before taxation	*6*	493,199	781,690	515,077	423,941	406,752
Income tax	*7*	(121,551)	(198,604)	(128,741)	(107,207)	(98,544)
Profit for the year/period		371,648	583,086	386,336	316,734	308,208
Profit attributable to:						
Equity shareholders of the Company		223,541	344,561	242,170	190,351	174,058
Non-controlling interests		148,107	238,525	144,166	126,383	134,150
Profit for the year/period		371,648	583,086	386,336	316,734	308,208
Earnings per share						
Basic and diluted earnings per share (RMB)	*10*	1.86	2.21	1.47	1.15	1.05

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	371,648	583,086	386,336	316,734	308,208
Other comprehensive income					
Exchange difference on translation of financial statements of operations outside the PRC	–	1	376	–	(2,076)
Total comprehensive income for the year/period	371,648	583,087	386,712	316,734	306,132
Total comprehensive income attributable to:					
Equity shareholders of the Company	223,541	344,562	242,463	190,351	172,880
Non-controlling interests	148,107	238,525	144,249	126,383	133,252
Total comprehensive income for the year/period	371,648	583,087	386,712	316,734	306,132

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED BALANCE SHEETS

	Section B Note	At December 31, 2010	At December 31, 2011	At December 31, 2012	At October 31, 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	*11*	107,590	183,668	315,911	365,696
Long-term prepayments		–	3,967	4,569	4,257
Interest in an associate		97	–	–	–
Other financial assets		3,100	100	100	100
Deferred tax assets	*20(b)*	3,041	1,011	2,149	15,205
Total non-current assets		113,828	188,746	322,729	385,258
Current assets					
Inventories	*13*	340,711	538,864	646,956	783,660
Trade and bills receivables	*14*	62,577	152,587	76,176	74,293
Consignor advances	*15*	791,410	608,438	398,792	356,239
Deposits, prepayments and other receivables	*16*	381,737	250,099	542,366	644,142
Income tax recoverable	*20(a)*	–	412	412	636
Banks deposits with original maturities over three months		13,100	9,007	56,015	14,500
Cash and cash equivalents	*17*	484,350	1,070,915	903,958	773,872
Total current assets		2,073,885	2,630,322	2,624,675	2,647,342
Current liabilities					
Loans and borrowings	*18*	718,000	618,000	298,000	387,000
Trade and other payables	*19*	728,409	1,002,307	1,209,882	1,171,282
Income tax payable	*20(a)*	47,406	21,033	40,674	34,962
Total current liabilities		1,493,815	1,641,340	1,548,556	1,593,244
Net current assets		580,070	988,982	1,076,119	1,054,098
Total assets less current liabilities		693,898	1,177,728	1,398,848	1,439,356
Non-current liabilities					
Deferred tax liabilities	*20(b)*	2,647	2,692	–	–
Deferred revenue		97	63	314	32
Total non-current liabilities		2,744	2,755	314	32
NET ASSETS		691,154	1,174,973	1,398,534	1,439,324
CAPITAL AND RESERVES					
Paid-in capital/share capital	*21(c)*	120,000	165,000	165,000	165,000
Reserves		339,347	637,872	880,335	891,365
Total equity attributable to the equity shareholders of the Company		459,347	802,872	1,045,335	1,056,365
Non-controlling interests		231,807	372,101	353,199	382,959
TOTAL EQUITY		691,154	1,174,973	1,398,534	1,439,324

The accompanying notes form part of the Financial Information.

4 BALANCE SHEETS OF THE COMPANY

	Section B Note	At December 31,			At October 31,
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	*11*	2,228	2,581	4,486	3,868
Interest in an associate		97	–	–	–
Investments in subsidiaries	*12*	124,602	187,872	259,561	289,561
Other financial assets		100	100	100	100
Total non-current assets		127,027	190,553	264,147	293,529
Current assets					
Deposits, prepayments and other receivables	*16*	256,972	242,279	269,300	345,709
Income tax recoverable	*20(a)*	–	412	412	636
Cash and cash equivalents	*17*	38,063	19,624	49,358	59,462
Total current assets		295,035	262,315	319,070	405,807
Current liabilities					
Loans and borrowings	*18*	210,000	150,000	30,000	20,000
Trade and other payables	*19*	34,227	14,373	14,213	174,083
Total current liabilities		244,227	164,373	44,213	194,083
Net current assets		50,808	97,942	274,857	211,724
Total assets less current liabilities		177,835	288,495	539,004	505,253
NET ASSETS		177,835	288,495	539,004	505,253
CAPITAL AND RESERVES	*21*				
Paid-in capital/share capital		120,000	165,000	165,000	165,000
Reserves		57,835	123,495	374,004	340,253
TOTAL EQUITY		177,835	288,495	539,004	505,253

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company								
	Paid-in capital/ share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Section B note 21(c)	*Section B note 21(d)(i)*	*Section B note 21(d)(ii)*	*Section B note 21(d)(iii)*		*Section B note 21(d)(iv)*			
At January 1, 2010	110,000	(1,749)	90,000	1,781	72,546	–	272,578	85,947	358,525
Changes in equity:									
Profit for the year	–	–	–	–	223,541	–	223,541	148,107	371,648
Total comprehensive income for the year	–	–	–	–	223,541	–	223,541	148,107	371,648
Disposal of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	(5,156)	(5,156)
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	2,000	2,000
Disposal of an associate	–	(755)	–	–	–	–	(755)	–	(755)
Acquisition of a subsidiary under common control	–	(515)	–	–	–	–	(515)	–	(515)
Appropriation of reserve	–	–	–	2,896	(2,896)	–	–	–	–
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(4,501)	(4,501)
Dividend paid by subsidiary to original equity owners *(note 21(b)(ii))*	–	–	–	–	(40,092)	–	(40,092)	–	(40,092)
Conversion into a joint stock company with limited liability *(note 21(c)(ii))*	10,000	–	(61,126)	(1,781)	52,907	–	–	–	–
Other contributions from Shareholders	–	4,590	–	–	–	–	4,590	5,410	10,000
At December 31, 2010	120,000	1,571	28,874	2,896	306,006	–	459,347	231,807	691,154

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Company								
	Paid-in capital/ share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Section B note 21(c)	*Section B note 21(d)(i)*	*Section B note 21(d)(ii)*	*Section B note 21(d)(iii)*		*Section B note 21(d)(iv)*			
At January 1, 2011	120,000	1,571	28,874	2,896	306,006	–	459,347	231,807	691,154
Changes in equity:									
Profit for the year	–	–	–	–	344,561	–	344,561	238,525	583,086
Other comprehensive income	–	–	–	–	–	1	1	–	1
Total comprehensive income for the year	–	–	–	–	344,561	1	344,562	238,525	583,087
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	1,470	1,470
Appropriation of reserve	–	–	–	11,066	(11,066)	–	–	–	–
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(95,898)	(95,898)
Dividend paid by subsidiary to original equity owners	–	–	–	–	(570)	–	(570)	–	(570)
Transfer to share capital *(note 21(c)(iv))*	45,000	–	(24,000)	–	(21,000)	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	(467)	–	–	–	–	(467)	(3,803)	(4,270)
At December 31, 2011	165,000	1,104	4,874	13,962	617,931	1	802,872	372,101	1,174,973
At January 1, 2012	165,000	1,104	4,874	13,962	617,931	1	802,872	372,101	1,174,973
Changes in equity:									
Profit for the year	–	–	–	–	242,170	–	242,170	144,166	386,336
Other comprehensive income	–	–	–	–	–	293	293	83	376
Total comprehensive income for the year	–	–	–	–	242,170	293	242,463	144,249	386,712
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	21,266	21,266
Appropriation of reserve	–	–	–	25,051	(25,051)	–	–	–	–
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(184,417)	(184,417)
At December 31, 2012	165,000	1,104	4,874	39,013	835,050	294	1,045,335	353,199	1,398,534

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Company								
	Paid-in capital/ share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Section B note 21(c)	*Section B note 21(d)(i)*	*Section B note 21(d)(ii)*	*Section B note 21(d)(iii)*		*Section B note 21(d)(iv)*			
At January 1, 2013	165,000	1,104	4,874	39,013	835,050	294	1,045,335	353,199	1,398,534
Changes in equity:									
Profit for the period	–	–	–	–	174,058	–	174,058	134,150	308,208
Other comprehensive loss	–	–	–	–	–	(1,178)	(1,178)	(898)	(2,076)
Total comprehensive income for the period	–	–	–	–	174,058	(1,178)	172,880	133,252	306,132
Disposal of a subsidiary	–	(5,100)	–	–	–	–	(5,100)	(9,095)	(14,195)
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	2,940	2,940
Dividends proposed during the reporting period	–	–	–	–	(156,750)	–	(156,750)	–	(156,750)
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(97,337)	(97,337)
At October 31, 2013	165,000	(3,996)	4,874	39,013	852,358	(884)	1,056,365	382,959	1,439,324
At January 1, 2012	165,000	1,104	4,874	13,962	617,931	1	802,872	372,101	1,174,973
Changes in equity (Unaudited):									
Profit for the period	–	–	–	–	190,351	–	190,351	126,383	316,734
Total comprehensive income for the period	–	–	–	–	190,351	–	190,351	126,383	316,734
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	3,470	3,470
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(184,357)	(184,357)
At October 31, 2012 (Unaudited)	165,000	1,104	4,874	13,962	808,282	1	993,223	317,597	1,310,820

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	Years ended December 31,			Ten months ended October 31,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Profit before taxation		493,199	781,690	515,077	423,941	406,752
Adjustments for:						
Depreciation	*6(c)*	14,074	15,619	24,328	18,540	31,519
Net (gain)/loss on disposal of property, plant and equipment	*5*	(788)	81	19	19	(2,034)
Impairment losses/(recovery) on trade and bills receivables	*6(c)*	726	(115)	1,024	855	60
Impairment (recovery)/losses on deposits, prepayments and other receivables	*6(c)*	(1,258)	393	(3,129)	20	(118)
Interest earned from consignor advances		(46,799)	(36,521)	(19,991)	(18,178)	(11,967)
Net foreign exchange loss/(gain)		52	41	(13)	(5)	376
Finance costs	*6(a)*	36,418	38,826	26,779	22,283	15,491
Amortisation of deferred revenue		(53)	(34)	(99)	(367)	(282)
Net gain on disposal of other financial assets	*5*	(1,800)	(1,912)	–	–	–
Net gain on disposal of subsidiaries	*5*	(3,116)	–	–	–	(5,803)
Dividends from other financial assets	*5*	(1,939)	–	–	–	–
Share of losses of an associate		489	–	–	–	–
Changes in working capital:						
Increase in inventories		(133,128)	(198,153)	(108,092)	(41,115)	(136,704)
(Increase)/decrease in trade and bills receivables		(38,852)	(89,895)	75,387	7,902	(53,089)
(Increase)/decrease in deposits, prepayments and other receivables		(35,585)	113,358	(303,856)	(396,588)	(106,071)
Decrease in long-term prepayments		–	32	368	303	313
Increase/(decrease) in trade and other payables		170,845	293,335	207,981	(74,969)	(145,889)
Cash generated from operations		452,485	916,745	415,783	(57,359)	(7,446)
Income tax paid		(79,788)	(223,314)	(112,930)	(101,008)	(117,289)
Net cash generated from/(used in) operating activities		372,697	693,431	302,853	(158,367)	(124,735)

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended December 31,			Ten months ended October 31,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities						
Payments for purchase of property, plant and equipment		(32,247)	(96,119)	(157,994)	(82,165)	(89,363)
(Payment)/repayment for consignor advances		(652,600)	182,973	209,645	239,887	42,553
Repayment/(payment) for advances on investment		20,000	(20,000)	–	–	–
Disposal of subsidiaries – net	*26(b)*	3,279	–	–	–	872
Withdrawal of bank deposit with maturity over three months		–	4,093	–	–	41,515
Addition of bank deposit with maturity over three months		(4,100)	–	(47,008)	(37,850)	–
Disposal of associates		14,272	78	–	–	–
Disposal of other financial assets		5,061	4,931	–	–	–
Proceeds from disposal of property, plant and equipment		9,451	320	434	435	6,442
Dividends received		1,939	–	–	–	–
Interest received from consignor advances		4,147	54,408	34,712	28,094	15,051
Net cash (used in)/generated from investing activities		(630,798)	130,684	39,789	148,401	17,070
Cash flows from financing activities						
Payments for acquisition of non-controlling interest in subsidiaries		–	(4,270)	–	–	–
Payments for acquisition of a subsidiary under common control		(515)	–	–	–	–
Capital contributions from non-controlling equity owners of subsidiaries		2,000	1,470	21,266	3,470	2,940
Capital injection		10,000	–	–	–	–
Proceeds from bank loans and borrowings		1,218,000	698,000	478,000	438,000	407,000
Repayment of borrowings		(620,000)	(798,000)	(798,000)	(798,000)	(318,000)
Dividends paid by subsidiaries to non-controlling equity owners		(4,271)	(95,663)	(184,123)	(184,061)	(96,903)
Dividends to then equity owners of subsidiary acquired under common control		(40,092)	(570)	–	–	–
Payment of interest expense		(41,848)	(38,476)	(27,129)	(22,575)	(15,006)
Net cash generated from/(used in) financing activities		523,274	(237,509)	(509,986)	(563,166)	(19,969)

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended December 31,			Ten months ended October 31,	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net increase/(decrease) in cash and cash equivalents		265,173	586,606	(167,344)	(573,132)	(127,634)
Cash and cash equivalents at beginning of year/period		219,229	484,350	1,070,915	1,070,915	903,958
Effect of foreign exchange rate changes		(52)	(41)	387	5	(2,452)
Cash and cash equivalents at end of year/period	*17*	484,350	1,070,915	903,958	497,788	773,872

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Company was established as a limited liability company in the People's Republic of China (the "PRC") on February 2, 2000 under the name of Poly Culture and Arts Co. Ltd. ("Poly Culture and Arts") and was subsequently renamed as Poly Culture Group Co., Ltd.. As part of a group reorganization, the Company was converted into a joint stock limited liability company on December 14, 2010 with a registered capital of RMB120,000,000, and renamed as Poly Culture Group Corporation Limited. The Group is mainly engaged in art business and auction, performance and theatre management and cinema investment and management. There was no change in the Group's principal business activities as a result of the reorganization.

Pursuant to the resolution passed by the equity shareholders of the Company dated February 10, 2011, the share capital of the Company was increased to RMB165,000,000 at RMB1.00 each. This increase in the Company's share capital of RMB45,000,000, which included transfers from share premium and retained profits of RMB24,000,000 and RMB21,000,000, respectively, was verified and registered as share capital by the State Administration for Industry and Commerce ("SAIC") on March 16, 2011.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which includes International Financial Reporting Standards, International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2013 are set out in note 28.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the ten months ended October 31, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries established in the PRC ("PRC subsidiaries") carrying on the principal activities of the Group. The functional currency of the Company's subsidiaries in Hong Kong and in British Virgin Islands is Hong Kong dollar ("HKD").

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Use of estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity owners/shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(f)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(g) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(i)).

In the Company's balance sheet, investments in associates and joint venture are stated at cost less impairment losses (see note 1(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year/period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations involving entities not under common control.

(i) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the equity shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts from the perspective of the Group's controlling Shareholder. The components of equity of the acquired entities are added to the same components within the Group's equity and any gain/loss arising is recognized directly in equity.

(ii) Business combinations involving entities not under common control

Business combinations not under common control are business combinations in which the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. In a business combination not under common control, the party which obtains control of other combining enterprise(s) on the purchase date is the acquirer, other combining enterprise(s) is (are) the acquirees. The "acquisition date" refers to the date on which the acquirer obtains control of the acquirees.

The acquirer shall measure the assets acquired and liabilities incurred or assumed as consideration of the business combination at their fair values on the acquisition date.

Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the sum of the fair value of combination cost paid (or the fair value of the equity securities issued) and the fair value of shareholding of the acquiree held by the acquirer before the combination date is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

(i) Other investments in unquoted equity securities

The Group's and the Company's policies for investments in unquoted equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in unquoted equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently accounted for in the balance sheet at cost less impairment losses (see note 1(l)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold improvements is depreciated over the shorter of the unexpired term of lease and their estimated useful lives	
– Land, buildings and structures	30 years
– Equipment	3-8 years
– Motor vehicles	3-10 years
– Furniture, fixtures and others	3-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For investments in subsidiaries, associates and jointly controlled entities (including those recognized using the equity method (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bills receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery 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.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– prepayments; and

– other financial assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

(m) Inventories

Inventories mainly consist of work of art owned by the Art business. Inventories are carried at the lower of cost and management's estimate of net realizable value.

Cost is valued on a specific identification basis for work of art.

Net realizable value is the estimated selling price in the ordinary course of business to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. 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. Inventories are available for immediate sale. Ultimate timing of the sale is hard to predict given the unique nature of each art piece and the cyclicality of the global art market.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade, bills and other receivables

Trade, bills and other receivables are initially recognized at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), 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.

(o) Consignor advances

Consignor advances are initially recognized at fair value less allowance for impairment of doubtful debts (see note 1(l)). It represents financing provided to art collectors prior to their work of art being auctioned off, secured by work of art.

(p) Interest-bearing borrowings

Interest-bearing borrowings are initially recognized at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(u)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) 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 the 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

(i) Revenue from auction service

Auction service revenue is recognized upon settlement of consideration with purchasers and/or sellers and when the related services are provided. Auction service revenue includes buyer side commission and seller side commission which are based on a percentage of auction sales.

Interest income earned from consignor advances is recognized as it accrues using the effective interest method.

(ii) Revenue from art business

Revenue from art business is recognized in the period in which the sale is completed, title to the property passes to the purchaser and services have been rendered. The carrying value of art business' inventory sold during the period is recorded as cost of inventories.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iii) Revenue from investment consultation

Revenue from consultation service is recognized when services have been rendered.

Performance and Theatre Management

(i) Revenue from show performance

Income from show performance is recognized when the services have been rendered to the viewers.

(ii) Rendering of theatre management service

Revenue from theatre management is recognized upon the fulfilment of service based on the service contract terms over a period of time. Contracts are generally signed with government agencies relating to theatre management services provided by the Group.

(iii) Rendering of design and consultation services

Revenue from design and consultation services rendered is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from other services rendered is recognized upon the delivery or performance of the services.

(iv) Rental income – theatre rental

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Cinema Investment and Management

(i) Movie box office takings

Income from box office takings is recognized when the services have been rendered to the viewers.

Income from gift voucher purchase is recognized when customers exchange for goods or services or upon expiry.

Others

(i) Government grants

Government grants are recognized initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and consequently are recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(ii) Dividends

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(w) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes 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 evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(a) Valuation of art work inventory

Valuation of art work inventory is subjective and the net realizable value fluctuates over time. Management relies on the valuation opinion of specialists who consider a number of factors including 1) recent transactions for comparable work of art and 2) supply and demand and current economic environment. Due to the subjectivity involved in estimating the realizable value, if the art work market deteriorates and the overall economic condition were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases 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 impairment losses would be higher than estimated.

2 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(c) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's 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. The Group uses 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.

(d) 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 the Group and requires a significant level of judgment exercised by the 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.

(e) Income tax

The Group is subject to PRC Corporate Income Tax and Hong Kong Profits Tax. Judgement 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 utilisation may be different.

(f) Contingent liabilities

Management judgment is required in the area of contingent liabilities particularly in assessing the outcome of possible obligations arising from the transactions as detailed in note 25. Management reassesses the likelihood of the outcome of these possible obligations at each 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.

3 REVENUE

The Group is principally engaged in art business and auction, performance and theatre management and cinema investment and management.

Revenue mainly represents the sales value of artworks and cultural relic collections, art investment consultation and other services and commission from auction services, income from cinema investment and management and box office, box office income from performances and income from theatre management. The amount of each significant category of revenue recognized during the year/period is as follows:

	Years ended December 31,			Ten months ended October 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Revenue from auctions	546,501	897,896	619,876	523,158	586,351
Revenue from art business	133,785	185,381	107,328	73,449	39,240
Revenue from art investment consultation and other services	–	3,928	65,487	6,562	11,158
Subtotal	680,286	1,087,205	792,691	603,169	636,749
Revenue from performance and theatre management	390,043	486,390	607,582	452,631	580,490
Revenue from cinema investment and management	145,070	183,163	249,618	185,223	238,394
Revenue from other services	687	1,488	24	24	–
	1,216,086	1,758,246	1,649,915	1,241,047	1,455,633

4 SEGMENT REPORTING

The Group manages its businesses by subsidiaries, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments for the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2012 and 2013:

- Art business and auction: including auction, buy and sale of Chinese antiques, Chinese modern and contemporary oil painting and artwork, Chinese modern calligraphy and painting, Chinese ancient calligraphy and painting and other Chinese cultural relics and artwork. It also provides artwork investment consultation and other services and earns interest revenue from consignor advances.

- Performance and theatre management: including daily management of theatre, arrangement of performances, leases of theatres and theatre design consultation services.

- Cinema investment and management: including film distribution, and box office operation.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interest in an associate, other financial assets, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of tax payables and other corporate liabilities.

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "segment profit". Segment profit represents revenue less cost of sales, and includes selling and distribution expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate other revenue and other net gain, share of losses of an associate, depreciation, finance income, finance costs and unallocated head office and corporate expenses are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation, interest income and finance costs.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2012 and 2013 is set out below:

	Year ended December 31, 2010			
	Art business and auction	**Performance and theatre management**	**Cinema investment and management**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	680,286	390,043	145,070	1,215,399
Inter-segment revenue	41	–	–	41
Reportable segment revenue	680,327	390,043	145,070	1,215,440
Reportable segment profit	445,831	29,383	23,059	498,273
Depreciation	(2,854)	(2,091)	(8,183)	(13,128)
Finance income	46,932	817	268	48,017
Finance costs	(36,996)	–	(1,534)	(38,530)
Reportable segment assets	1,823,949	167,485	150,772	2,142,206
Reportable segment liabilities	1,250,337	106,321	108,267	1,464,925

	Year ended December 31, 2011			
	Art business and auction	**Performance and theatre management**	**Cinema investment and management**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Revenue from external customers	1,087,205	486,390	183,163	1,756,758
Reportable segment revenue	1,087,205	486,390	183,163	1,756,758
Reportable segment profit	759,784	26,479	22,493	808,756
Depreciation	(2,868)	(2,446)	(9,668)	(14,982)
Finance income	36,476	2,154	586	39,216
Finance costs	(46,077)	–	(1,249)	(47,326)
Reportable segment assets	2,380,489	221,832	225,876	2,828,197
Reportable segment liabilities	1,469,034	115,581	151,172	1,735,787

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

	Year ended December 31, 2012			
	Art business and auction	Performance and theatre management	Cinema investment and management	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	792,691	607,582	249,618	1,649,891
Reportable segment revenue	792,691	607,582	249,618	1,649,891
Reportable segment profit	468,967	35,318	34,895	539,180
Depreciation	(4,002)	(3,215)	(16,496)	(23,713)
Finance income	21,180	3,214	2,070	26,464
Finance costs	(34,651)	–	(2,800)	(37,451)
Reportable segment assets	2,259,897	287,587	392,306	2,939,790
Reportable segment liabilities	1,352,561	160,142	257,224	1,769,927

	Ten months ended October 31, 2012 (unaudited)			
	Art business and auction	Performance and theatre management	Cinema investment and management	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	603,169	452,631	185,223	1,241,023
Reportable segment revenue	603,169	452,631	185,223	1,241,023
Reportable segment profit	391,490	46,138	18,487	456,115
Depreciation	(2,792)	(2,392)	(12,914)	(18,098)
Finance income	18,144	2,422	321	20,887
Finance costs	(27,458)	–	(1,909)	(29,367)

	Ten months ended October 31, 2013			
	Art business and auction	Performance and theatre management	Cinema investment and management	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	636,749	580,490	238,394	1,455,633
Reportable segment revenue	636,749	580,490	238,394	1,455,633
Reportable segment profit	359,669	60,234	34,611	454,514
Depreciation	(4,284)	(2,687)	(24,288)	(31,259)
Finance income	12,954	3,717	362	17,033
Finance costs	(23,632)	–	(4,385)	(28,017)
Reportable segment assets	2,162,326	434,913	395,770	2,993,009
Reportable segment liabilities	1,193,199	264,708	279,464	1,737,371

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the Track Record Period. Further details of concentration of credit risk arising from the Group's customers are set out in note 22(a).

4 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Reportable segment revenue	1,215,440	1,756,758	1,649,891	1,241,023	1,455,633
Elimination of inter-segment revenue	(41)	–	–	–	–
Revenue from other services	687	1,488	24	24	–
Consolidated revenue	1,216,086	1,758,246	1,649,915	1,241,047	1,455,633
Profit					
Reportable segment profit	498,273	808,756	539,180	456,115	454,514
Revenue from other services	687	1,488	24	24	–
Unallocated head office and corporate other revenue and other net gain	5,576	127	17,047	5,003	1,792
Share of losses of an associate	(489)	–	–	–	–
Depreciation	(14,074)	(15,619)	(24,328)	(18,540)	(31,519)
Finance income	49,241	39,348	24,793	19,666	15,618
Finance costs	(36,418)	(38,826)	(26,779)	(22,283)	(15,491)
Unallocated head office and corporate expenses	(9,597)	(13,584)	(14,860)	(16,044)	(18,162)
Consolidated profit before taxation	493,199	781,690	515,077	423,941	406,752

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Reportable segment assets	2,142,206	2,828,197	2,939,790	2,993,009
Elimination of receivables between segments, and segments and head office	(262,646)	(279,790)	(305,944)	(373,140)
Interest in an associate	97	–	–	–
Other financial assets	3,100	100	100	100
Income tax recoverable	–	412	412	636
Deferred tax assets	3,041	1,011	2,149	15,205
Unallocated head office and corporate assets	301,915	269,138	310,897	396,790
Consolidated total assets	2,187,713	2,819,068	2,947,404	3,032,600
Liabilities				
Reportable segment liabilities	1,464,925	1,735,787	1,769,927	1,737,371
Elimination of payables between segments, and segments and head office	(262,646)	(279,790)	(305,944)	(373,140)
Income tax payable	47,406	21,033	40,674	34,962
Deferred tax liabilities	2,647	2,692	–	–
Unallocated head office and corporate liabilities	244,227	164,373	44,213	194,083
Consolidated total liabilities	1,496,559	1,644,095	1,548,870	1,593,276

4 SEGMENT REPORTING (CONTINUED)

(c) Geographic information

The Group did not have significant business operations outside the PRC, therefore no geographic segment information is presented.

5 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other revenue					
Government grants	7,400	2,751	34,327	10,993	9,591
Dividends from other financial assets	1,939	–	–	–	–
Others	3,719	7,179	8,857	6,434	2,195
	13,058	9,930	43,184	17,427	11,786
Other net gain/(loss)					
Net gain/(loss) on disposal of property, plant and equipment	788	(81)	(19)	(19)	2,034
Net foreign exchange loss	(52)	(6,879)	(1,040)	(1,229)	(1,833)
Net gain on disposal of subsidiaries	3,116	–	–	–	5,803
Net gain on disposal of other financial assets	1,800	1,912	–	–	–
	5,652	(5,048)	(1,059)	(1,248)	6,004

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses	36,424	39,452	28,293	23,389	16,854
Less: interest expenses capitalised into property, plant and equipment	(6)	(626)	(1,514)	(1,106)	(1,363)
	36,418	38,826	26,779	22,283	15,491

The borrowing costs have been capitalised at rates of 5.55%, 6.06%, 6.19%, 6.13% (unaudited) and 6.00% for the years ended December 31, 2010, 2011 and 2012 and for the ten months ended October 31, 2012 and 2013 respectively.

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits	137,038	168,756	199,890	150,889	172,961
Contributions to defined contribution retirement plans *(note)*	8,374	11,677	18,204	14,425	19,134
	145,412	180,433	218,094	165,314	192,095

Note: Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 18% to 20% of average basic salaries of the employees in the cities where the Group operates. The local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

(c) Other items

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories	85,268	106,040	49,568	46,351	22,595
Depreciation	14,074	15,619	24,328	18,540	31,519
Impairment losses/(recovery)					
– trade and bills receivables	726	(115)	1,024	855	60
– deposits, prepayments and other receivables	(1,258)	393	(3,129)	20	(118)
Auditors' remuneration	1,997	945	508	549	1,997
Operating lease charges	24,808	47,095	71,609	62,087	89,975

7 INCOME TAX

(a) Income tax in the consolidated income statements represents:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Corporate Income Tax *(Note 20(a))*	121,121	196,529	132,571	121,022	112,131
Deferred taxation *(Note 20(b))*	430	2,075	(3,830)	(13,815)	(13,587)
	121,551	198,604	128,741	107,207	98,544

7 INCOME TAX (CONTINUED)

(b) Reconciliations between income tax expense and before taxation profit at applicable tax rates:

	Years ended December 31,			Ten months ended October 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before taxation	493,199	781,690	515,077	423,941	406,752
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Note (i))*	123,300	195,422	128,927	105,985	93,636
Effect of non-deductible expenses	4,396	2,772	2,607	1,397	3,099
Effect of non-taxable income	(3,494)	(185)	(2,576)	(1,843)	(547)
Effect of tax concessions	(1,133)	(42)	–	–	–
Tax effect of unused tax losses not recognized	310	992	543	1,668	1,305
Tax effect of temporary differences not recognized	(269)	(269)	156	–	(41)
Effect of use of tax losses in prior years	(1,559)	(86)	(916)	–	–
Effect of taxable income for disposal of a subsidiary	–	–	–	–	1,092
Actual tax expense	121,551	198,604	128,741	107,207	98,544

Notes:

(i) A subsidiary incorporated in the British Virgin Islands is not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation. A subsidiary of the Group is incorporated and carried out business in Hong Kong and is subject to Hong Kong Profits Tax at 16.5%.

(ii) On March 16, 2007, the Fifth Plenary of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). Accordingly, effective from January 1, 2008, the Group's PRC subsidiaries were generally subject to income tax at the statutory rate of 25%, unless otherwise specified. Pursuant to the New CIT Law and its relevant regulations, certain subsidiaries of the Group enjoyed the following preferential tax treatments:

- A subsidiary of the Group is located in the Western Regions and was entitled to a preferential income tax rate of 15% from 2008 to 2010.

- According to State Council, Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of corporate Income Tax (Guofa (2005) No. 2), certain enterprises previously taxed at a preferential rate was subject to a transition period during which their tax rate will gradually be increased to the unified rate of 25% over a five year period starting from January 1, 2008.

- According to the MOF and State Administration of Taxation, Notice of tax policy on the development of cultural industry in respect of corporate Income Tax (Caishui (2009) No. 31 and Caishui (2005) No. 2), certain enterprises enjoyed "3-year exemption" from 2008 to 2010.

- According to the MOF and State Administration of Taxation, Notice of tax policy on the development of cultural industry in respect of corporate Income Tax (Caishui (2009) No. 31 and Caishui (2005) No. 2), certain enterprises enjoyed "2-year exemption" from 2009 to 2010.

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended December 31, 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Mr. Jiang Yingchun	–	209	400	29	638
Non-executive director					
Mr. Li Nan	–	215	400	29	644
Independent non-executive directors					
Mr. Rao Geping*	–	–	–	–	–
Mr. He Dexu*	–	–	–	–	–
Ms. Li Xiaohui*	–	–	–	–	–
	–	424	800	58	1,282

	Year ended December 31, 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Mr. Jiang Yingchun	–	263	504	30	797
Non-executive director					
Mr. Li Nan	–	273	454	30	757
Independent non-executive directors					
Mr. Rao Geping	60	–	–	–	60
Mr. He Dexu	60	–	–	–	60
Ms. Li Xiaohui	60	–	–	–	60
	180	536	958	60	1,734

	Year ended December 31, 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Mr. Jiang Yingchun	–	359	571	33	963
Non-executive director					
Mr. Li Nan	–	306	514	33	853
Independent non-executive directors					
Mr. Rao Geping	60	–	–	–	60
Mr. He Dexu	60	–	–	–	60
Ms. Li Xiaohui	60	–	–	–	60
	180	665	1,085	66	1,996

* Mr. Rao Geping, Mr. He Dexu and Ms. Li Xiaohui were appointed as independent non-executive directors on December 9, 2010.

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Ten months ended October 31, 2012 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Mr. Jiang Yingchun	–	281	428	27	736
Non-executive director					
Mr. Li Nan	–	246	385	27	658
Independent non-executive directors					
Mr. Rao Geping	50	–	–	–	50
Mr. He Dexu	50	–	–	–	50
Ms. Li Xiaohui	50	–	–	–	50
	150	527	813	54	1,544

	Ten months ended October 31, 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Mr. Jiang Yingchun	–	231	386	30	647
Non-executive director					
Mr. Li Nan	–	211	347	30	588
Independent non-executive directors					
Mr. Rao Geping	50	–	–	–	50
Mr. He Dexu	50	–	–	–	50
Ms. Li Xiaohui	50	–	–	–	50
	150	442	733	60	1,385

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2010, 2011 and 2012 and for the ten months ended October 31, 2012 and 2013 are set forth below:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
				(unaudited)	
Directors	2	2	2	2	2
Non-directors	3	3	3	3	3
	5	5	5	5	5

The emoluments of the directors are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	587	699	949	744	615
Discretionary bonuses	1,080	1,491	1,512	1,134	1,004
Contributions to government plans	85	90	98	82	89
	1,752	2,280	2,559	1,960	1,708

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil to HKD1,000,000	3	2	–	3	3
HKD1,000,001 to HKD2,000,000	–	1	3	–	–

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB223,541,000, RMB344,561,000, RMB242,170,000, RMB190,351,000 (unaudited) and RMB174,058,000 for the years ended December 31, 2010, 2011 and 2012 and the ten months ended October 31, 2012 and 2013 respectively and the weighted average number of ordinary shares in issue as at the end of each reporting period, calculated as follows:

Weighted average number of ordinary shares

	Years ended December 31,			Ten months ended October 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	Number of shares	**Number of shares**	**Number of shares**	**Number of shares (unaudited)**	**Number of shares**
Ordinary shares issued at beginning of the year/period *(Note)*	120,000,000	120,000,000	165,000,000	165,000,000	165,000,000
Effect of issuance of shares	–	35,753,425	–	–	–
Weighted average number of ordinary shares at the end of year/period	120,000,000	155,753,425	165,000,000	165,000,000	165,000,000

Note: The Company was converted into a joint stock limited liability company on December 14, 2010. The calculation of earnings per share for the year ended December 31, 2010 is based on 120,000,000 ordinary shares of the Company in issue upon the conversion as if those shares were outstanding from the beginning of the year.

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the entire Track Record Period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2010	33,988	44,016	35,761	13,195	12,616	530	140,106
Additions	5,328	–	7,189	4,037	1,807	13,886	32,247
Transfer from construction in progress	5,570	–	6,212	–	417	(12,199)	–
Disposals	(6,895)	–	(20,282)	(493)	(422)	(207)	(28,299)
At December 31, 2010	37,991	44,016	28,880	16,739	14,418	2,010	144,054
Additions	3,412	–	9,580	6,548	3,359	69,220	92,119
Transfer from construction in progress	317	–	–	–	–	(317)	–
Disposals	–	–	(430)	(698)	(210)	(21)	(1,359)
At December 31, 2011	41,720	44,016	38,030	22,589	17,567	70,892	234,814
Additions	14,905	–	4,971	6,438	2,490	128,218	157,022
Transfer from construction in progress	29,762	–	16,177	–	2,191	(48,130)	–
Disposals	–	–	(682)	(239)	(114)	–	(1,035)
At December 31, 2012	86,387	44,016	58,496	28,788	22,134	150,980	390,801
Additions	4,782	–	10,758	3,568	4,459	65,796	89,363
Transfer from construction in progress	97,730	–	33,234	254	13,488	(144,706)	–
Disposal of a subsidiary	–	–	(4,675)	(651)	(586)	–	(5,912)
Disposals	–	–	(5,485)	–	(233)	–	(5,718)
At October 31, 2013	188,899	44,016	92,328	31,959	39,262	72,070	468,534

Construction in progress represents cinemas under construction which are not ready for its intended use at the relevant balance sheet dates.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Land, buildings and structures	Equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At January 1, 2010	(7,289)	(2,880)	(11,018)	(4,456)	(7,703)	–	(33,346)
Depreciation charge for the year	(3,953)	(1,440)	(4,723)	(1,828)	(2,130)	–	(14,074)
Written back on disposal	2,327	–	7,944	339	346	–	10,956
At December 31, 2010	(8,915)	(4,320)	(7,797)	(5,945)	(9,487)	–	(36,464)
Depreciation charge for the year	(4,730)	(2,279)	(5,008)	(2,161)	(1,441)	–	(15,619)
Written back on disposal	–	–	150	582	205	–	937
At December 31, 2011	(13,645)	(6,599)	(12,655)	(7,524)	(10,723)	–	(51,146)
Depreciation charge for the year	(8,286)	(1,432)	(8,151)	(2,805)	(3,654)	–	(24,328)
Written back on disposal	–	–	279	228	77	–	584
At December 31, 2012	(21,931)	(8,031)	(20,527)	(10,101)	(14,300)	–	(74,890)
Depreciation charge for the period	(13,488)	(1,193)	(10,471)	(2,548)	(3,819)	–	(31,519)
Disposal of a subsidiary	–	–	1,651	176	434	–	2,261
Written back on disposal	–	–	1,115	–	195	–	1,310
At October 31, 2013	(35,419)	(9,224)	(28,232)	(12,473)	(17,490)	–	(102,838)
Net book value:							
At December 31, 2010	29,076	39,696	21,083	10,794	4,931	2,010	107,590
At December 31, 2011	28,075	37,417	25,375	15,065	6,844	70,892	183,668
At December 31, 2012	64,456	35,985	37,969	18,687	7,834	150,980	315,911
At October 31, 2013	153,480	34,792	64,096	19,486	21,772	72,070	365,696

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Leasehold improvements	Motor vehicles	Furniture, fixtures and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2010	1,231	2,242	3,137	6,610
Additions	3	567	109	679
Disposals	–	(493)	(300)	(793)
At December 31, 2010	1,234	2,316	2,946	6,496
Additions	7	934	182	1,123
Disposals	–	(309)	–	(309)
At December 31, 2011	1,241	2,941	3,128	7,310
Additions	2,764	–	123	2,887
Disposals	–	–	(5)	(5)
At December 31, 2012	4,005	2,941	3,246	10,192
Additions	–	–	64	64
At October 31, 2013	4,005	2,941	3,310	10,256
Accumulated depreciation:				
At January 1, 2010	(739)	(958)	(2,255)	(3,952)
Depreciation charge for the year	(372)	(230)	(345)	(947)
Written back on disposal	–	339	292	631
At December 31, 2010	(1,111)	(849)	(2,308)	(4,268)
Depreciation charge for the year	(124)	(246)	(300)	(670)
Written back on disposal	–	209	–	209
At December 31, 2011	(1,235)	(886)	(2,608)	(4,729)
Depreciation charge for the year	(413)	(281)	(287)	(981)
Written back on disposal	–	–	4	4
At December 31, 2012	(1,648)	(1,167)	(2,891)	(5,706)
Depreciation charge for the period	(416)	(207)	(59)	(682)
At October 31, 2013	(2,064)	(1,374)	(2,950)	(6,388)
Net book value:				
At December 31, 2010	123	1,467	638	2,228
At December 31, 2011	6	2,055	520	2,581
At December 31, 2012	2,357	1,774	355	4,486
At October 31, 2013	1,941	1,567	360	3,868

12 INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	124,602	187,872	259,561	289,561
Less: impairment loss	–	–	–	–
	124,602	187,872	259,561	289,561

The following list contains the particulars of the Company's subsidiaries as at October 31, 2013 and the date of this report. All of the Company's PRC subsidiaries are limited liability companies.

			Proportion of ownership interest			
Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Beijing Poly Theatre Management Corporation Limited ("Beijing Poly Theatre") 北京保利劇院管理有限公司	The PRC October 10, 2003	RMB50,000,000	100%	100%	–	Theatre operation management
Beijing Poly Performing Arts Corporation Limited 北京保利演出有限公司	The PRC April 24, 2008	RMB25,000,000	100%	–	100%	Theatre performance and agent services
Beijing Poly Forbidden City Theatre Management Corporation Limited 北京保利紫禁城劇院管理有限公司	The PRC May 10, 2004	RMB2,000,000	51%	–	51%	Theatre operation management
Shanghai Oriental Art Center Management Corporation Limited 上海東方藝術中心管理有限公司	The PRC March 31, 2004	RMB15,000,000	51%	–	51%	Art center operation management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Dongguan Poly Yulan Grand Theatre Management Corporation Limited 東莞市保利玉蘭大劇院管理有限公司	The PRC November 24, 2005	RMB2,000,000	100%	–	100%	Theatre operation management
Wuhan Qintai Grand Theatre Management Corporation Limited 武漢琴台大劇院管理有限公司	The PRC June 22, 2007	RMB3,000,000	51%	–	51%	Theatre operation management
Shenzhen Poly Theatre Performance Corporation Limited *(Note)* 深圳市保利劇院演出經營有限公司	The PRC August 15, 2007	RMB2,000,000	49%	–	49%	Theatre operation management
Henan Poly Art Center Management Corporation Limited 河南保利藝術中心管理有限公司	The PRC September 12, 2008	RMB3,000,000	100%	–	100%	Art center operation management
Yantai Poly Grand Theatre Management Corporation Limited 煙台市保利大劇院管理有限公司	The PRC May 19, 2009	RMB3,000,000	100%	–	100%	Theatre operation management
Huizhou Poly Culture and Arts Center Management Corporation Limited 惠州市保利文化藝術中心管理有限公司	The PRC May 20, 2009	RMB2,000,000	100%	–	100%	Art center operation management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Changzhou Poly Grand Theatre Management Corporation Limited 常州市保利大劇院管理有限公司	The PRC May 26, 2009	RMB2,000,000	51%	–	51%	Theatre operation management
Chongqing Poly Theatre Management Corporation Limited 重慶市保利劇院管理有限公司	The PRC July 20, 2009	RMB6,000,000	66.67%	–	66.67%	Theatre operation management
Taizhou Poly Grand Theatre Management Corporation Limited 泰州市保利大劇院管理有限公司	The PRC July 31, 2009	RMB2,000,000	51%	–	51%	Theatre operation management
Wenzhou Poly Grand Theatre Management Corporation Limited 溫州保利大劇院管理有限公司	The PRC September 9, 2009	RMB2,000,000	100%	–	100%	Theatre operation management
Hefei Poly Grand Theatre Management Corporation Limited 合肥保利大劇院管理有限公司	The PRC September 28, 2009	RMB2,000,000	100%	–	100%	Theatre operation management
Poly (Beijing) Theatre Construction Engineering Consulting Corporation Limited 保利(北京)劇院建設工程咨詢有限公司 *(Note 26(a))*	The PRC October 28, 2002	RMB3,000,000	100%	–	100%	Engineering and technology management consulting

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ma'anshan Poly Grand Theatre Management Corporation Limited 馬鞍山市保利大劇院管理有限公司	The PRC July 22, 2010	RMB2,000,000	100%	–	100%	Theatre operation management
Lishui Poly Grand Theatre Management Corporation Limited 麗水保利大劇院管理有限公司	The PRC December 29, 2010	RMB2,000,000	100%	–	100%	Theatre operation management
Qingdao Poly Grand Theatre Management Corporation Limited 青島保利大劇院管理有限公司	The PRC August 27, 2010	RMB3,000,000	100%	–	100%	Theatre operation management
Hohhot Poly Theatre Management Corporation Limited 呼和浩特保利劇院管理有限公司	The PRC March 14, 2011	RMB3,000,000	100%	–	100%	Theatre operation management
Poly Advertisement Co., Ltd. 保利廣告有限公司	The PRC May 16, 2001	RMB1,000,000	100%	–	100%	Advertisement agency
Zhangjiagang Poly Grand Theatre Management Corporation Limited 張家港市保利大劇院管理有限公司	The PRC October 8, 2011	RMB3,000,000	51%	–	51%	Theatre operation management
Yichun Poly Grand Theatre Management Corporation Limited 宜春市保利大劇院管理有限公司	The PRC December 22, 2011	RMB3,000,000	100%	–	100%	Theatre operation management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuxi Grand Theatre Poly Management Corporation Limited 無錫大劇院保利管理有限公司	The PRC January 17, 2012	RMB5,000,000	60%	–	60%	Theatre operation management
Yingkou Bayuquan Poly Grand Theatre Management Corporation Limited 營口市鮁魚圈區保利大劇院管理有限公司	The PRC May 16, 2012	RMB3,000,000	100%	–	100%	Theatre operation management
Dongguan Poly Culture Performing Group Corporation Limited 東莞保利文化演藝團有限公司	The PRC April 20, 2012	RMB2,000,000	100%	–	100%	Performance and brokerage
Kunshan Poly Grand Theatre Management Corporation Limited 昆山市保利大劇院管理有限公司	The PRC July 19, 2012	RMB3,000,000	51%	–	51%	Theatre operation management
Ji'an Poly Grand Theatre Management Corporation Limited 吉安市保利大劇院管理有限公司	The PRC August 3, 2012	RMB2,000,000	100%	–	100%	Theatre operation management
Changshu Poly Grand Theatre Management Corporation Limited 常熟市保利大劇院管理有限公司	The PRC November 19, 2012	RMB2,000,000	100%	–	100%	Theatre operation management
Ningbo Culture Square Poly Grand Theatre Management Co., Ltd 寧波文化廣場保利大劇院管理有限公司	The PRC January 14, 2013	RMB3,000,000	51%	–	51%	Theatre operation management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Handan Poly Grand Theatre Management Co., Ltd 邯鄲市保利大劇院管理有限公司	The PRC January 14, 2013	RMB3,000,000	51%	–	51%	Theatre operation management
Dalian Poly Theatre Management Co., Ltd 大連保利劇院管理有限公司	The PRC February 16, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Shanxi Poly Grand Theatre Management Co., Ltd. 山西保利大劇院管理有限公司	The PRC May 31, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Beijing Poly International Auction Corporation Limited 北京保利國際拍賣有限公司	The PRC July 14, 2005	RMB10,000,000	55%	55%	–	Auction Business
Shanghai Poly Grand Theatre Management Co., Ltd 上海保利大劇院管理有限公司	The PRC August 8, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Weifang Poly Grand Theatre Management Co., Ltd 濰坊市保利大劇院管理有限公司	The PRC August 30, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Kangoo Overseas Ltd. *(Note 26(a))* 康高有限責任公司	British Virgin Islands February 22, 2002	US$50,000/ US$1	55%	–	100%	Auction agency of overseas art collection
Poly Auction Guangdong Corporation Limited 廣東保利拍賣有限公司	The PRC November 20, 2003	RMB16,600,000	62.05%	62.05%	–	Auction of movable property, real estate and intangible assets; auction of second and third species antiquity

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guangdong Poly Assets Management Corporation Limited 廣東保利資產管理有限公司	The PRC December 24, 2010	RMB10,000,000	62.05%	–	100%	Asset management, acquisition, disposition, restructuring and related consulting business services (except for financial trust and management)
Beijing Poly Art Center Corporation Limited 北京保利藝術中心有限公司	The PRC March 16, 2007	RMB130,000,000	100%	100%	–	Heritage sales (except for auction)
Beijing Poly Art Investment Management Corporation Limited 北京保利藝術投資管理有限公司	The PRC July 29, 2010	RMB10,000,000	80%	80%	–	Art investment management and consulting
Poly Auction (Hong Kong) Limited 保利香港拍賣有限公司	Hong Kong October 30, 2012	HK$100,000,000/ HK$70,000,000	55%	38.50%	30%	Auction business
Poly Film Investment Corporation Limited ("Poly Film") 保利影業投資有限公司	The PRC August 19, 2002	RMB100,000,000	100%	100%	–	Radio and television program production; film screening, snacks retailing (limited to branches of business)
Beijing Poly Wanyuan Cinema Corporation Limited 北京保利萬源影城有限公司	The PRC November 11, 2008	RMB1,500,000	86.67%	–	86.67%	Cinema operation management

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of the company	Place and date of incorporation and operation	Issued and fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Poly Photography Art (Beijing) Corporation Limited 保利攝影影像藝術(北京)有限公司	The PRC December 15, 1984	RMB960,000	59.17%	–	59.17%	Photography related services
Guangzhou Poly International Cinema Corporation Limited 廣州保利國際影城有限公司	The PRC December 9, 2011	RMB2,000,000	100%	–	100%	Cinema operation management
Shanghai Poly Cinema Corporation Limited 上海保利影城有限公司	The PRC August 24, 2012	RMB100,000	100%	–	100%	Cinema operation management
Wuxi Poly Cinema Corporation Limited 無錫保利影院有限公司	The PRC August 1, 2012	RMB500,000	100%	–	100%	Organization, planning and organizing cultural and art exchange activities; cinema operation management
Rizhao Poly Cinema Corporation Limited 日照市保利影城有限公司	The PRC November 16, 2012	RMB500,000	100%	–	100%	Cinema operation management
Shenzhen Poly International Cinema Corporation Limited 深圳市保利國際影城有限公司	The PRC May 17, 2013	RMB500,000	100%	–	100%	Cinema operation management

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

Note: The Company has the ability to control Shenzhen Poly Theatre Performance Corporation Limited pursuant to a supplemental agreement between the Company and minority Shareholders.

13 INVENTORIES

Inventories in the consolidated balance sheet comprises:

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Antiques and artwork	276,413	435,698	484,960	598,448
Chinese calligraphy and painting	53,135	89,219	125,266	147,138
Oil painting and sculptures	6,175	6,175	29,161	29,163
Small value items for resale	3,551	4,445	5,131	5,819
Low value materials	704	1,123	1,496	1,550
Drama rights	733	2,204	942	1,542
	340,711	538,864	646,956	783,660

14 TRADE AND BILLS RECEIVABLES

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables for sale of goods and rendering of services due from:				
– related parties	986	72	644	650
– third parties	63,848	107,157	78,698	74,401
	64,834	107,229	79,342	75,051
Bills receivable for sale of goods and rendering of services due from:				
– third parties	–	47,500	–	1,000
	64,834	154,729	79,342	76,051
Less: allowance for doubtful debts	(2,257)	(2,142)	(3,166)	(1,758)
	62,577	152,587	76,176	74,293

All trade and bills receivables (net of allowance for doubtful debts) of the Group are expected to be recovered within one year.

14 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Aging analysis

The aging analysis of trade and bills receivables (net of allowance for doubtful debts) of the Group, based on invoice date and net of allowance for doubtful debts, is as follows:

The Group

	At December 31,			At October 31,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 month	53,093	89,026	51,767	25,491
1 to 3 months	1,204	2,399	5,550	8,189
3 to 6 months	5,608	59,355	9,610	17,421
6 to 12 months	1,469	552	7,664	17,312
Over 1 year	1,203	1,255	1,585	5,880
Trade and bills receivables, net of allowance for doubtful debts	62,577	152,587	76,176	74,293

Trade receivables are generally due immediately without credit or within a credit period of two months. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(l)(i)).

The movement in the allowance for doubtful debts during the Track Record Period is as follows:

The Group

	At December 31,			At October 31,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At January 1	1,531	2,257	2,142	3,166
Impairment losses recognized	1,392	1,502	1,840	470
Reversal of impairment losses	(666)	(1,617)	(816)	(410)
Disposal of a subsidiary	–	–	–	(1,468)
At the end of the year/period	2,257	2,142	3,166	1,758

14 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

The Group

	At December 31,			At October 31,
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Neither past due nor impaired. . . .	7,991	67,777	20,337	33,147
Less than 1 month past due	5,955	29,949	2,945	6,822
1 to 3 months past due	22,454	11,650	22,627	5,147
3 to 12 months past due	24,685	40,274	22,492	23,339
More than 12 months past due . . .	1,492	2,937	7,775	5,838
Amounts past due	54,586	84,810	55,839	41,146
	62,577	152,587	76,176	74,293

Receivables that were past due but not impaired relate to a wide range of customers for whom there were no recent history of default and have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15 CONSIGNOR ADVANCES

Consignor advances are provided by the Group to certain collectors and art dealers for financing with interest, which represented advances provided based on a percentage of auction reserve price.

As at December 31, 2010, 2011 and 2012 and October 31, 2013, 84.5%, 47.3%, 22.6% and 18.1% of the consignor advances was due from the group's largest customer.

Interest income from consignor advances is included in "Finance income".

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for auctioned artwork	219,787	159,553	407,706	436,867
Prepayments for purchase of inventories	65,150	35	17,191	57,637
Prepayments for performance	6,529	12,849	27,877	30,054
Rental deposits	6,564	6,555	11,821	20,570
Cinema set-up deposits	5,543	15,309	27,998	32,309
Interest receivables from consignor advances on auction artwork	44,590	26,703	11,984	8,901
Advances to staff for business related activities	9,393	11,941	20,685	26,791
Others	30,714	22,105	18,926	32,063
	388,270	255,050	544,188	645,192
Less: allowance for doubtful debts	(6,533)	(4,951)	(1,822)	(1,050)
	381,737	250,099	542,366	644,142

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	255,678	244,775	270,942	340,712
Amounts due from related parties	7,025	4,748	2,217	2,114
Others	5,014	1,424	1,445	8,187
	267,717	250,947	274,604	351,013
Less: allowance for doubtful debts	(10,745)	(8,668)	(5,304)	(5,304)
	256,972	242,279	269,300	345,709

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (note 1(l)(i)).

The movement in the allowance for bad and doubtful accounts during the Track Record Period is as follows:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	7,791	6,533	4,951	1,822
Impairment losses recognized	347	852	345	–
Reversal of impairment losses	(1,605)	(459)	(3,474)	(118)
Uncollectible amounts written off	–	(1,975)	–	(654)
At the end of the year/period	6,533	4,951	1,822	1,050

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	12,305	10,745	8,668	5,304
Impairment losses recognized	–	–	–	–
Reversal of impairment losses	(1,560)	(277)	(3,364)	–
Uncollectible amounts written off	–	(1,800)	–	–
At the end of the year/period	10,745	8,668	5,304	5,304

17 CASH AND CASH EQUIVALENTS

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	2,650	1,418	1,591	1,719
Cash at Poly Finance Company Limited	147,362	150,973	202,885	–
Cash at bank	334,338	918,524	699,482	772,153
Cash and cash equivalents	484,350	1,070,915	903,958	773,872

17 CASH AND CASH EQUIVALENTS (CONTINUED)

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	114	79	174	84
Cash at Poly Finance Company Limited	35,825	17,500	7,418	–
Cash at bank	2,124	2,045	41,766	59,378
Cash and cash equivalents	38,063	19,624	49,358	59,462

18 LOANS AND BORROWINGS

(a) The analysis of the carrying amount of bank loans of the Group and the Company is as follows:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– Unsecured *(Note)*	718,000	618,000	298,000	387,000

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– Unsecured	210,000	150,000	30,000	20,000

Note: As at December 31, 2010, the Group's bank loans include an amount of RMB350,000,000 borrowed from Poly Finance Company Limited.

(b) The interest rates per annum on bank loans are as follows:

	At December 31,			At October 31,
	2010	2011	2012	2013
	%	%	%	%
Bank loans				
Fixed rate loans	4.78-5.31	6.67	6.00	5.40-6.00
Variable rate loans	5.23-6.81	6.10-6.89	5.40-6.00	6.00

(c) At each balance sheet date, bank loans of the Group were repayable within one year.

19 TRADE AND OTHER PAYABLES

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables to				
– related parties	18,419	47,686	47,362	62,536
– third parties	47,670	72,167	125,999	80,823
	66,089	119,853	173,361	143,359
Interest payables				
– related parties	8,497	8,497	8,497	8,497
– third parties	–	350	–	485
Payables for staff related costs	58,038	23,055	26,148	59,735
Payables for other taxes and surcharges	24,843	39,507	36,169	9,030
Dividends payables	230	466	761	157,946
Other accruals and payables				
– related parties	5,962	9,581	9,228	8,365
– third parties	436,048	696,074	816,574	555,572
Financial liabilities measured at amortised cost	599,707	897,383	1,070,738	942,989
Receipts in advance				
– related parties	1,544	1,544	1,382	1,152
– third parties	127,158	103,380	137,762	227,141
	128,702	104,924	139,144	228,293
	728,409	1,002,307	1,209,882	1,171,282

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Interest payables				
– related parties	8,497	8,497	8,497	8,497
Payables for staff related costs	519	678	901	3,305
Payables for other taxes and surcharges	139	1,559	1,727	43
Dividends payables	–	–	–	156,750
Other accruals and payables				
– related parties	2,365	2,983	2,267	660
– third parties	22,707	136	801	4,808
Financial liabilities measured at amortised cost	34,227	13,853	14,193	174,063
Receipts in advance	–	520	20	20
	34,227	14,373	14,213	174,083

As at December 31, 2010, 2011 and 2012 and October 31, 2013, all trade and other payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

20 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax payable at January 1	6,073	47,406	21,033	40,674
Provision for the year/period *(note 7(a))*	121,121	196,529	132,571	112,131
Income tax paid	(79,788)	(222,902)	(112,930)	(117,065)
Disposal of a subsidiary	–	–	–	(778)
Tax payable at end of the year/period	47,406	21,033	40,674	34,962

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax recoverable at January 1	–	–	(412)	(412)
Income tax paid	–	(412)	–	(224)
Tax recoverable at end of the year/period	–	(412)	(412)	(636)

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax recoverable at January 1	–	–	(412)	(412)
Income tax paid	–	(412)	–	(224)
Tax recoverable at end of the year/period	–	(412)	(412)	(636)

20 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheet as at December 31, 2010, 2011 and 2012 and October 31, 2013 and the movements during the Track Record Period are as follows:

Deferred tax arising from	Provision for impairment of assets RMB'000	Tax losses RMB'000 *(note)*	Accrued expense RMB'000	Interest Income RMB'000	Others RMB'000	Total RMB'000
At January 1, 2010	145	1,163	–	(484)	–	824
Credited/(charged) to profit or loss	223	(691)	10,520	(10,663)	181	(430)
At December 31, 2010	368	472	10,520	(11,147)	181	394
Credited/(charged) to profit or loss	331	(466)	(6,423)	4,472	11	(2,075)
At December 31, 2011	699	6	4,097	(6,675)	192	(1,681)
Credited/(charged) to profit or loss	324	18	1	3,679	(192)	3,830
At December 31, 2012	1,023	24	4,098	(2,996)	–	2,149
Disposal of a subsidiary	(531)	–	–	–	–	(531)
(Charged)/credited to profit or loss	(25)	2,027	10,814	771	–	13,587
At October 31, 2013	467	2,051	14,912	(2,225)	–	15,205

Note: Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years. They are now progressing to their normal operating stage and are deriving profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilise these unused tax losses before they expire.

(ii) Reconciliation to the consolidated balance sheet:

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Represented by:				
Deferred tax assets	3,041	1,011	2,149	15,205
Deferred tax liabilities	(2,647)	(2,692)	–	–
	394	(1,681)	2,149	15,205

20 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(c) Deferred tax assets not recognized

The Group

In accordance with the accounting policy set out in note 1(t), the Group has not recognized deferred tax assets in respect of unused tax losses of RMB1,242,000, RMB3,968,000, RMB2,172,000 and RMB7,212,000 as at December 31, 2010, 2011 and 2012 and October 31, 2013, respectively, as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The unused tax losses as of October 31, 2013, RMB1,212,000, and RMB6,000,000 will expire at the end of the year 2016 and 2018, respectively.

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliations between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Paid-in capital/share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010	110,000	755	90,000	1,781	(52,907)	149,629
Changes in equity:						
Profit and total comprehensive income for the year	–	–	–	–	28,961	28,961
Disposal of an associate	–	(755)	–	–	–	(755)
Appropriation of reserve	–	–	–	2,896	(2,896)	–
Conversion into a joint stock company with limited liability	10,000	–	(61,126)	(1,781)	52,907	–
At December 31, 2010	120,000	–	28,874	2,896	26,065	177,835
At January 1, 2011	120,000	–	28,874	2,896	26,065	177,835
Changes in equity:						
Profit and total comprehensive income for the year	–	–	–	–	110,660	110,660
Appropriation of reserve	–	–	–	11,066	(11,066)	–
Transfer to paid-in capital	45,000	–	(24,000)	–	(21,000)	–
At December 31, 2011	165,000	–	4,874	13,962	104,659	288,495
At January 1, 2012	165,000	–	4,874	13,962	104,659	288,495
Changes in equity:						
Profit and total comprehensive income for the year	–	–	–	–	250,509	250,509
Appropriation of reserve	–	–	–	25,051	(25,051)	–
At December 31, 2012	165,000	–	4,874	39,013	330,117	539,004

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

	Paid-in capital/share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013	165,000	–	4,874	39,013	330,117	539,004
Changes in equity:						
Profit and total comprehensive income for the period	–	–	–	–	122,999	122,999
Dividends proposed during the reporting period . . .	–	–	–	–	(156,750)	(156,750)
At October 31, 2013. . . .	165,000	–	4,874	39,013	296,366	505,253
At January 1, 2012	165,000	–	4,874	13,962	104,659	288,495
Changes in equity (Unaudited):						
Profit and total comprehensive income for the period	–	–	–	–	237,740	237,740
At October 31, 2012 (Unaudited).	165,000	–	4,874	13,962	342,399	526,235

(b) Dividends

(i) Dividends payable to equity shareholders

Dividends payable to equity shareholders of the Company attributable to the Track Record Period:

	RMB'000
Dividend proposed during the reporting period of RMB0.95 per ordinary share	156,750

On July 10, 2013, the shareholders resolved to make a dividend distribution of RMB156,750,000. The dividend proposed during the reporting period has been recognized as a liability.

(ii) Dividend paid by subsidiary to original equity owners

The dividend of RMB40,092,000 during the year ended December 31, 2010 represents the distribution of profits to original equity owners of a subsidiary acquired under common control in 2011.

On May 20, 2011, Beijing Poly International Auction Corporation Limited ("Beijing Poly Auction"), the subsidiary of the Company, entered into an equity transfer agreement with Poly (Hong Kong) Investments Limited. Pursuant to the agreement, Beijing Poly Auction agreed to acquire 100% equity interests in Kangoo Overseas Ltd. Poly (Hong Kong) Investments Limited is a subsidiary of Poly Group, therefore the business combination is accounted for as if the acquisition occurred at the beginning of the Track Record Period. The dividend was paid by Kangoo Overseas Ltd. to Poly (Hong Kong) Investments Limited in 2010.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Paid-in capital/share capital

(i) Registered and paid-up capital

For the purpose of this report, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

(ii) Conversion into a joint stock company with limited liability

The Company was a limited liability company and was converted into a joint stock company with limited liability on December 14, 2010. Pursuant to the approval of State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), the Company's equity of RMB149,628,700 was converted into 120,000,000 ordinary shares with par value of RMB1.00 each issued proportionately to its existing equity owners. PKF DAXIN Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) have verified the issued and fully paid share capital, and issued related capital verification report DaXinYanZi[2010]No. 1-0055 (大信驗字[2010]第1-0055號).

Registered and issued share capital

	No. of shares
	'000
Ordinary shares, issued and fully paid:	
At January 1, 2010	–
Conversion into a joint stock company with limited liability	120,000
At December 31, 2010	120,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(iii) Authorised and issued share capital

	Years ended December 31,			
	2011		2012	
	No. of shares		No. of shares	
	'000	RMB'000	'000	RMB'000
Authorised:				
Ordinary shares of RMB1 each	120,000	120,000	165,000	165,000
Ordinary shares, issued and fully paid:				
At January 1	120,000	120,000	165,000	165,000
Transfer to share capital *(note 21(c)(iv))*	45,000	45,000	–	–
At December 31	165,000	165,000	165,000	165,000

(iv) Transfer to share capital

Pursuant to the resolution passed by the equity shareholders of the Company, the addition of the Company's share capital during the year ended December 31, 2011 includes transfers from share premium of RMB24,000,000 and retained profits of RMB21,000,000 which had been verified and registered as share capital by the State Administration for Industry and Commerce ("SAIC") on March 16, 2011.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents capital premium, contributions from equity shareholders, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

(ii) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

The Company was a limited liability company and converted into a joint stock company with limited liability on December 14, 2010. Pursuant to the approval of State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), the Group's and the Company's share premium during the year ended December 31, 2010 amounted to RMB61,126,000 contributed by an equity owner which had been transferred to share capital accordingly.

Pursuant to the resolution passed by the equity shareholders of the Company, the decrease of the Group's and the Company's share premium during the year ended December 31, 2011 includes capital of RMB24,000,000 contributed by an equity owner which had been verified and registered as share capital by the SAIC on March 16, 2011, and was transferred to share capital accordingly.

(iii) PRC statutory reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 1(w).

(e) Distributability of reserves

Under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory reserve as set out in note 21(d)(iii) above; and

(iii) Allocations to the discretionary common reserve if approved by the Shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

21 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable costs.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity Shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at December 31, 2010, 2011 and 2012 and October 31, 2013 were 68.41%, 58.32%, 52.55% and 52.54%, respectively. The liability-to-asset ratio of the Company as at December 31, 2010, 2011 and 2012 and October 31, 2013 were 57.87%, 36.30%, 7.58% and 27.75%, respectively.

There were no changes in the Group's approach to capital management during the Track Record Period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

The Group's 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. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and in hand are deposited in state-owned/controlled PRC banks or finance company owned by Poly Group which the directors 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, credit evaluations are performed on major 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. For consignor advances, the evaluations also focus on the overall trend of artwork market. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business.

At the respective balance sheet dates, the Group has certain concentration of credit risk. The receivables from the five largest debtors at December 31, 2010, 2011 and 2012 and October 31, 2013 represented 70%, 49%, 41% and 35% of the total trade and bills receivables and other receivables respectively, while 57%, 29%, 15% and 9% of the total trade and bills receivables and other receivables were due from the largest single debtor respectively.

Except for the financial guarantees given by the Group as set out in note 24(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date as disclosed in note 24(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, consignor advances, deposits, prepayments and other receivables are set out in notes 14, 15 and 16 respectively.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's 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.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	At December 31, 2010	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	734,342	718,000
Income tax payable *(note 20(a))*	47,406	47,406
Trade and other payables measured at amortised costs *(note 19)*	599,707	599,707
	1,381,455	1,365,113

	At December 31, 2011	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	626,746	618,000
Income tax payable *(note 20(a))*	21,033	21,033
Trade and other payables measured at amortised costs *(note 19)*	897,383	897,383
	1,545,162	1,536,416

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Group

	At December 31, 2012	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	303,410	298,000
Income tax payable *(note 20(a))*	40,674	40,674
Trade and other payables measured at amortised costs *(note 19)*	1,070,738	1,070,738
	1,414,822	1,409,412

	At October 31, 2013	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	395,404	387,000
Income tax payable *(note 20(a))*	34,962	34,962
Trade and other payables measured at amortised costs *(note 19)*	942,989	942,989
	1,373,355	1,364,951

The Company

	At December 31, 2010	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	212,294	210,000
Trade and other payables measured at amortised costs *(note 19)*	34,227	34,227
	246,521	244,227

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	At December 31, 2011	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	152,435	150,000
Trade and other payables measured at amortised costs *(note 19)*	13,853	13,853
	166,288	163,853

	At December 31, 2012	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	30,876	30,000
Trade and other payables measured at amortised costs *(note 19)*	14,193	14,193
	45,069	44,193

	At October 31, 2013	
	Contractual undiscounted cash outflow within 1 year or on demand	Carrying amount
	RMB'000	RMB'000
Loans and borrowings *(note 18)*	20,515	20,000
Trade and other payables measured at amortised costs *(note 19)*	174,063	174,063
	194,578	194,063

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

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

The 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, management of the Group did not consider it is necessary to use interest rate swaps to hedge their exposure to interest.

(i) Interest rate profile

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at balance sheet date. The detailed interest rates of the Group's borrowings are disclosed in note 18.

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate borrowings:				
Loans and borrowings	140,000	90,000	40,000	279,000
Floating rate borrowings:				
Loans and borrowings	578,000	528,000	258,000	108,000
Total borrowings.	718,000	618,000	298,000	387,000
Fixed rate borrowings as a percentage of total borrowings	19.50%	14.56%	13.42%	72.09%

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate borrowings:				
Loans and borrowings	60,000	–	–	20,000
Floating rate borrowings:				
Loans and borrowings	150,000	150,000	30,000	–
Total borrowings.	210,000	150,000	30,000	20,000
Fixed rate borrowings as a percentage of total borrowings	28.57%	0.00%	0.00%	100.00%

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 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, the Group's profit after tax and retained profits would have decreased by approximately RMB4,334,000, RMB3,890,000, RMB1,835,000 and RMB721,000, respectively. Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonable change in interest rates over the period until the next balance sheet date. The analysis is performed on the same basis for the entire Track Record Period.

(d) Currency risk

The 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, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars.

(i) Recognized assets and liabilities

In respect of cash at bank and in hand, receivables and payables denominated in foreign currencies, the Group considers that the net exposure to foreign currency risk is insignificant. The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity shareholders.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the Financial Information of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in RMB) At December 31, 2010 Hong Kong Dollars
	RMB'000
Cash and cash equivalents	151,366

	Exposure to foreign currencies (expressed in RMB) At December 31, 2011 Hong Kong Dollars
	RMB'000
Cash and cash equivalents	43,499

	Exposure to foreign currencies (expressed in RMB) At December 31, 2012 Hong Kong Dollars
	RMB'000
Cash and cash equivalents	232,152
Deposits, prepayments and other receivables	5,803
Trade and other payables	(92,717)
Net exposure	145,238

	Exposure to foreign currencies (expressed in RMB) At October 31, 2013 Hong Kong Dollars
	RMB'000
Cash and cash equivalents	204,532
Trade and bills receivables	7,568
Deposits, prepayments and other receivables	115,092
Consignor advances	47,575
Income tax payable	(14,975)
Trade and other payables	(229,009)
Net exposure	130,783

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies (expressed in RMB)			
	At December 31,			At October 31,
	2010 Hong Kong Dollars	2011 Hong Kong Dollars	2012 Hong Kong Dollars	2013 Hong Kong Dollars
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	–	–	4	2
Trade receivables	–	–	–	–
Other payables	–	–	–	–
Net exposure	–	–	4	2

(iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the Track Record Period:

	Average rate				Reporting date spot rate			
	Years ended December 31,			Ten months ended October 31,	At December 31,			At October 31,
	2010	2011	2012	2013	2010	2011	2012	2013
HKD	0.8657	0.8308	0.8108	0.8016	0.8509	0.8107	0.8109	0.7923

A 5% strengthening of RMB against the following currency as at December 31, 2010, 2011 and 2012 and October 31, 2013 would have increased/(decreased) the net profit after tax and equity by the amounts shown below. Other components of equity would not be affected by the strengthening of RMB against foreign currency.

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	7,568	2,175	6,810	5,542

A 5% weakening of RMB against the above currencies as at December 31, 2010, 2011 and 2012 and October 31, 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next balance sheet date. The analysis is performed on the same basis for the entire Track Record Period.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at December 31, 2010, 2011 and 2012 and October 31, 2013.

(f) Estimation of fair values

The fair values of interest-bearing borrowings and receivables are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

23 COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at each year/period end not provided for in the Financial Information were as follows:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	45,902	105,063	69,070	50,879
Authorized but not contracted for	30,469	315,813	574,991	563,189
	76,371	420,876	644,061	614,068

(b) At each year/period end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	14,703	41,201	78,483	80,921
After 1 year but within 5 years	22,027	116,911	266,393	244,270
After 5 years	40,288	300,890	434,889	394,756
	77,018	459,002	779,765	719,947

The Group leases certain buildings through non-cancellable operating leases. Typically, leases are negotiated and rentals are fixed for lease term. Certain leases include contingent rentals calculated with reference to revenue of the tenants.

24 CONTINGENT ASSETS AND LIABILITIES

(a) Financial guarantees issued

At each year/period end, the Company issued financial guarantees to banks in respect of the bank loans granted to the Company's subsidiaries as follows:

The Company

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial guarantees to banks for subsidiaries.	508,000	468,000	268,000	367,000

As at balance sheet date, the directors do not consider it probable that a claim will be made against the Group and the Company under any of the guarantees.

(b) Contingent liabilities

As an investment consultant of artwork financing trust plan for certain subsidiaries, the Group is obliged to fund the difference if the expected proceeds from the sale of trust properties were insufficient to cover the trust principal, trust fee, beneficiary's expected net gain and relevant tax expenses at the expiring date of the trust plan.

At each year/period end, maximum exposure in respect of trust plan assuming nil proceeds at expiring date as follows:

The Group

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trust related	–	118,000	188,000	253,000

(c) Contingent liability in respect of legal claim

The subsidiaries of the Group appeared to be defendants in certain lawsuits, also appearing named parties in other proceedings generated from regular businesses. Though the results of these lawsuits and other proceedings are unable to be determined currently, having considered the claims in conjunction with the Group's legal counsel, the board of directors believes that the liabilities arising from these claims will not have a significant negative impact on the Group's financial position or results of operations.

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Track Record Period.

(a) Name and relationship with related parties

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation 中國保利集團公司 ("Poly Group")	Parent and ultimate holding company
Poly Group's affiliates 中國保利集團公司附屬公司	Under common control

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

The Group is part of a large group of companies under Poly Group and has significant transactions and relationships with Poly Group and its affiliates.

The principal transactions which were carried out in the ordinary course of business are as follows:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales to					
Poly Group and its affiliates	2,957	1,443	455	440	1,189
Service provided to					
Poly Group and its affiliates	12,082	11,107	15,637	10,787	7,120
Receiving Service					
Poly Group and its affiliates	9	149	352	29	26,180
Purchase of goods from					
Poly Group and its affiliates	5,344	34,190	–	–	–
Office rental from (note (iii))					
Poly Group and its affiliates	16,250	19,443	28,846	21,962	25,367
Interest expenses					
Poly Group and its affiliates	21,643	1,763	–	–	–
Interest income					
Poly Group and its affiliates	1,480	3,304	5,022	3,902	5,175
Borrowing loans					
Poly Group and its affiliates	1,300,000	100,000	–	–	–
Repayment of loans					
Poly Group and its affiliates	1,000,000	450,000	–	–	1,500
Acquisition of a subsidiary					
Poly Group and its affiliates	515	–	–	–	–
Disposal of a subsidiary					
Poly Group and its affiliates	–	–	–	–	10,168
Disposal of an associate					
Poly Group and its affiliates	14,272	–	–	–	–
Increase/(decrease) of financial guarantee received from					
Poly Group and its affiliates	30,000	(60,000)	(150,000)	(150,000)	–
Property management services					
Poly Group and its affiliates	5,539	6,592	9,119	7,118	8,570
Working capital obtained from					
Poly Group and its affiliates	–	5,000	–	–	1,000
Working capital repaid to					
Poly Group and its affiliates	–	–	1,500	1,500	1,000
Working capital repaid from					
Poly Group and its affiliates	23,661	1,800	–	–	–

Notes:

(i) Poly Group's affiliates refer to the entities which are under common control by the same ultimate holding company with the Group, and are not the parent or associates of the Group.

(ii) The Directors are of the opinion that these related party transactions are arising in the Group's normal course of business. These transactions with related parties are expected to continue after the listing of the Company's shares on the HKSE.

(iii) Beijing Poly Art Centre Corporation Limited paid nil rent to Poly Group for its use of office space for the years ended December 31, 2010, 2011, 2012 and the ten months ended October 31, 2013.

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances, including commitment, with related parties

Details of the outstanding balances with related parties are as follows:

	At December 31,			At October 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
Poly Group's affiliates	147,362	150,973	202,885	–
Trade and bills receivables				
Poly Group and its affiliates	986	72	644	650
Deposits, prepayments and other receivables				
Poly Group and its affiliates	2,525	7,611	6,847	7,546
Trade and other payables				
Poly Group and its affiliates	34,422	67,308	66,469	80,550
Loans and borrowings				
Poly Group and its affiliates	350,000	–	–	–

(d) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organized by relevant local government authorities for its staff. As at December 31, 2010, 2011 and 2012 and October 31, 2013, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in note 6(b).

(e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8, and certain of the highest paid employees as disclosed in note 9, is as follows:

	Years ended December 31,			Ten months ended October 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term employee benefits	3,120	4,609	5,036	3,845	3,465
Post-employment benefits .	154	210	230	190	208
	3,274	4,819	5,266	4,035	3,673

Total remuneration was included in "Staff cost" (see note 6(b)).

(f) Guarantee provided by Poly Group

As at December 31, 2010, 2011 and October 31, 2012, the Group's bank loans bear interest of 4.78% to 6.56% per annum and were guaranteed by Poly Group. The guarantee was released in the first half year of 2012 with the repayment of the bank loan.

26 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries under common control

As at December 31, 2009, the Group hold 10% equity interests in Poly (Beijing) Theatre Construction Engineering Consultation Corporation Limited. ("Poly Construction Consultation") (保利 (北京) 劇院建設工程咨詢有限公司), and 90% equity interests were held by Poly Group Corporation Limited, Poly Southern Group Co., Ltd, Poly Technologies Inc. and Shanghai Sanli Industrial Co., Ltd. (上海三利實業有限公司). On July 1, 2010, the Group entered into an equity transfer agreement with Poly Group Corporation Limited, Poly Southern Group Co., Ltd, Poly Technologies Inc. and Shanghai Sanli Industrial Co., Ltd., pursuant to which the Group agreed to acquire the 90% equity interests in Poly Construction Consultation. Upon the completion of the acquisition, Poly Construction Consultation became a wholly-owned subsidiary of the Group. Poly Construction Consultation is principally engaged in engineering and technology management consulting. This transaction was accounted for in accordance with Section B Note 1 (h)(i).

On August 31, 2011, the Company entered into an equity transfer agreement with Poly (Hong Kong) Investments Limited, the subsidiary of Poly Group, pursuant to which the Company agreed to acquire 100% equity interests in Kangoo Overseas Ltd. Upon the completion of the acquisition, Kangoo Overseas Ltd. became a subsidiary of the Group. Kangoo Overseas Ltd. is principally engaged in auction agency of overseas art collection. This transaction was accounted for in accordance with Section B Note 1 (h)(i).

(b) Disposal of subsidiaries

During the year ended December 31, 2010, the Group disposed of certain subsidiaries which are engaged in businesses not in line with the Group's long-term strategic development plan. The total consideration for the disposal of subsidiaries amounted to RMB8,595,000.

Effect of disposals of subsidiaries on the assets and liabilities of the Group:

(i) Net assets disposed

	RMB'000
Property, plant and equipment	8,474
Cash and cash equivalents	5,316
Trade and bills receivables	45
Deposits, prepayments and other receivables	6,189
Inventories	407
Trade and other payables	(9,908)
Non-controlling interests	(5,156)
Goodwill	112
Net assets disposed	5,479
Net gain on disposal of subsidiaries	3,116
	8,595
Satisfied in cash	8,595

(ii) Analysis of net cash inflow of cash and cash equivalents in respect of the disposals of subsidiaries:

	RMB'000
Cash consideration received	8,595
Cash disposed of	(5,316)
Net cash inflow	3,279

26 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries (continued)

The Group disposed of and transferred 51% equity interest in Chongqing Poly Wanhe Cinema Circuit Co., Ltd. ("Poly Wanhe Cinema Circuit") in June 2013 to the controlling shareholder on the basis of the net assets value of Poly Wanhe Cinema Circuit as at June 30, 2013. The total proceed for the subsidiary amounted to RMB10,168,000.

Effect of disposals of subsidiaries on the assets and liabilities of the Group:

(i) Net assets disposed

	RMB'000
Property, plant and equipment	3,651
Cash and cash equivalents	9,296
Trade and bills receivables	54,911
Deposits, prepayments and other receivables	1,333
Deferred tax assets	531
Trade and other payables	(50,384)
Income tax payable	(778)
Non-controlling interests	(9,095)
Net assets disposed	9,465
Carrying amount of capital reserve in the subsidiary disposed of	(5,100)
Net gain on disposal of subsidiaries	5,803
	10,168
Satisfied in cash	10,168

(ii) Analysis of net cash inflow of cash and cash equivalents in respect of the disposals of subsidiaries:

	RMB'000
Cash consideration received	10,168
Cash disposed of	(9,296)
Net cash inflow	872

(c) Acquisition of the non-controlling interests

On March 23, 2011, the Group acquired 0.33% equity interests in Beijing Poly Theatre at a cash consideration of RMB248,700. The carrying amount of the non-controlling interest at the date of the purchase was RMB127,000. The difference between the consideration and the carrying amount of the non-controlling interest is recorded in equity. As a result of the acquisition, Beijing Poly Theatre became a wholly-owned subsidiary of the Group.

On July 31, 2011, the Group acquired 10% equity interests in Poly Film Investment Corporation Limited ("Poly Film") at a cash consideration of RMB4,021,400. The carrying amount of the non-controlling interest at the date of the purchase was RMB3,512,000. The difference between the consideration and the carrying amount of the non-controlling interest is recorded in equity. As a result of the acquisition, Poly Film became a wholly-owned subsidiary of the Group.

On August 31, 2011, the Group acquired 12.048% equity interests in Guangdong Poly Auction Corporation Limited ("Guangdong Auction") through a capital injection of RMB4,000,000 and approved a transfer of RMB2,600,000 from retained profits to Guangdong Auction's paid-in capital. Guangdong Auction was considered a subsidiary despite the Company's interest of 50% as the Group had control over Guangdong Auction pursuant to an agreement between the Company and a minority shareholder holding 25% of equity interest in Guangdong Auction.

27 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Poly Group Corporation Limited, which is a state-owned enterprise established in the PRC. The parent company does not produce financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	January 1, 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	January 1, 2014
IFRIC 21, *Levies*	January 1, 2014
IFRS 9, *Financial instruments (2009)*, IFRS 9, *Financial instruments (2010)*	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

29 STATUTORY AUDIT

Other than Poly Auction (Hong Kong) Limited and Kangoo Overseas Ltd., the statutory financial statements of the companies comprising the Group during the Track Record Period were audited by PKF DAXIN Certified Public Accountants LLP.

Details of the subsidiaries are set out in note 12.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, its subsidiaries or the Group in respect of any period subsequent to October 31, 2013.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong