保利文化集團股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code: 3636

2014
ANNUAL REPORT

CONTENTS

Corporate Profile

REGISTERED NAME OF THE COMPANY

Poly Culture Group Corporation Limited

REGISTERED OFFICE

District A, 20/F, 1 North Street of Chaoyangmen,
Dongcheng District,
Beijing, 100010, PRC

HEAD OFFICE IN THE PRC

District A, 25/F, 1 North Street of Chaoyangmen,
Dongcheng District,
Beijing, 100010, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36th Floor, Tower 2, Times Square, 1 Matheson Street,
Causeway Bay, Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Jiang Yingchun
District A, 25/F, 1 North Street of Chaoyangmen,
Dongcheng District, Beijing, PRC
Ms. Yung Mei Yee
36th Floor, Tower 2, Times Square, 1 Matheson Street,
Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Chen Peng
Ms. Yung Mei Yee

AUDITORS

PRC Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP
4F, No.61, East Nanjing Road, Huangpu District,
Shanghai, China

International Auditor

KPMG
Certified Public Accountants
8th Floor, Prince`s Building, 10 Chater Road, Central,
Hong Kong

LEGAL ADVISORS

as to Hong Kong law

Clifford Chance
27th Floor, Jardine House, One Connaught Place,
Central, Hong Kong

as to PRC law

Jia Yuan Law Offices
F408, Ocean Plaza, No. 158, Fuxing Men Nei Ave,
Xicheng District, Beijing, China,

COMPLIANCE ADVISOR

Shenyin Wanguo Capital (H.K.) Limited
Level 19, 28 Hennessy Road, Hong Kong

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
(Beijing Fuhua Plaza Branch)
No. 8, North Street of Chaoyangmen,
Dongcheng District, Beijing, PRC
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(Beijing Chongwen Branch)
4/F, A District, Xinyang Building, No.1 Zhushikoudong
Avenue, Dongcheng District, Beijing, PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Service Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183
Queen`s Road East, Wanchai, Hong Kong

STOCK CODE

03636

INVESTOR ENQUIRIES

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Fax: +86 10 6408 2662
Website: www.polyculture.com.cn
E-mail: IR@polyculture.com.cn

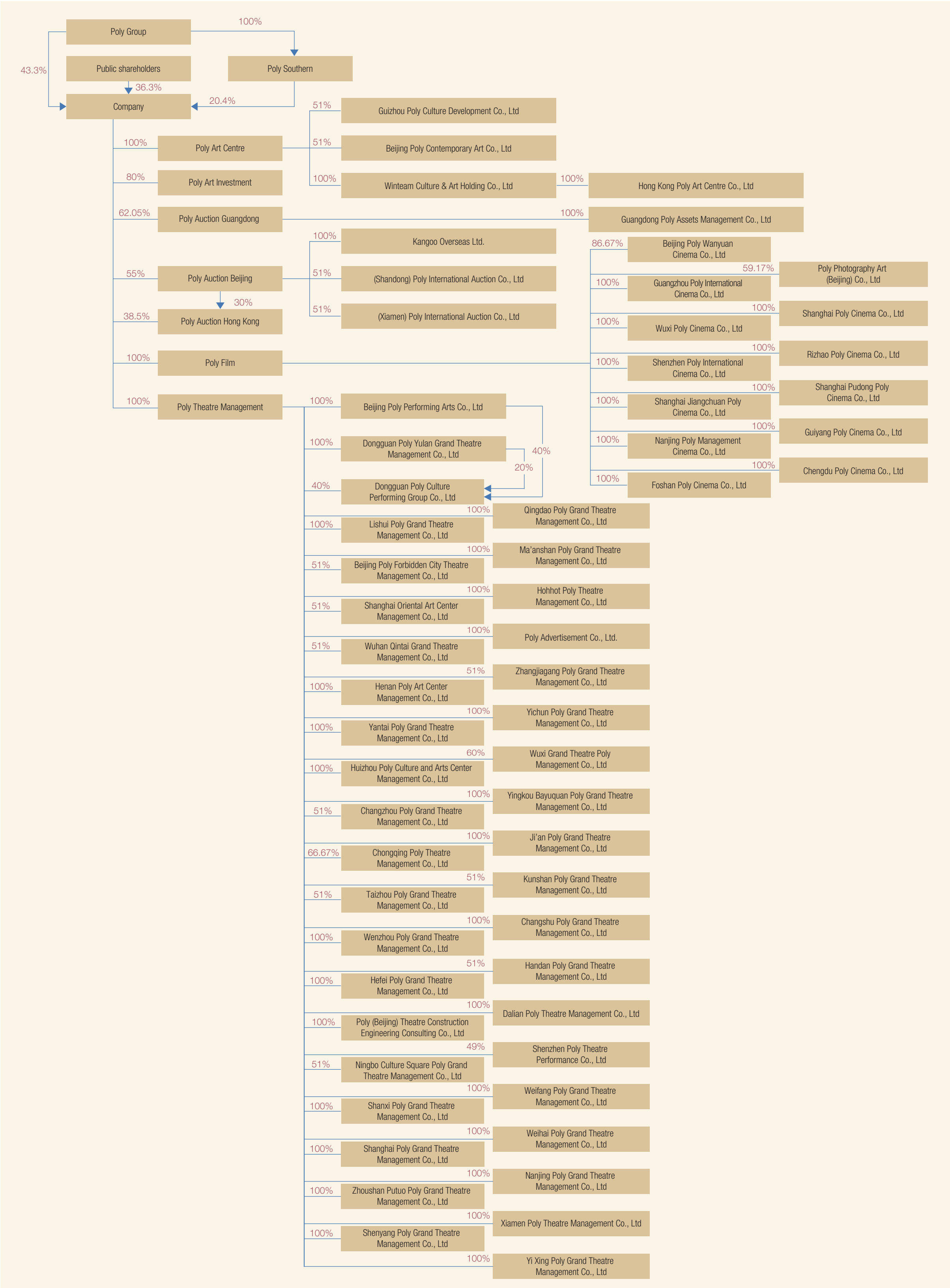
Financial Highlight

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**2,243,024**	2,002,984	1,649,915	1,758,246	1,216,086
Profit from operations	**486,636**	584,755	517,063	781,168	480,865
Profit before taxation	**544,087**	592,143	515,077	781,690	493,199
Income tax	**(130,763)**	(142,572)	(128,741)	(198,604)	(121,551)
Profit for the year	**413,324**	449,571	386,336	583,086	371,648
Profit attributable to:					
Equity shareholders of the Company	**251,519**	275,209	242,170	344,561	223,541
Non-controlling interests	**161,805**	174,362	144,166	238,525	148,107
Earnings per share					
Basic and diluted earnings per share (RMB)	**1.09**	1.67	1.47	2.21	1.86
Total comprehensive income for the year	**414,021**	446,242	386,712	583,087	371,648
Total comprehensive income attributable to:					
Equity shareholders of the Company	**251,902**	273,342	242,463	344,562	223,541
Non-controlling interests	**162,119**	172,900	144,249	238,525	148,107
Total non-current assets	**585,962**	417,548	322,729	188,746	113,828
Total current assets	**4,765,931**	2,709,354	2,624,675	2,630,322	2,073,885
Total assets	**5,351,893**	3,126,902	2,947,404	2,819,068	2,187,713
Total current liabilities	**1,461,678**	1,591,905	1,548,556	1,641,340	1,493,815
Total non-current liabilities	**19,215**	567	314	2,755	2,744
Total liabilities	**1,480,893**	1,592,472	1,548,870	1,644,095	1,496,559
Net Assets	**3,871,000**	1,534,430	1,398,534	1,174,973	691,154
Total equity attributable to the equity shareholders of the Company	**3,467,619**	1,156,827	1,045,335	802,872	459,347
Non-controlling interests	**403,381**	377,603	353,199	372,101	231,807
TOTAL EQUITY	**3,871,000**	1,534,430	1,398,534	1,174,973	691,154

The financial information of the Group for the years ended December 31, 2010, 2011 and 2012 was extracted from Appendix I of the Prospectus, which set forth details of the basis of presentation for the audited Consolidated Financial Statements. The financial information of the Group for the year ended December 31, 2014 was set forth on pages 60 to 136 to this report, which was presented on the basis set forth in Note 2(b) to the audited Consolidated Financial Statements.

Corporate Structure

The following chart sets out our corporate structure up to the Latest Practicable Date:



Major Events in 2014

On March 6, 2014, Poly Culture was listed on the Main Board of the Stock Exchange, making it the first listed cultural enterprise which is engaged in the three business segments covering art business and auction, performance and theatre management, as well as cinema investment and management as the principal businesses in the Hong Kong capital market. The portion of the shares available for public offering in Hong Kong was 606 times over-subscribed.

On March 10, 2014, Yantai Poly Grand Theatre Management Co., Ltd. under management by our subsidiary Poly Theatre Management was awarded the "10th China Art Festival Excellent Venue" by the 10th China Art Festival Organizing Committee.

During the period from April 6, 2014 till April 7, 2014, Poly Auction Hong Kong held the 2014 Spring Auction which recorded a turnover of HKD1,136 million.

On May 15, 2014, Poly Culture was chosen among the "Top 30 National Culture Enterprises" jointly sponsored by *Guangming Daily* and *Economic Daily* for the sixth consecutive year following 2008, 2010, 2011, 2012 and 2013.

On May 23, 2014, Poly Theatre Management received from DAO LUE Center for Culture Industry Research (道略演藝產業研究中心) the honorary titles of 2013 Top Ten Chinese Performing Arts Institutions and 2013 Top Ten Vigorous Comprehensive Theatres in China.

During the period from May 29, 2014 till June 6, 2014, Poly Auction Beijing held the "Spring Auction of Poly Auction Beijing 2014" which recorded a total turnover of RMB2,780 million.

On September 24, 2014, Poly Theatre Management's second original musical "The Piano in a Factory" was awarded the Excellent Award under the category of dramas in the ninth "Five Ones Project" in the Cultural and Ideological Progress of Guangdong Province.

During the period from October 5, 2014 till October 7, 2014, Poly Auction Hong Kong held the 2014 Autumn Auction which recorded a turnover of HKD822 million.

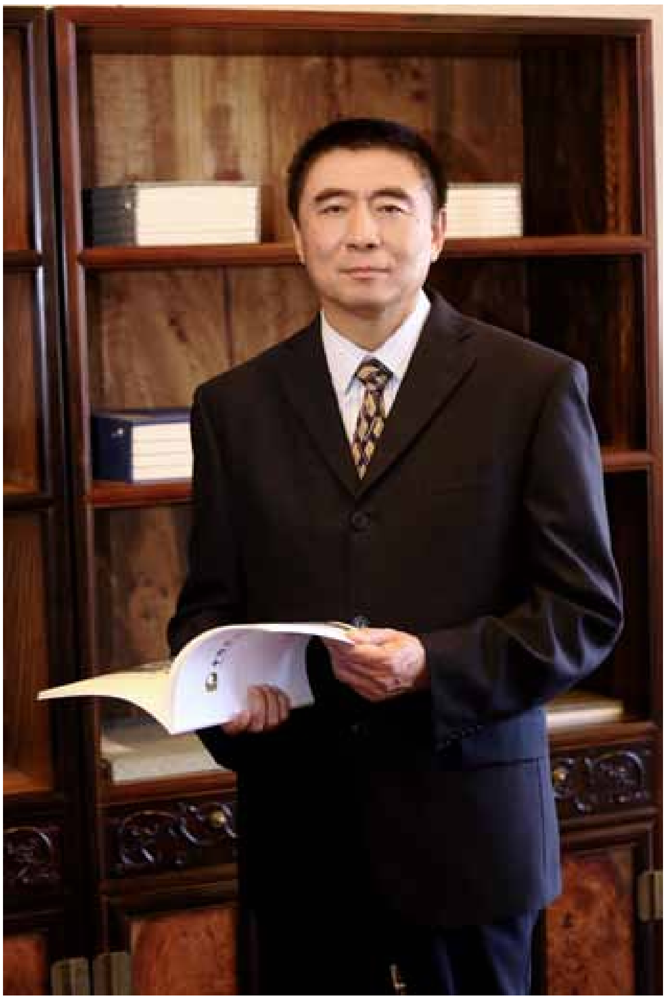
On November 27, 2014, the premiere staged at Shenyang Shengjing Theatre under our subsidiary Poly Theatre Management was concluded with a success, which marked the official opening of the 36th theatre under Poly Theatre Management.

On December 5, 2014, the 2014 Autumn Auction held by Poly Auction Beijing rounded off with a total turnover of RMB2,491 million, bringing the total turnover from art auctions to RMB7.7 billion in 2014, which enabled the Company to secure the fifth consecutive crown in terms of annual turnover from global auction of Chinese arts.

On December 12, 2014, Poly Auction was named "Creative Auction Company of the Year" and "The Most Influential Auction Company of the Year" in the "Fifth Chinese Art Market Summit & 99ys.com Selection Event in Art Market" organized by 99ys.com.

On December 20, 2014, Poly Foshan Zhaoyang Cinema, under management by our subsidiary Poly Film, commenced operation, marking the official opening of the 21st directly-operated cinema under Poly Film.

Chairman's Statement



15 years ago, Poly Group decided to develop cultural industry and founded Poly Culture and Arts Co., Ltd. (the predecessor of Poly Culture). Having sailed through challenges, hardships and transformation, Poly Culture accomplished the Initial Public Offering ("IPO") in Hong Kong in 2014, capturing the attention of the industry successfully. The contribution of the founders, the help of friends and the support of the investors – especially those shareholders who invested in us their hard-earned savings – symbolize their expectations, which have afterwards been transformed into the responsibility and pressure of the Poly Culture as well as the motivation of the Group to strive for perseverance and innovative development.

In 2014, which is also the first year in which Poly Culture went listed, the economy growth in China slowed down while entering into the middle-to-high-speed development period from high-speed development period. In this year, all Poly Culture's three main business segments were affected to a certain extent. The business performance was adversely affected especially when the artwork market in China has sustained its in-depth adjustments since 2012. In the face of challenges, Poly Culture proactively adjusted its strategies to adapt to market changes and the new normal of economic developments. With industry upgrade, innovative development and internalization as the core business targets, the Group will proactively develop new business, plan its way into international markets and explore the mode of industry upgrade. The Group firmly believes that under the adjustment and upgrade of the industry structure, the culture industry is still one of the industries which have the most potential in China. We are confident about the rosy prospect of the Company after we entered the capital market.

Poly represents values and taste, and defines reputations and quality. Poly Culture will accomplish its mission, inherit history, reward Shareholders and friends, contribute to society and improve the well-being of humans. At the same time, Poly Culture will also strengthen itself, overcome challenges, and rise to the top of the world. In the end, I would like to extend, on behalf of the Board of Directors, my appreciation to all friends and investors for their trust and support to Poly Culture.

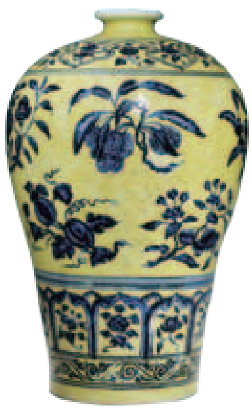
Chairman
Xu Niansha

Management Discussion and Analysis

Poly Culture was listed on the Main Board of the Stock Exchange on March 6, 2014. With approval from China Securities Regulatory Commission, the Company issued 89,447,600 H Shares at HK$33.00 each in the Global Offering (including the Shares issued pursuant to the full exercise of over-allotment option), raising proceeds of HK$2.952 billion in total. After deducting miscellaneous expenses and payment to the National Social Security Fund for income derived from the reduction of the state-owned Shares, which amounted to HK$268 million, net proceeds received by the Company was HK$2.611 billion. Following its successful listing in Hong Kong, Poly Culture has become the first listed cultural enterprise in the capital market of Hong Kong with three principal business segments focusing on performance and theatre management, art business and auction, and cinema investment and management. The listing has laid a solid foundation for the Company to speed up its international exposure, strengthen its international competitiveness continuously and foster its corporate strength and expansion.

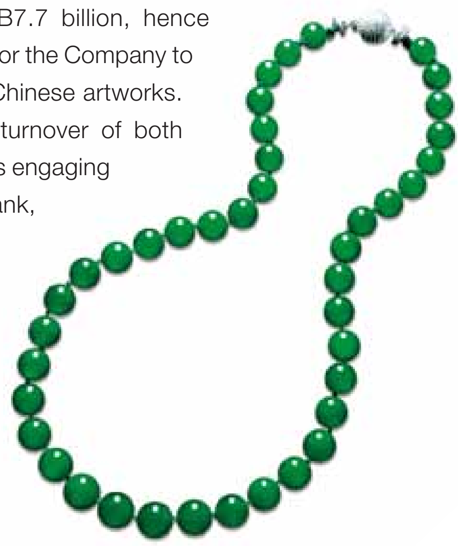
China's economy experienced further slowdown during 2014, the momentum for consolidation continued in the art market as a result, while the performance market also encountered certain difficulties. In the face of unfavorable market conditions, Poly Culture adjusted its operating strategies to accurately respond to market changes in a timely manner, so as to maintain stable operation of the three principal business segments. Meanwhile, the Company proactively explored new business opportunities and operation models as well as endeavored to develop international exposure.

I. SEGMENT BUSINESS INFORMATION

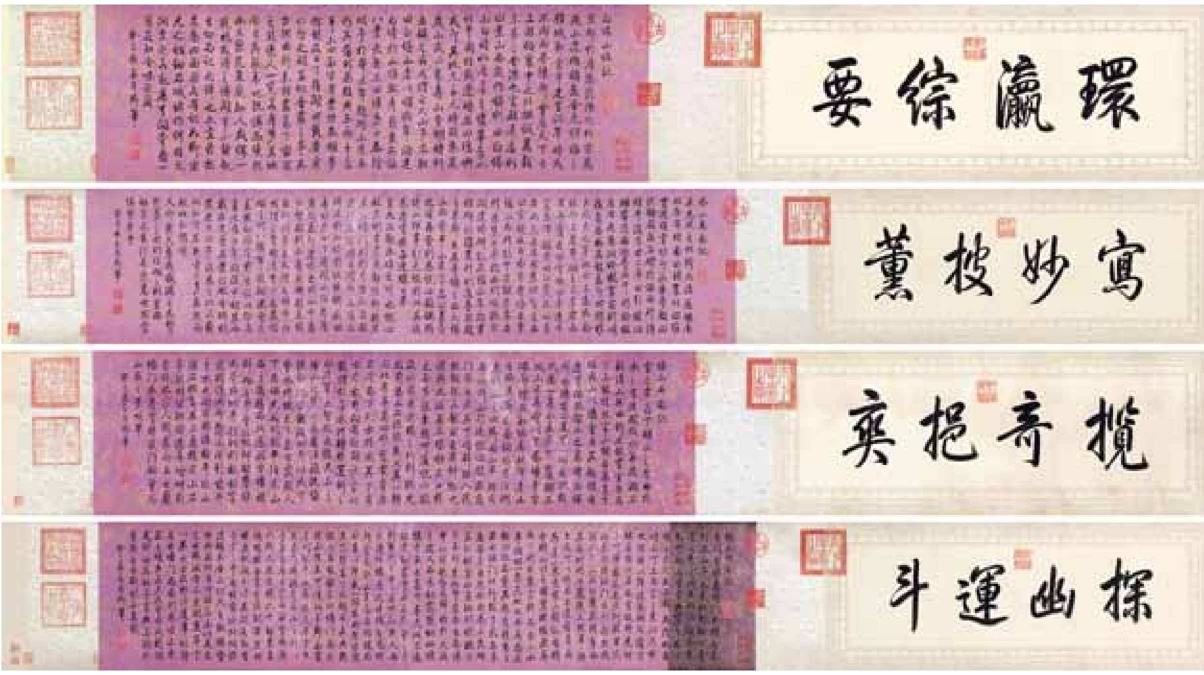


1. Art business and auction business actively responded to market consolidation to increase market share and secure leading position

In 2014, Poly Culture leveraged on the advantages of the two platforms in Beijing and Hong Kong respectively to expand the auction business in overseas markets. Operating strategies were adjusted to accurately respond to market changes, securing an annual artwork auction turnover of RMB7.7 billion, hence marking the fifth consecutive year for the Company to top the global auction market of Chinese artworks. In a situation where the overall turnover of both domestic and overseas enterprises engaging in Chinese artwork auctions shrank, Poly Culture managed to secure a relatively insignificant decline in the turnover of artwork auctions as well as an increase in market share.



Management Discussion and Analysis



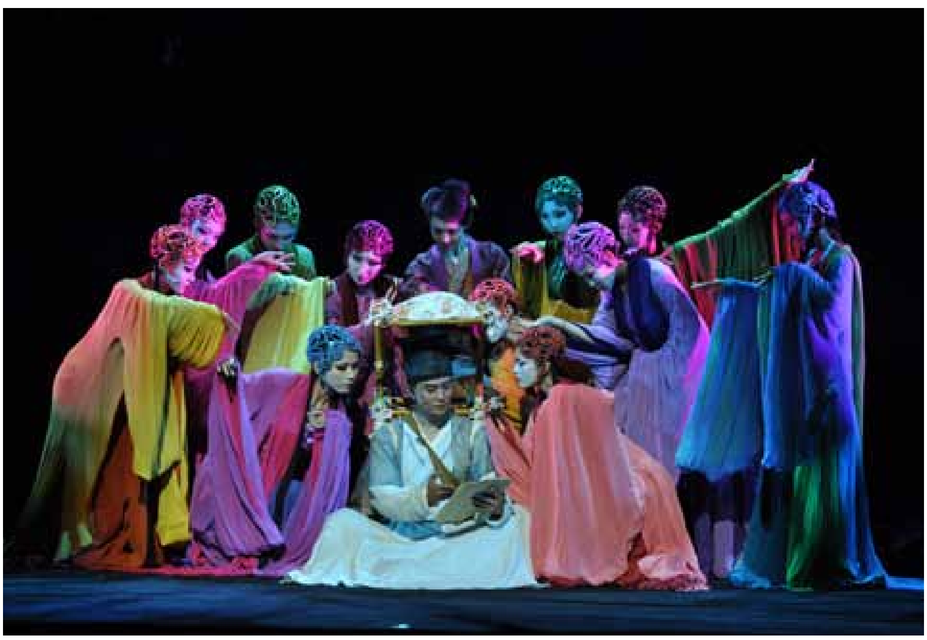
To proactively respond to market consolidation, Poly Auction Beijing assorted medium- to low-priced auction items and actively negotiated for a lower auction reserve price with sellers to attract more buyers. The Company put additional efforts in cultivating business potentials for contemporary art, jewellery, antiquarian and rare books and other emerging art categories. Tools such as mobile applications and WeChat were used to expand promotional efforts and to accentuate the strength of our brand. Poly Auction Beijing also tapped into new markets actively by holding two successful auctions in Xiamen and Sanya, respectively. An annual turnover of RMB6.1 billion from auctions was achieved by the Company, which secured the top position in the global auction market of Chinese artworks again. Among the auctioned artworks, the turnover of RMB116 million recorded from the calligraphy work "Notes on White Pagoda Mountain" by Emperor Qianlong of the Qing Dynasty has topped the annual global record for Chinese calligraphy, and became the only item sold for over RMB100 million in the 2014 Chinese mainland market.

Poly Auction Hong Kong capitalized on its strength of international foothold to expand sources of foreign collectors, thus achieving an accumulated annual turnover of HK$1.983 billion, representing an increase of 17% from the previous year, further reinforcing its position as the third largest auction company in Hong Kong.

Due to market consolidation, Poly Art Centre initiated to slow down the pace of sales while actively expanding its reserve and developed new sales channels in a steady manner, so as to build up a solid foundation for its long-term development.

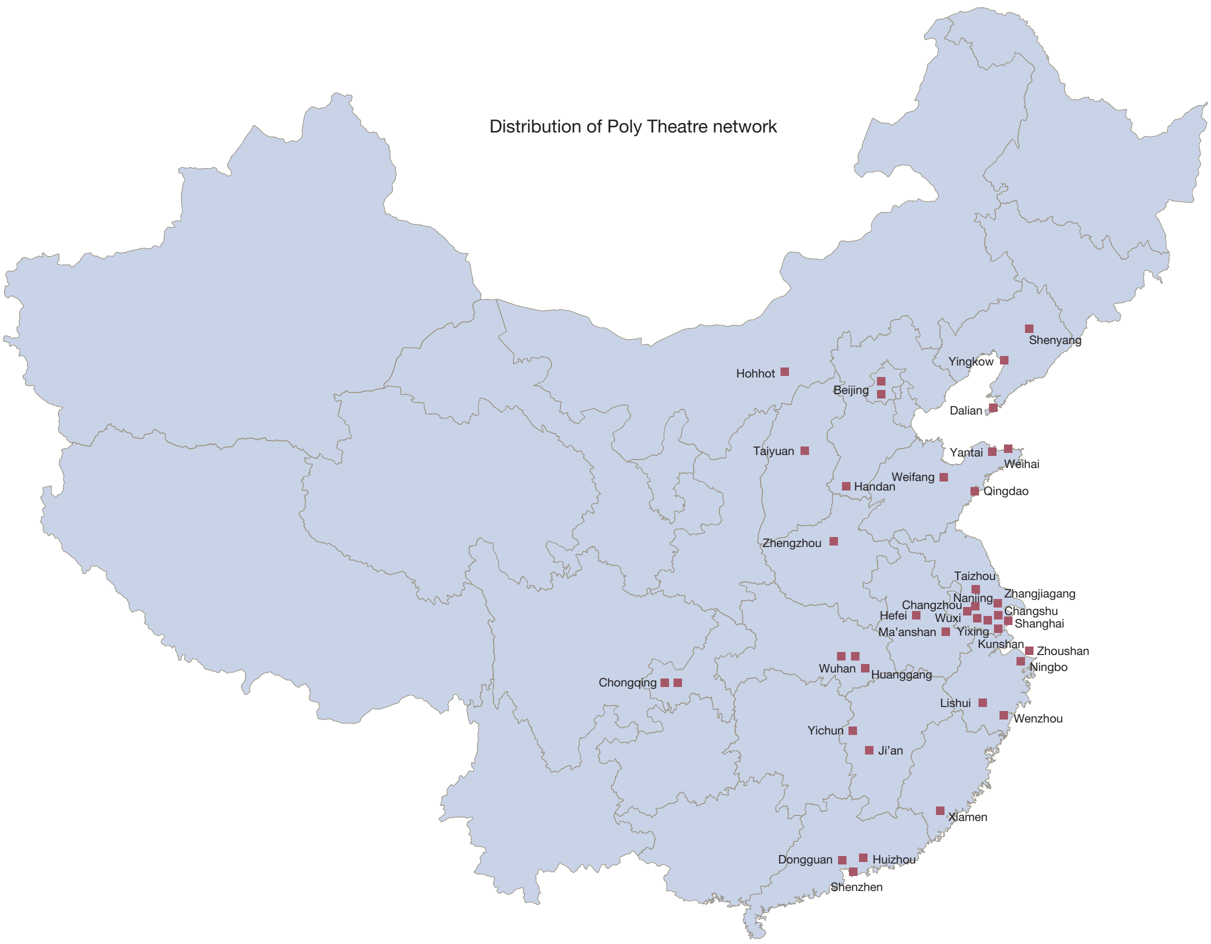
Management Discussion and Analysis

Poly Art Investment expanded portfolio steadily and added three new fund projects in the year amounting to RMB290 million, and successfully completed four fund projects amounting to RMB223 million. As at December 31, 2014, Poly Art Investment had six ongoing projects amounting to RMB820 million and were managing 17 trusts in accumulation, amounting to RMB1.39 billion. Poly Art Investment has obtained the Certificate for Private Equity Fund Management in 2014, which will effectively help to broaden the channels for fund issuance.



2. Performance and theatre management business further reinforced leading position in the industry

Poly Theatre Management network has undergone continued and steady expansion and newly took over the management of Nanjing Poly Grand Theatre, Shenyang Shengjing Grand Theatre and Hubei Huanggang Huangmei Opera Grand Theatre in 2014. As a result, its total number of managed theatres has reached 39, further consolidating our leading position in the industry. In 2014, performances were organized based on the three themes namely "Drama and Dance Season", "Opening the Door to Arts" and "Public Concerts". With 4,510 performances staged, we completed 107% of our annual target, exceeding the performance requirements for theatre owners in different regions. For original repertoires, we staged 36 performances in a national tour of our third original musical "Long March" and produced and staged 13 performances of our fourth original musical " A Chinese Ghost Story-Nie Xiaoqian". Musical "The Piano in a Factory" was awarded the Excellence Award in the ninth "Five-One Project" of Guangdong Province. For theatre construction consultation business, six new service contracts were entered into during the year 2014. A total of 15 projects were undergoing consultation process, laying a foundation for the sustainable and steady expansion of our theatre network.



3. Steady expansion of cinema investment and management business to increase market share

In 2014, the domestic film market continued to grow rapidly with annual cinema box office rising 36% from last year to RMB29.6 billion. Poly Film seized the market opportunities and opened six new cinemas in Shanghai, Nanjing, Chengdu and Foshan during the year, raising the number of directly-operated cinemas in operation to 21. Box office was enhanced by strengthening marketing campaigns, boosting membership numbers and other means. The cinemas directly-operated by Poly Film recorded a total box office of RMB320 million (before tax), up by 68% from last year. In 2014, Poly Film officially initiated 12 cinema projects. As at the end of 2014, Poly Film had three cinema projects under construction and 27 cinema projects initiated and pending for construction, providing a sound foundation for its future development.

In addition, Poly Film has been proactively promoting the POLYMAX giant-screen projection technology. As of the date of this report, 12 POLYMAX projection halls were established or under construction in Poly Film's directly-operated cinemas. Poly Film has also completed two transactions for the sale of POLYMAX equipment in 2014 and is undergoing sales negotiation with seven relevant organizations.

II. RESULTS ANALYSIS AND DISCUSSION

Overview of our operating results

Revenue

Total revenue increased by 12.0% from RMB2,003.0 million for the year ended December 31, 2013 to RMB2,243.0 million for the year ended December 31, 2014, primarily due to increase in revenue from the performance and theatre management segment and the cinema investment and management segment, which was primarily due to the expansion of our theatre and cinema networks.

The respective segment revenue of the Group in 2014 and 2013 is as follows:

	Years ended December 31,		
	2014	2013	
	RMB in millions	*RMB in millions*	*% of change*
Art business and auction	**1,013.9**	972.8	4.2
Performance and theatre management	**838.5**	740.5	13.2
Cinema investment and management	**384.9**	289.7	32.9
Other services	**5.7**	–	Not applicable

Gross profit

Gross profit increased by 0.4% from RMB989.7 million for the year ended by 31 December 2013 to RMB993.4 million for the year ended by 31 December 2014. Gross profit margin for the year ended 31 December 2014 decreased from 49.4% to 44.3%, which was mainly attributable to the decrease of gross profit margin in art business and auction segment as a result of the in-depth corrections of China's art market and the drop in overall turnover.

Management Discussion and Analysis

Other revenue

Other revenue increased from RMB23.6 million for the year ended December 31, 2013 to RMB25.3 million for the year ended December 31, 2014.

Other net income

We recorded other income of RMB8.1 million for the year ended December 31, 2014 mainly as a result of foreign exchange gain from the net proceeds received from the IPO.

Selling and distribution expenses

Selling and distribution expenses increased by 12.3% from RMB213.1 million for the year ended December 31, 2013 to RMB239.3 million for the year ended December 31, 2014, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of selling and marketing employees, which was attributable to our increased selling and marketing activities as a result of our efforts to promote and expand our business; and (ii) an increase in the number of cinemas we operated and theatres we managed.

Administrative expenses

Administrative expenses increased by 37.0% from RMB219.6 million for the year ended December 31, 2013 to RMB300.9 million for the year ended December 31, 2014, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of our administrative employees, which was attributable to our expansion in business scale; and (ii) an increase in listing expenses related to the IPO.

Reportable segment profit

As a result of the foregoing, reportable segment profit decreased by 8.3% from RMB643.8 million for the year ended December 31, 2013 to RMB590.2 million for the year ended December 31, 2014, primarily due to the increase in costs of art business and auction segment.

The respective reportable segment profit of the Group in 2014 and 2013 are as follows:

	Years ended December 31,		
	2014	2013	
	RMB in millions	*RMB in millions*	*% of change*
Art business and auction	**480.2**	556.6	(13.7)
Performance and theatre management	**38.3**	38.3	–
Cinema investment and management	**71.7**	48.9	46.6

Finance income

Finance income increased by 188.7% from RMB28.2 million for the year ended December 31, 2013 to RMB81.4 million for the year ended December 31, 2014 mainly due to (i) an increase in interest income of net proceeds received from the IPO; and (ii) an increase in interest income from consigner advances.

Finance costs

Finance costs increased by 7.7% from RMB20.8 million for the year ended December 31, 2013 to RMB22.4 million for the year ended December 31, 2014, primarily due to an increase in the average amount of bank loans.

Income tax

Income tax decreased by 8.3% from RMB142.6 million for the year ended December 31, 2013 to RMB130.8 million for the year ended December 31, 2014, primarily due to a decrease in taxable income.

Profit for the year

As a result of the foregoing, profit for the year decreased by 8.1% from RMB449.6 million for the year ended December 31, 2013 to RMB413.3 million for the year ended December 31, 2014, and net profit margin decreased from 22.4% for the year ended December 31, 2013 to 18.4% for the year ended December 31, 2014.

Liquidity and Capital Resources

During the year ended December 31, 2014, the Group maintained a strong financial position and adequate liquidity. As at December 31, 2014, the Group's cash and cash equivalents amounted to RMB1,536.3 million (2013: RMB1,004.7 million), up by 52.9% as compared to that of December 31, 2013.

As at December 31, 2014, the net cash outflow from operating activities amounted to RMB260.7 million (2013: net cash inflow of RMB278.0 million). After deducting RMB845.2 million in net cash outflow from investing activities mainly arising from payment for consignor advances, and adding RMB1,635.9 million in net cash inflow from financing activities arising mainly from the net proceeds received from the IPO, there was still an increase in cash and cash equivalents of approximately RMB530.0 million for the year ended December 31, 2014 as compared to the end of last year.

Changes to Key Items in Consolidated Statement of Financial Position

Property, plant and equipment

Property, plant and equipment mainly include the design and renovation of cinema, such as the movie projection system and the audio system. Our property, plant and equipment increased by 33.1% from RMB408.3 million as of December 31, 2013 to RMB543.6 million as of December 31, 2014 due to the continued expansion of our cinema network.

Current assets and current liabilities

Primarily due to the expansion of our business, the current assets increased by 75.9% from RMB2,709.4 million as of December 31, 2013 to RMB4,765.9 million as of December 31, 2014. Current liabilities decreased by 8.2% from RMB1,591.9 million as of December 31, 2013 to RMB1,461.7 million as of December 31, 2014.

Inventories

Our inventories increased by 82.4% from RMB805.3 million as of December 31, 2013 to RMB1,468.8 million as of December 31, 2014, primarily due to an increase in our artwork collections in art business, which is primarily because our management decided to expand our artwork inventories considering the development of art market in China and the estimate towards the market prospect.

Consignor advances

The consignor advances increased by 267.3% from RMB240.9 million as of December 31, 2013 to RMB884.8 million as of December 31, 2014, primarily due to the expansion of our auction business, in order to attract more collectors as well as high quality artworks for auction, we granted more consignor advances to sellers.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 41.1% from RMB493.9 million as of December 31, 2013 to RMB697.1 million as of December 31, 2014, primarily due to the increase in prepayments for auctioned artwork.

Prepayments for auctioned artwork increased from RMB305.0 million as of December 31, 2013 to RMB498.3 million as of December 31, 2014, primarily due to our prepayments for part of the auctioned work to sellers.

Indebtedness

As of December 31, 2014, we incurred bank loans of RMB100.0 million, all of which were borrowed from reputable Chinese financial institutions and were unsecured and repayable within one year. Bank loans decrease from RMB208.0 million as of December 31, 2013 to RMB100.0 million as of December 31, 2014 due to the repayment of outstanding bank loans. The actual interest rate of our bank loans ranged from 5.60% to 6.00% for the year ended December 31, 2014.

Under artwork financing trust plans, we are obliged to fund the difference between the total expected monetary trust property and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees) if the borrower and its guarantor fail to repay such amounts. As of December 31, 2014, our maximum exposure amounted to RMB170.0 million.

As of the date of this report, other than disclosed in this report, our Group did not have any contingent liabilities nor any other off-balance sheet commitments or arrangements.

Capital Expenditure

Our capital expenditures during the financial statement period primarily comprised of expenditures on property and equipment, which amounted to RMB177.9 million and RMB144.9 million, respectively, for the years ended December 31, 2014 and 2013.

Other Financial Indicators

For the years ended December 31, 2014 and 2013, debt-to-equity ratio was 2.6% and 13.6% respectively (debt-to-equity ratio is calculated by dividing the year-end total interest-bearing debts by the year-end total equity; interest-bearing debts represent the balance net of the advances from bills discounted with banks).

Employee Remuneration and Policy

As of December 31, 2014, our Group has 4,854 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board of Directors taking into consideration of the performance, experience and operational capacity of our employees. As of December 31, 2014, there has been no material change to our remuneration policy and training plans. Details of the employee remuneration of the Company were set forth in Note 7(b) to the Financial Statements of this report.

Risks Relating To Fluctuation Of Interest Rates

Our art business relies on our working capital and bank loans to fund our acquisition of artworks which we believe are undervalued or have appreciation potential, and are resold at an appropriate time to make profit. The increase in interest rates may increase our costs to purchase and hold the relevant artwork, which could in turn affect our results of performance when we resell the relevant artwork. We will keep an eye on policies and changes relating to the domestic and foreign financial markets, and adopt a specific financing pattern to partially offset impact of changes in the interest rates on the financial costs during the interest rate hike cycle and interest rate reduction cycle.

III. RISK FACTORS

The Company's exposure to risks in connection with its operations mainly includes: market risk, risk of staff turnover, competition risk and interest rate risk.

1. Market Risk

Uncertainties in the global economy (in particular China's economy)

World economy currently stays in the phase of in-depth adjustment after international financial crisis, and growth of world economy may probably bounce back slightly in 2015. However, it is hard to make prominent improvement for overall recovery amidst the weak momentum, with greater volatility in international financial market and price fluctuation of international bulk commodities. The international environment encountered by China's economic development is very complicated and China's macro economy is moving from fast growth toward the new normal of growing at medium-to-high pace. People's Bank of China and Chinese Academy of Social Sciences anticipate that growth in China's Gross Domestic Product will slow down to around 7% in 2015. Under our art business and auction segment, the results of our operations are particularly exposed to risks associated with fluctuation of regional economic, political and financial environment in China, the United States, Europe and Asia Pacific countries. The company will integrate the brand value and resources of Poly Culture to actively develop a new industrial pattern, explore new source of profit growth and mitigate the adverse impact arising from economic fluctuations while handling well the three main existing business segments.

Unpredictability of the demand for artworks

The demand for artworks is influenced by various factors, including the overall economic and political environment, changes in the collecting categories that are most sought after and preferences of collectors. For example, under our auction operation, a decrease in market demand may cause a decline in auction turnover, which could in turn result in lower commission income earned by us. In addition, when we are in the process of art business operations, we may not be able to collect favorable artworks at reasonable prices amidst keen market demands; we may find it difficult to gain expected returns on setting the relevant artworks under declining market demands. We will keep an eye on the market changes, understand rotation rules of hotspots in the artwork sector and work out countermeasures appropriately. In particular, we will focus on expanding the portfolio of international new clients and the variety of artworks, as well as enhancing overseas sourcing so as to reduce the risks arising from volatility in the market demand.

2. Risk of staff turnover

Our success has been substantially attributable to excellent management professionals. In the art business and auction segment, we rely on a number of industry professionals to conduct authentication and valuation of artworks, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on qualified employees to ensure that we can manage our theatres and cinemas with unified and high level standards to improve the audience's experience, and enhance our brand recognition and profitability. We strive to attract the best talent through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation, further enlarge the pool of key management and professional talent, enhance the loyalty of key talent, and make innovations in the talent motivation mechanism.

3. All our business segments face competition

For the art business and auction segment, we mainly compete with key auction houses in the local and foreign markets throughout the operation chain. The competition may possibly reduce our commission income, and increase our costs in sourcing, buying and selling artworks, as well as expenses in talent recruitment. In the performance and theatre management segment, we compete with other theater management companies in China in terms of program resources, network coverage and brand recognition. In the cinema investment and management segment, we mainly compete with other cinema operators in regions where we operate cinemas. The Company will seek to gain a more precise understanding of the market demands and enhance core competitiveness so as to maintain the leading market position.

4. Art business operations are subject to risks relating to fluctuation of interest rates

Under our art business operations, we purchase artworks which we believe are undervalued, or which we believe have appreciation potentials, and resell them at an appropriate time to make profit. We mainly rely on our working capital and bank loans to fund our acquisitions of artworks. Increase in interest rates may increase our costs to purchase and hold the relevant artworks, which could in turn adversely affect our results of performance if we are unable to pass the costs to customers when we resell the relevant artworks. We will keep an eye on policies and changes relating to the domestic and foreign financial markets, and adopt a specific financing pattern to partially offset impact of changes in the interest rates on the financial costs during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

Due to the further expected slowdown of domestic macroeconomic growth, China's artwork market is expected to maintain a sluggish development in 2015, resulting in daunting market prospects. However, the measures, such as interest rate cut and reduction in deposit reserve requirement ratio, taken by the government of China to maintain stable economic growth will ease capital pressure. The "Provisional Regulation on Real Estate Registration" came into effect on March 1, 2015, coupled with the recovery of domestic stock markets, will boost the development of the artwork market. Faced with various challenges, Poly Culture will further reinforce its three principal businesses while accelerating its global development, explore new profit growth points by seeking new business opportunities and carrying out business transformation and upgrading, and expedite business expansion and improvement by making full use of opportunities in the capital market such as merger and acquisition transactions.

1. Continuing to focus on the three principal businesses and making progress while maintaining stable growth in operating results

Artwork Business and Auction Business

Taking the opportunity of its 10th anniversary, Poly Auction Beijing will ensure the success of the Spring Auction and Autumn Auction by conducting research on market trends, enhancing promotions and expanding the scope of sourcing, expand non-local auction markets by establishing new branches in Shandong Province and etc, and increase the turnover of transactions in boutique auctions to effectively supplement the Spring Auction and Autumn Auction.

Pressing ahead with its boutique strategy, Poly Auction Hong Kong will take into consideration the demand of collectors from Hong Kong, Macau, Taiwan, Southeast Asia, Europe and the United States to expand the portfolio of international buyers, and enhance overseas sourcing to further expand the variety of newly-developed categories such as jewelry and Southeast Asian arts.

By conducting in-depth analysis on the market, adjusting inventory structure and adopting multiple sales channels, Poly Art Centre will release more artworks to the market and control the scale of sourcing to accelerate capital recovery.

By optimizing the management of existing projects while developing new projects in response to market needs, and enriching partnership models, Poly Art Investment plans to increase the asset size of the fund by RMB200 million to RMB300 million during the year.

Performance and Theatre Management Business

Adapting to the new normal arising from the shrinking group buying and charter services due to the adjustment of national policies, the performance and theatre management business will strengthen marketing and promotion, enhance general audience loyalty by focusing on membership development, and facilitate the healthy growth of the market by advocating a rational consumption attitude. It is expected that Poly Theatre network will continue to expand its theatre chain, taking over the management of another two to three theatres during the year, ensuring contract renewal with the five theatres in Shenzhen, Hefei, Huizhou, Yantai and Lishui, and preparing for contract renewal of the four theatres with contracts to be expired in 2016. It is envisaged that 4,900 performances will be staged in 2015 attributable to the supply of high-quality programs, in which "A Chinese Ghost Story – Nie Xiaoqian" is expected to stage 45 performances on tour. In addition, the Company plans to launch its fifth original musical "Assembly". By strengthening and expanding its consulting business in relation to theatre construction, we will further enhance its reputation and brand image to increase resources for the expansion of the theatre network.

Cinema Investment and Management Business

Seizing the opportunity of the rapidly growing domestic film market, the cinema investment and management business will further expand the scale, increase market share and enhance its standing in the industry while balancing growth against profitability. To enhance profitability, we will further strengthen the marketing efforts for our cinema investment and management business, and improve the operation and management of the existing cinemas, particularly the newly-opened cinemas for a shorter cultivation period. The Company will reduce investment risks by prudently exploring new projects and proactively developing low investment projects, and create new profit growth points by vigorously promoting POLYMAX giant-screen projection system as its flagship product. The Company intends to open another six directly-operated cinemas in 2015.

2. Stepping up globalization and carrying forward substantial operations overseas

By giving full play to its overseas platforms including Poly Culture (North America) and Hong Kong Poly Art Centre Corporation Limited and establishing a new representative office in London, the Company will effectively facilitate the development of its three principal businesses, carry forward its substantial operations overseas which include overseas sourcing and trading, the import and export of entertainment shows, and proactively push forward overseas mergers and acquisitions.

3. Achieving breakthrough in the development of new businesses

The Company will further explore the new business that can integrate culture into tourism, and strive for main breakthrough within the year of 2015.

The Company will explore cooperation opportunities with renowned Internet companies at home and abroad, striving for making breakthrough in artwork auction and trading on the Internet.

The Company will attempt to develop the business of financial services for artworks and optimize the industrial chain of artworks to facilitate the further development of our artwork management and auction business.

To create new profit growth points, the Company will explore opportunities in the integration of culture into education with a focus on art education and establish a new platform by consolidating domestic and international resources.

4. Innovating the mechanism to improve management

1. The Company will explore and push forward the innovation of mechanism and stimulate the enthusiasm and motivation of the senior management and the core team through stock option incentives and employee stock option plan, enhancing the attraction of the Company towards elite talents and strengthening the development momentum and vitality of the Company.

2. The Company will carry out the formulation of five-year planning for 2016-2020 and pin down the strategic goals of development, guiding principles, development concepts and periodic tasks, setting out guidelines for future development.

3. The Company will grasp the operating rules of international capital markets by putting more efforts into its studies of the capital market to explore the approaches and ways of capital operation after the listing of Poly Culture, strengthen the management of investor relations, and carry out management of market capitalization.

Report from the Board of Directors

CORPORATE PROFILE AND GLOBAL OFFERING

The Company was established as a joint stock limited company on December 14, 2010. The Company's H Shares were listed and traded on the Main Board of the Stock Exchange on March 6, 2014. The Prospectus has been published on the websites of the Stock Exchange for information disclosure (www.hkexnews.hk) and the Company (www.polyculture.com.cn).

MAIN BUSINESS

The Company is a leading culture and art enterprise in China with diversified business operations, which maintains a well-balanced business pattern of three pillar operations, namely art business and auction, performance and theatre management and cinema investment and management, through its seven first-level wholly-owned subsidiaries.

INFORMATION ABOUT THE ULTIMATE HOLDING COMPANY

Our ultimate holding company is Poly Group, which was established in 1992 as a large state-owned enterprise under the direct supervision and administration of SASAC. Apart from the culture and art business conducted through our Group, Poly Group is primarily engaged in military and civilian trade and business, real estate development, investment and exploitation in mineral resource field and manufacture of civilian explosive equipment and blasting service.

ANNUAL RESULTS

The annual results of the Group for the year ended December 31, 2014 were published on the websites of the Stock Exchange for information disclosure and the Company on March 25, 2015.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended December 31, 2014 are set out in Note 12 to the Financial Statements of this report.

SHARE CAPITAL

As at the date of this report, the total Share capital of the Company is RMB246,316,000, divided into 246,316,000 Shares with a nominal value of RMB1.00 each.

DONATIONS

For the year ended December 31, 2014, the charity donations and other donations made by the Company amounted to approximately RMB3.17 million.

RESERVES

Movements in the reserves of the Company for the year ended December 31, 2014 are set out in the Consolidated Statement of Changes in Equity and Note 23 to the Financial Statements of this report, and details of reserves available for distribution to our Shareholders are set out in Note 23(e) to the Financial Statements of this report.

AUDITORS

The Company has appointed KPMG as auditor of the Company for the year ended 31 December 2014. KPMG will retire as the Company's auditor at the end of the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company to re-appoint KPMG as the Company's auditor for the year ending 31 December 2015.

As approved by the 2013 Annual General Meeting, the Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the new PRC auditor of the Company, and did not re-appoint its previous PRC auditor PKF DAXIN Certified Public Accountants LLP. For details please refer to the announcements and circular published on the websites of the Stock Exchange for information disclosure and the Company on April 28, 2014 and June 17, 2014, respectively.

PROFIT DISTRIBUTIONS

The Board recommends to distribute a final dividend of RMB0.227 per Share (tax inclusive) in cash to the Shareholders for the year ended December 31, 2014. The dividend mentioned above will be distributed upon approval of Shareholders at the forthcoming annual general meeting of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date till the last day of the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2014, sales to the top five customers of the Company and the purchases from the top five suppliers of the Company accounted for less than 30% of the Group's total sales and total purchases, respectively.

DIRECTORS AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

No contracts of significance to which the Company or its holding company, any of its fellow subsidiaries and subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly and indirectly, subsisted at the end of the year ended December 31, 2014 or at any time during that year.

BANK LOANS

Details of the bank loans of the Company and its subsidiaries for the year ended December 31, 2014 were set forth in Note 20 to the Financial Statements of this report.

EMPLOYEES REMUNERATION AND POLICIES

As at December 31, 2014, the Group had 4,854 employees. The remuneration policy of the Group is determined by the Remuneration and Assessment Committee under the Board of Directors as per the performance, qualifications and competence of our employees. Details of the employee remuneration of the Company were set forth in Note 7(b) to the Financial Statements of this report.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME AND SHARE OPTION INCENTIVE PLAN

Details of the retirement and employees benefit scheme of the Company are set forth in Note 7(b) to the Financial Statement of this report.

As at the date of this report, the Company did not have any share option incentive plan.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of our Directors, Supervisors and Senior Management were set forth on pages 55 to 57 of this report. Saved as disclosed in this report, there have been no changes to the information about the Directors, Supervisors and senior management of the Company which are required to be disclosed under Rule 13.51(2) of the Listing Rules during the Reporting Period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

None of the independent non-executive Directors has any business or financial interests in the Group, nor do they hold any executive positions in the Company, which effectively guaranteed their independence.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as per Rule 3.13 of the Listing Rules. As at the Latest Practicable Date, the Company is of the opinion that all the independent non-executive Directors are independent as per Rule 3.13 of the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each of the Directors and Supervisors, which set forth: 1) each service contract lasts for a term of three years; and 2) the service contract may be terminated as per its terms.

None of the Directors and Supervisors has entered into a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2014, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").

SUBSTANTIAL SHAREHOLDERS` INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2014, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executives of the Company) in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Shareholder	Type of Shares	Capacity	Number of Shares/underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Poly Group (Note 2)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (long position)	100.00	63.69
Poly Southern	Domestic Shares	Beneficial owner	50,197,900 (long position)	32.00	20.38
China Credit Trust Co., Ltd. (Note 3)	H Shares	Interest of controlled corporation	8,965,100 (long position)	10.02	3.64
Harvest Fund Management Co., Ltd. (Note 3)	H Shares	Investment manager	8,965,100 (long position)	10.02	3.64
Macquarie Group Limited (Note 4)	H Shares	Interest of controlled corporation	5,669,000 (long position)	6.34	2.30
The National Council for Social Security Fund	H Shares	Beneficial owner	4,870,400 (long position)	5.44	1.98
ICBC Credit Suisse Asset Management (International) Company Limited	H Shares	Investment manager and beneficial owner	4,703,100 (long position)	5.26	1.91

Note:

1. The percentage is calculated with the number of the relevant class of Shares of the Company issued as at the Latest Practicable Date divided by the total number of Shares.

2. Poly Group directly holds 106,670,500 Shares of the Company, and holds 100% of the equity interest of Poly Southern, which in turn holds 50,197,900 Shares of the Company. Accordingly Poly Group is deemed to be interested in the 50,197,900 Shares held by Poly Southern under the SFO.

3. Harvest Fund Management Co., Ltd. directly holds 3,525,800 H Shares of the Company. Harvest Fund Management Co., Ltd. holds all the equity interests of Harvest Global Investments Limited, and Harvest Global Investments Limited holds 5,439,300 H Shares of the Company. Accordingly Harvest Fund Management Co., Ltd. is deemed to be interested in the 5,439,300 H Shares held by Harvest Global Investments Limited under the SFO. China Credit Trust Co., Ltd. holds 40% equity interests of Harvest Fund Management Co., Ltd. Accordingly China Credit Trust Co., Ltd. is deemed to be interested in 8,965,100 H Shares held by Harvest Fund Management Co., Ltd. under the SFO.

4. Macquarie Funds Management Hong Kong Limited and Macquarie Investment Management Ltd directly hold 4,887,600 H Shares and 781,400 H Shares of the Company, respectively. Macquarie Group Limited holds all the equity interests of Macquarie Funds Management Hong Kong Limited and Macquarie Investment Management Ltd, therefore Macquarie Group Limited is deemed to be interested in the 5,669,000 H Shares collectively held by Macquarie Funds Management Hong Kong Limited and Macquarie Investment Management Ltd under the SFO.

Save as disclosed above, as at December 31, 2014, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management and administration of the entire or any significant part of the business nor did any such contract subsist at any time during the Reporting Period.

CONNECTED TRANSACTIONS

1. Non-exempt One-off Connected Transaction

Capital Contribution to Guilin Poly and Formation of Joint Venture with Guangxi Property to Launch the Arts Center Project

Parties

Guangxi Property and the Company

Principal terms

The Company and Guangxi Property entered into a Capital Increase Agreement on April 11, 2014, pursuant to which both parties agreed to make capital contributions to Guilin Poly to jointly launch the Arts Center Project ("Capital Increase").

As at April 11, 2014, Guilin Poly was a wholly-owned subsidiary of the Company, whose registered capital was RMB10 million. Pursuant to the Capital Increase Agreement, the Company and Guangxi Property agreed to make capital contributions of RMB40 million and RMB50 million in cash, respectively, to Guilin Poly. Upon the completion of the Capital Increase, the registered capital of Guilin Poly was increased from RMB10 million to RMB100 million.

Listing Rules Implications

Guangxi Property is a wholly-owned subsidiary of Poly Property. The Controlling Shareholder of the Company, Poly Group, is also the Controlling Shareholder of Poly Property. Accordingly, Poly Property and its associates (including Guangxi Property) are connected persons of the Company. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the above transaction is subject to the annual reporting and announcement requirements but exempted from the independent shareholders approval requirement under Chapter 14A of the Listing Rules.

Transaction and its Reasons

The Company will strive to develop the Arts Center Project into an arts center and creative base which combines cultural display, performing arts and film and television. This will allow the Company to promote the development of related businesses and increase market influence. The Capital Increase will satisfy the operating capital requirements and capital requirements of the Arts Center Project, and will effectively support its sustainable and further development. The Company is mainly responsible for the operation and management of the Arts Center Project's cultural facilities, while Guangxi Property is mainly responsible for the construction and development of the Arts Center Project.

The Directors (including independent non-executive Directors) consider the terms of the Capital Increase Agreement have been entered into on normal commercial terms, are fair and reasonable and in the interest of the Company and Shareholders of the Company as a whole.

For details of the above transaction, please refer to the announcement published on the websites of the Stock Exchange for information disclosure and the Company on April 11, 2014.

2. Non-exempt Continuing Connected Transactions

During the Reporting Period, the Company has conducted certain non-exempt Continuing Connected Transactions as listed below:

Number	Connected Transaction	Connected Person	Annual Cap of 2014 (RMB Million)	Actual Transaction Amount of 2014 (RMB Million)
1	Financial Services Agreement	Poly Finance	Not Applicable	Not Applicable
2	General Services Framework Agreement	Poly Group (as the service receiver)	16 (revised annual cap)	13.47
3	Commodities Sale and Purchase Framework Agreement	Poly Group (as the purchaser)	8 (revised annual cap)	5.69
4	Property Lease Framework Agreement	Poly Group (as the lessor)	54.7	40.54
5	Cinema Box Office Income Sharing Framework Agreement	Poly Group	193.1	131.13

Note:

1. For the above-mentioned No.1 non-exempt Continuing Connected Transaction, its annual caps from 2015 to 2017 have been approved by the Extraordinary General Meeting of the Company convened on December 22, 2014.

2. For the above-mentioned No.2 to No.5 non-exempt Continuing Connected Transactions, the Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to exempt from the requirements of announcement and independent Shareholders' approval upon its Listing. In addition, the Company published the Revision of Existing Annual Caps of Continuing Connected Transactions Announcement on the websites of the Stock Exchange for information disclosure and the Company on December 17, 2014, according to which the annual caps of the above No.2 General Services Framework Agreement and No.3 Commodities Sale and Purchase Agreement have been revised.

(1) Financial Services Agreement with Poly Finance

Parties

Poly Finance and the Company

Principal terms

The Company and Poly Finance entered into the Financial Services Agreement on November 5, 2014, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services for the Group.

Poly Finance undertakes to provide the Company with high-quality and efficient financial services and to timely notify the Company of agreed events in order to safeguard the financial assets of the Company and adopt proper mitigation measures.

In respect of the deposit services under Financial Services Agreement, the maximum daily deposit balance of the Group with Poly Finance is RMB1 billion during the term of the Financial Services Agreement.

In respect of the credit lending services provided by Poly Finance under Financial Services Agreement, the maximum daily lending balance of the Group with Poly Finance is RMB0.5 billion during the term of the Financial Services Agreement.

Conditional upon the compliance with the Financial Services Agreement, the Company and Poly Finance will enter into separate contracts in respect of deposit services, credit lending services, settlement services and miscellaneous financial services to provide for the details on the provision of these services.

The term of the Financial Services Agreement is three years from 1 January 2015 to 31 December 2017. Unless one party notifies the other party to terminate the Financial Services Agreement, it will be extended for another three years upon its expiry without limitation on the number of times of extension. The extension of the agreement as well as its proposed annual caps for the transaction should also comply with the applicable requirements of the Listing Rules.

Listing Rules Implications

Poly Finance is a subsidiary owned as to 85% by Poly Group, the Controlling Shareholder of the Company, and therefore it is a Connected Person of the Company. Accordingly, the Financial Services Agreement entered into between Poly Finance and the Company and the contemplated transactions under the agreement constitute the Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio to deposit services under the Financial Services Agreement exceeds 5%, the deposit services provided by Poly Finance to the Group shall be subject to the annual reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

The credit lending services provided by Poly Finance to the Group constitutes Connected Transactions by way of financial assistance to the Group provided by a connected person. As the highest applicable percentage ratio to the credit lending services under the Financial Services Agreement exceeds 5%, the credit lending services provided by Poly Finance to the Group shall be subject to the annual reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

In respect of settlement services and miscellaneous financial services provided by Poly Finance to the Group, each of the percentage ratios is, or is expected to be, below the de minimis threshold as stipulated in Chapter 14A of the Listing Rules. Therefore the provision of settlement services and the provision of miscellaneous financial services by Poly Finance to the Group are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules if the transaction amount of the miscellaneous financial services to be provided by Poly Finance to the Group under the Financial Services Agreement exceeds the relevant threshold.

Transaction and its Reasons

The main reasons and benefits for our utilizing the financial services provided by Poly Finance are as follows:

(1) The Group is expected to benefit from Poly Finance's better understanding of the operations of the Group which allows expedient and efficient service provision. As an intra-group service provider, Poly Finance communicates more conveniently and efficiently with the Group as compared with other independent commercial banks; and

(2) The interest rates on deposits and financing offered by Poly Finance to the Group are more favorable than those offered by other independent PRC commercial banks in general.

The Financial Services Agreement is entered into on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The transactions contemplated under the Financial Services Agreement will not have any adverse effect on the Group's revenue as well as its assets and liabilities.

For details of the above transactions, please refer to the announcement and circular published on the websites of the Stock Exchange for information disclosure and the Company on November 5, 2014 and November 27, 2014, respectively.

(2) General Services Framework Agreement

Parties

Poly Group (as the service receiver), and the Company (as the service provider)

Principal terms

We entered into the General Services Framework Agreement with Poly Group on February 14, 2014, pursuant to which we from time to time provide Poly Group and/or its associates with certain types of services, mainly including exhibition service, theatre management service, art appreciation activity service and general service. The principal terms of the General Services Framework Agreement are as follows:

- the General Services Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry;
- relevant subsidiaries or associated companies of both parties will enter into separate underlying contracts which will set out the specific terms and conditions according to the principles provided in the General Services Framework Agreement; and
- the price for the service provided under General Services Framework Agreement will be determined by reference to the then market price or as agreed by both parties after arm-length negotiations.

Listing Rules Implications

As Poly Group is the Controlling Shareholder of the Company, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the General Services Framework Agreement between the Company and Poly Group constitute the Continuing Connected Transactions under the Listing Rules.

As the highest applicable percentage ratio to revised annual cap under the General Services Framework Agreement between the Company and Poly Group is more than 0.1% but less than 5%, the Continuing Connected Transactions under the General Services Framework Agreement shall be subject to the annual reporting and announcement requirements but exempted from the independent shareholders` approval requirement as set out in Chapter 14A of the Listing Rules.

The Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to exempt from the requirements of announcement and independent shareholders' approval.

Transaction and its Reasons

The provision of service by the Company to Poly Group started before 2010. Poly Group is engaged in the business of real estate development and needs artistic decoration and exhibition for their real estate display hall from time to time. Poly Group also conducts promotion activities for their high-end real estate projects by hosting art appreciation activities. Poly Art Centre, a wholly-owned subsidiary of the Company, is engaged in exhibition undertakings and organization of art communication activities. In order to seize such business opportunity, Poly Group and its subsidiaries need to promote its sales and marketing activities all over the country, and Poly Art Centre holds local exhibition with selected exhibits which will enhance the market influence of Poly Group and which also accords with Poly Group's promotion slogan "Cultural Real Estate". In the meantime, Poly Art Centre can also earn profits in the promotion of our artistic brand. For Poly Group, it is always dedicated to the merger between real estate and culture by means of the introduction of some cultural elements, like Poly Theatre, into Beijing and Shenzhen in order to enhance the cultural content and commercial value and complement each other's benefit with Poly Culture. Thus, the provision of exhibition service from our Group to Poly Group would not only enhance the recognition of the real estate projects of Poly Group but also expand and develop the business of our Group. In addition, our Group has gradually established theatre management companies in many cities in the PRC and has recruited a group of professionals in the field of theatre management, which are comparably hard to find in the market. The above-mentioned provision of service by our Group to Poly Group was and will be conducted in line with the market practice and can exert the strength and advantage from both our Group and Poly Group.

For details of the above transactions, please refer to the Prospectus of the Company and the announcement published on the websites of the Stock Exchange for information disclosure and the Company on December 17, 2014.

(3) Commodities Sale and Purchase Framework Agreement

Parties

Poly Group (as the purchaser) and the Company (as the seller)

Principal terms

We entered into the Commodities Sale and Purchase Framework Agreement with Poly Group on February 14, 2014, pursuant to which we from time to time sell commodities mainly including art products and theatre tickets to Poly Group and/or its associates. The principal terms of the Commodities Sale and Purchase Framework Agreement are as follows:

- the Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry;

- relevant subsidiaries of both parties will enter into separate underlying contracts which will set out the specific terms and conditions according to the principles provided in the Commodities Sale and Purchase Framework Agreement; and

- the price of the commodities sold by us under the Commodities Sale and Purchase Framework Agreement will be determined through arm-length negotiations by parties thereto by reference to market price.

Listing Rule Implications

As Poly Group is the Controlling Shareholder of the Company, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing Commodities Sale and Purchase Framework Agreement entered into between the Company and Poly Group constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio to the revised annual cap under the Commodities Sale and Purchase Framework Agreement between the Company and Poly Group is more than 0.1% but less than 5%, the Continuing Connected Transactions under the Commodities Sale and Purchase Framework Agreement shall be subject to the annual reporting and announcement requirements but exempted from the independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

The Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to exempt from the requirements of announcement and independent shareholders' approval.

Transaction and its Reasons

It is our ordinary and usual course of business to sell art products and theatre tickets. Poly Group places great emphasis on the working environment and welfare of its employees. There is a need for Poly Group and/or its associates to purchase theatre tickets as employee benefits from time to time and/or purchase art products for interior decoration of their office building from time to time. The terms of the sales and purchases of the above commodities are in line with the market rates.

For details of the above transactions, please refer to the Prospectus of the Company and the announcement published on the websites of the Stock Exchange for information disclosure and the Company on December 17, 2014.

(4) Property Lease Framework Agreement

Parties

Poly Group (as the lessor) and the Company (as the lessee)

Principal terms

We entered into a Property Lease Framework Agreement with Poly Group on February 14, 2014, pursuant to which we lease properties from Poly Group and/or its associates for the purpose of office premises, cinema operation, theatre operation, auction business operation and ancillary service. The principal terms of the Property Lease Framework Agreement are as follows:

- the Property Lease Framework Agreement is valid for a term of 20 years commencing on the Listing Date;
- relevant subsidiaries or associated companies of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Property Lease Framework Agreement;
- basis of determination of rentals: the rentals shall be determined by reference to the then market price or as agreed by both parties after arm-length negotiations;
- the property management fee shall be determined by reference to the then market price or as agreed by both parties after arm-length negotiations;
- the energy charge and other facilities fee shall follow the government prescribed price or where no such government-prescribed price is applicable, it shall then be determined by reference to the then market price or as agreed by both parties after arm-length negotiations; and
- the term of the separate underlying lease agreements entered into under the Property Lease Framework Agreement shall be for a maximum of 20 years. We may request to renew the term of the lease by issuing a written notice to relevant members of Poly Group at least one month before expiry of the lease. Relevant members of Poly Group shall, upon receipt of the said notice, consent to the request for renewal and shall renew the lease with members of our Group before its expiration.

Listing Rules Implications

As Poly Group is the Company's Controlling Shareholder, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Property Lease Framework Agreement between the Company and Poly Group constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio to the annual cap under the Property Lease Framework Agreement between the Company and Poly Group is more than 0.1% but less than 5%, the Continuing Connected Transactions under the Property Lease Framework Agreement shall be subject to the annual reporting and announcement requirements but exempted from the independent shareholders` approval requirements under Chapter 14A of the Listing Rules.

The Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to exempt from the requirements of announcement and independent shareholders' approval.

Transaction and its Reasons

Our Group has started to lease and use the above properties for its business operation prior to 2010. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

Our Directors are of the view that the long-term nature of the property lease agreement would enable the Group to secure locations for its business operation at fair market price and to prevent unnecessary cost, time and interruption of business caused by relocation in the case of short term lease. As such, our Directors are of the view that the lease term of 20 years is appropriate for the Property Lease Framework Agreement and is the normal business practice for lease agreements of this type to be of such duration.

For details of the above transactions, please refer to the Prospectus of the Company.

(5) Cinema Box Office Income Sharing Framework Agreement

Parties

Poly Group and the Company

Principal terms

We entered into a Cinema Box Office Income Sharing Framework Agreement with Poly Group on February 14, 2014, according to which Poly Group and/or its associates will provide new film prints for our Group and our Group will then arrange movie screening in our cinemas. Both parties agreed to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Group and/or its associates may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves. Such cinema box office income sharing arrangement is in line with the current film industry practice in the PRC.

The principal terms of the Cinema Box Office Income Sharing Framework Agreement are as follows:

- the Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry;

- relevant subsidiaries or associated companies of both parties will enter into separate underlying contracts which will set out the specific terms and conditions according to the principles provided in the Cinema Box Office Income Sharing Framework Agreement; and

- Poly Group and/or its associates will provide new film prints to our Group and our Group will then arrange movie screening in our cinemas. Our Group will first receive the net cinema box office income generated from the film screening and then split a portion of such revenue with Poly Group and/or its associates in accordance with the respective sharing percentage as set out in the separate underlying contracts as agreed by both parties after arm-length negotiations.

Listing Rules Implications

As Poly Group is the Controlling Shareholder of the Company, Poly Group constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio to the Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group is more than 5%, thus the Continuing Connected Transactions under the Cinema Box Office Income Sharing Framework Agreement shall be subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to exempt from the requirements of announcement and independent shareholders' approval.

Transaction and its Reasons

Historically, we entered into intra-group box office income sharing agreements with Poly Wanhe Cinema Circuit (a then non wholly-owned subsidiary of our Company mainly engaging in the cinema circuit business before the reorganization). Pursuant to those agreements, Poly Wanhe Cinema Circuit provided new film prints to us and we then arranged movie screening in our cinemas. Cinema circuit business is forbidden for foreign investment under the applicable PRC laws and regulations. Upon the Listing, the Company became an enterprise with foreign investment and is prohibited from investing or conducting cinema circuit business. Accordingly, during our preparation for the Listing, our Group had to dispose of the cinema circuit business and we transferred our 51% equity interest in Poly Wanhe Cinema Circuit to Poly Group as part of the Reorganization. Our Directors expect that, among others, considering that the historical sound business relationship between Poly Wanhe Cinema Circuit and our cinemas, and the fact that the relevant income sharing percentages are comparable to the market standards, it is in the Group's interest that such arrangement between our Group and Poly Wanhe Cinema Circuit will continue after the Listing. Any cessation of such arrangement may cause unnecessary disruption to our business operation.

For details of the above transactions, please refer to the Prospectus of the Company.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed the above Continuing Connected Transactions and confirmed that the transactions:

1. were entered into during our ordinary and usual course of business;

2. were conducted on normal commercial terms or more favorable terms; and

3. were conducted in accordance with relevant terms of the transaction agreements, and the transactions terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

CONFIRMATION FROM THE AUDITORS

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged KPMG as the international auditor of the Company to conduct a limited assurance engagement on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Directors confirmed that the auditor has reported the results of their procedures to the Board stating that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Board of Directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the Continuing Connected Transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that such Continuing Connected Transactions have exceeded the applied maximum aggregate annual caps for the year 2014.

NON-COMPETING UNDERTAKING

Poly Group, the Controlling Shareholder of the Company, signed a non-competition undertaking on February 14, 2014 (the "Non-competition Undertaking"). Pursuant to the Non-competition Undertaking, Poly Group has irrevocably undertaken that it would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any member of our Group from time to time. Poly Group has also undertaken to our Company that, if there is any new business opportunity in the restricted business, it shall within a reasonable period of time refer such new business opportunity to our Company. Such business opportunity shall first be offered and made available to us. Poly Group shall not invest, participate, be engaged in and/or operate in such business opportunity unless the Company has declined in writing or failed to respond within thirty (30) days after being notified of such opportunity.

For details about the above-mentioned Non-competition Undertaking, please see the Company's Prospectus.

During the Reporting Period, the Company's Controlling Shareholder has complied with the Non-competing Undertaking.

PRE-EMPTIVE RIGHT, SHARE OPTION ARRANGEMENTS

During the year ended December 31, 2014, Shareholders of the Company have no pre-emptive right or any share option arrangements in accordance with applicable PRC laws and the Articles.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, during the year ended December 31, 2014, no contracts of significance in respect of provision of services or otherwise were entered into between the Company or its subsidiaries and the Controlling Shareholder or its subsidiaries.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued Share capital of the Company was held by the public as at the Latest Practicable Date, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2014. So far as the Directors are aware, there is no litigation or claim which are pending or threatened against the Company.

AUDIT OF ANNUAL RESULTS

The Consolidated Financial Statements of the Company for the year ended December 31, 2014, including the accounting principles and practices adopted, have been reviewed by the Audit Committee of the Board of Directors together with the external auditors.

By order of the Board of Directors
Xu Niansha
Chairman of the Board of Directors

Report from the Board of Supervisors

The current session of the Board of Supervisors was re-elected upon approval by the Fifth Extraordinary General Meeting in 2013 of the Company convened on December 27, 2013, and consists of three Supervisors.

In 2014, the Board of Supervisors of the Company, for the sake of long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by Directors and senior management personnel of the Company in strict accordance with laws such as PRC Company Law, regulations, rules and normative documents, the Articles and Rules of Procedure for Meetings of the Board of Supervisors of Poly Culture Group Corporation Limited. Following is a report of the principal work of the Board of Supervisors during the Reporting Period:

I. MEETINGS OF THE BOARD OF SUPERVISORS

On February 14, 2014, the second session of the Board of Supervisors convened its first meeting and deliberated and approved the Proposal on Electing Liu Juncai as Chairman of the Board of Supervisors of Poly Culture Group Corporation Limited and the Proposal on Writing off the Company`s Account Receivables for Bad Debt Provisions from Beijing Poly Tianyuan Advertise Company Limited (北京保利天源廣告有限公司) and Beijing Poly Tianyuan Culture Company Limited(北京保利天源文化有限公司).

On March 28, 2014, the second session of the Board of Supervisors convened its second meeting and deliberated and approved Proposal on Work Report 2013 of the Board of Supervisors of the Company and Proposal on Financial Reports 2013 of the Company.

On August 25, 2014, the second session of the Board of Supervisors convened its third meeting and deliberated and approved Proposal on 2014 Interim Result Announcement of the Company and Proposal on 2014 Interim Report of the Company.

II. WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, principal work of the Board of Supervisors is:

1. Examine the lawful operation of the Company

During the Reporting Period, Supervisors attended all the general meetings convened by the Company, were present at all the meetings convened by the Board of Directors, and reviewed the proposals submitted to the Board of Directors. At the relevant meetings, Supervisors supervised the decision-making process regarding major issues and the performance of duties by Directors and senior management personnel, and participated in and supervised various links of Listing of the Company. The Board of Supervisors holds that the decisions on major issues were made legally and that all Directors and senior management personnel of the Company are dutiful and diligent at work and strictly implement resolutions of the general meeting in the principle of legal operation and prudent decision-making, and neither violate laws, regulations or Articles nor damage the interests of the Company and Shareholders in performing duties.

2. Examine the financial information of the Company

During the Reporting Period, the Board of Supervisors reviewed relevant financial data of the Company and affiliates and audit reports of the Company and affiliates provided by auditors. The Board of Supervisors holds that accounts and financial accounting of the company and affiliates comply with Accounting Law of the People`s Republic of China, Accounting Standards for Business Enterprises and International Financial Reporting Standards, and does not find any problems regarding the aforesaid issues.

3. Strengthen building of internal control of the Company

During the Reporting Period, the Board of Supervisors participated in the building of the internal control system of the Company. As required by regulatory requirements for listed companies, the Company formulated and amended more than 20 systems, including Fund-raising Management Measures, Information Disclosure Management Measures, Provisions on Administration of Insider Information Disclosure, Connected Transactions Management Measures and Working System of Independent Directors, continuously improving the internal control system of the Company. The Board of Directors holds that the building of the aforesaid system has laid a benign foundation for the Company`s overall operation, formed a scientific decision-making mechanism, execution mechanism and supervisory mechanism, improved the corporate management level and enhanced the corporate risk resistance capability.

Liu Juncai
Chairman of the Board of Supervisors

Corporate Governance Report

The Company and its subsidiaries are committed to maintaining high-level corporate governance to protect the interests of Shareholders and improve the corporate value and accountability. During the Reporting Period, the Company has complied with all the code provisions in Corporate Governance Code in Appendix 14 of the Listing Rules and adopted most of the recommended best practices therein. Corporate governance practices of the Company during the Reporting Period are summarized below:

1. BOARD OF DIRECTORS

1.1 Composition of the Board of Directors

During the Reporting Period, the Board of Directors comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Listed below are incumbent Directors of the Company:

Name	Position
Xu Niansha	Chairman and executive Director
Li Nan	Vice chairman and executive Director
Zhang Xi	Executive Director
Jiang Yingchun	Chief Executive Officer and executive Director
Wang Lin	Non-executive Director
Zhao Zigao	Non-executive Director
Li Boqian	Independent non-executive Director
Li Xiaohui	Independent non-executive Director
Yip Wai Ming	Independent non-executive Director

During the Reporting Period, the Board of Directors has complied with the requirement of the Listing Rules on appointment of at least three independent non-executive Directors, representing at least one-third of members of the Board of Directors and at least one of whom shall have relevant professional qualifications, or accounting or relevant financial management expertise. The qualifications of the three independent non-executive Directors of the Company fully comply with Rules 3.10 (1) and (2) of the Listing Rules.

None of the independent non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as per Rule 3.13 of the Listing Rules. As at the Latest Practicable Date, the Company is of the opinion that all the independent non-executive Directors are independent as per Rule 3.13 of the Listing Rules.

The term of office of the independent non-executive Directors Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming shall be three years as from December 27, 2013.

The term of office of the non-executive Directors Mr. Wang Lin and Mr. Zhao Zigao shall be three years as from December 27, 2013. The profiles of the Directors are set out in pages 55 to 57 of this report. Members of the Board of Directors do not have any relations between each other (including financial, business, family or other material or related relations). The Board of Directors is well-balanced in structure and each of its members is knowledgeable, richly experienced and talented in the business operation and development of the Company. All the Directors understand their joint and several responsibilities for Shareholders of the Company.

1.2 Board Meetings

The Board of Directors held Board meetings regularly: at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance for them to arrange the attendance for the meeting, with the matters to be discussed specified in agenda of the meeting.

A Board meeting shall be attended by more than half of the Directors. Directors shall personally attend the meeting. In the event that any Director is unable to attend a meeting for any reason, he may appoint another Director by a written power of attorney.

During the year ended December 31, 2014, the Board of Directors held ten meetings in total, with details of the attendance of Directors specified as follows:

Name	**Position**	**Meetings attended/ Meetings eligible to attend**	**Attendance Rate**
Chen Hongsheng[(1)]	Chairman and Executive Director	7/7	100%
Xu Niansha[(2)]	Chairman and Executive Director	1/1	100%
Li Nan	Vice Chairman and Executive Director	10/10	100%
Zhang Zhengao[(3)]	Executive Director	7/7	100%
Zhang Xi[(4)]	Executive Director	1/1	100%
Jiang Yingchun	Chief Executive Officer and Executive Director	10/10	100%
Wang Lin	Non-executive Director	10/10	100%
Zhao Zigao[(5)]	Non-executive Director	9/10	90%
Li Boqian	Independent non-executive Director	10/10	100%
Li Xiaohui	Independent non-executive Director	10/10	100%
Yip Wai Ming[(6)]	Independent non-executive Director	9/10	90%

Note:

1. Mr. Chen Hongsheng resigned as an executive Director and chairman of the Board of Directors on November 5, 2014.

2. Mr. Xu Niansha was appointed as chairman of the Board of Directors and an executive Director on December 22, 2014. Subsequent to his appointment, only one Board meeting was convened for the year ended December 31, 2014.

3. Mr. Zhang Zhengao resigned as an executive Director of the Company on November 5, 2014.

4. Mr. Zhang Xi was appointed as an executive Director of the Company on December 22, 2014. Subsequent to his appointment, only one Board meeting was convened for the year ended December 31, 2014.

5. Mr. Zhao Zigao was not able to attend the fifth meeting of the second session of the Board of Directors on December 22, 2014 due to personal reasons, and appointed Mr. Zhang Xi as his proxy to represent him and vote on his behalf.

6. Mr. Yip Wai Ming was not able to attend the fifth meeting of the second session of the Board of Directors on December 22, 2014 due to personal reasons, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf.

1.3 Functions and powers exercised by the Board of Directors and the management

The rights and duties of the Board of Directors and the management are specified in the Articles, so as to guarantee an adequate balance and restriction mechanism for a good corporate governance and internal control of the Company.

The Board of Directors shall be responsible for determining the Company's operation plans and investment programs and the setting of its internal management organizations, formulating basic management system of the Company and hearing chief executive officer`s work report and examining the work thereof.

The Board of Directors admits that it is the common responsibility of all Directors to perform the duty of corporate governance, including:

(a) to develop and review the Company`s policies and practices on corporate governance;

(b) to review and monitor the Company`s policies and practices on compliance with legal and regulatory requirements;

(c) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company`s Directors, Supervisors and employees; and

(d) to review the Company`s compliance with Corporate Governance Code and disclosure in the corporate governance report.

1.4 Chairman and Chief Executive Officer

Positions of the chairman and the chief executive officer (chief executive officer under relevant rules of the Listing Rules) of the Company are served by different persons to secure independence of their duties and accountabilities and balanced distribution of rights and authorizations. Mr. Xu Niansha serves as chairman of the Board of Directors and Mr. Jiang Yingchun serves as chief executive officer. The Articles defines duties of the chairman and the chief executive officer.

1.5 Directors' Appointment and Re-election

According to the Articles, Directors shall be elected at the general meeting. A Director shall serve a term of office for no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee of the Board and then submitted to the Board of Directors, subject to the approval by the general meeting.

1.6 Board Diversity Policy

In accordance with the latest amendment and requirements of Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules by the Stock Exchange, the Company prepared Board Diversity Policy of Poly Culture Group Corporation Limited, which has been submitted to the Board of Directors for examination and approval, as summarized below:

The Board Diversity Policy (the "Policy") of the Company specifies that in designing the composition the Board of Directors, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board of Directors. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

The Nomination Committee will disclose the composition of the Board of Directors in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board of Directors for examination and approval.

1.7 Emoluments of Directors, Supervisors and Senior Management and Five Highest Paid Individuals

Emoluments of Directors, Supervisors and senior management shall be proposed by the Remuneration and Assessment Committee based on educational background and work experience, and upon approval by the general meeting, be determined by the Board of Directors with reference to Director`s experience, work performance and position as well as the market.

Details of emoluments of Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in Notes 9 and 10 to the Financial Statements of this report.

1.8 Training for Directors

The Company has provided relevant trainings and related reading materials for our Directors for the year 2014. The Company plans to continue to provide relevant trainings to our Directors in 2015 to ensure that they obtain the comprehensive information they need to make the contribution to the Board of Directors.

1.9 Directors, Supervisors and Senior Management's Liability Insurance

The Company has bought Directors, Supervisors and senior management`s liability insurance for any of their possible legal action.

2. BOARD COMMITTEES

There are five committees under the Board of Directors, namely, Audit Committee, Nomination Committee, Remuneration and Assessment Committee, Art Committee and Strategy Committee.

2.1 Audit Committee

The Audit Committee consists of three Directors: Ms. Li Xiaohui (independent non-executive Director), Mr. Yip Wai Ming (independent non-executive Director) and Mr. Zhao Zigao (non-executive Director). Ms. Li Xiaohui currently serves as the chairlady of the Audit Committee.

The primary responsibilities of the Audit Committee are reviewing and supervising our financial reporting procedures, including making proposals on appointing or changing the external auditors; supervising the Company`s internal audit system and its implementation; communication between the internal auditors and external auditors; auditing the financial information and its disclosure; reviewing the Company`s internal control system and auditing the significant connected transactions; nominating the heads of the internal audit department; and other matters that the Board of Directors has authorized it to deal with.

During the year ended December 31, 2014, the Audit Committee held four meetings, the details of which are as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Li Xiaohui	Independent non-executive Director	4/4	100%
Yip Wai Ming	Independent non-executive Director	4/4	100%
Zhao Zigao	Non-executive Director	4/4	100%

The Audit Committee of the Company directed and supervised the Company`s internal audit department, considered and approved the appointment of the domestic and international auditors and the Financial Reports 2013 of the Company, and submitted the above proposals to the Board of Directors for their consideration. The Audit Committee of the Company also recognized the Connected Transactions of the Company in 2013.

The Audit Committee of the Company has reviewed the Company`s annual results for 2014, and the Financial Statements for the year ended December 31, 2014 in accordance with the International Financial Reporting Standards ("IFRSs").

2.2 Nomination Committee

The Nomination Committee of the Company consists of three Directors: Mr. Li Boqian (independent non-executive Director), Mr. Zhang Xi (executive Director) and Ms. Li Xiaohui (independent non-executive Director). Mr. Li Boqian currently serves as the chairman of the Nomination Committee.

The primary responsibilities of the Company`s Nomination Committee are preparing the procedures and criteria for determining the candidates for the Directors and senior management of the Company and conducting preliminary review on their qualifications and credentials, including proposing to the Board on its size and composition in accordance with the Company`s operating results, assets and shareholding structure; reviewing the procedures and criteria for determining the candidates for the Directors and Chief Executive Officer of the Company and make proposals to the Board of Directors; and looking widely for the qualified candidates for the Directors.

During the year ended December 31, 2014, the Nomination Committee held one meeting on November 5, 2014, the details of which are as follows:

Name	Position	Meetings to attend/ Meetings eligible to attend	Attendance Rate
Li Boqian	Independent non-executive Director	1/1	100%
Zhang Xi[1]	Executive Director	Not Applicable	Not Applicable
Li Xiaohui	Independent non-executive Director	1/1	100%
Zhang Zhengao[2]	Executive Director	1/1	100%

Note:

1. Mr. Zhang Xi was appointed on December 22, 2014. Subsequent to his appointment, no meeting of the Nomination Committee was convened for the year ended December 31, 2014.

2. Mr. Zhang Zhengao resigned from his positions as an executive Director and a member of the Nomination Committee of the Company on November 5, 2014.

2.3 Remuneration and Assessment Committee.

The Remuneration and Assessment Committee consists of three Directors: Mr. Yip Wai Ming (independent non-executive Director), Ms. Li Xiaohui (independent non-executive Director) and Mr. Jiang Yingchun (executive Director). Mr. Yip Wai Ming currently serves as the chairman of the Remuneration and Assessment Committee.

The Company has adopted the model recommended by the Remuneration and Assessment Committee to the Board of Directors to determine the remuneration packages of executive Directors, Supervisors and senior management.

The primary responsibilities of the Remuneration and Assessment Committee are formulating the criteria for and conducting assessment on the Directors and senior management as well as determining and reviewing the remuneration policies and plans for the Directors and senior management, including formulating remuneration plans and proposals in accordance with the terms of reference of the Directors and senior management and the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies; the remuneration plans and proposals include, but not limited to criteria, procedures and main assessment system for performance assessment, main proposals and regulations on award and punishment; reviewing the performance of the Directors and senior management and conducting annual assessment on their performance and results; supervising the implementation of the remuneration policies of the Company; and other matters that the Board of Directors has authorized it to deal with.

During the year ended December 31, 2014, the Remuneration and Assessment Committee held two meetings, the details of which are as follows:

Name	Position	Meetings to attend/ Meetings eligible to attend	Attendance Rate
Yip Wai Ming	Independent non-executive Director	2/2	100%
Li Xiaohui	Independent non-executive Director	2/2	100%
Jiang Yingchun	Executive Director	2/2	100%

2.4 Art Committee

The Art Committee of the Company consists of three Directors: Mr. Li Nan (executive Director), Mr. Jiang Yingchun (executive Director) and Mr. Li Boqian (independent non-executive Director). Mr. Li Nan currently serves as the chairman of the Art Committee.

The primary responsibilities of the Art Committee are: conducting research and making proposals on the plans for investments and operation of the Company in culture and arts; conducting research and making proposals on important projects which involve culture and arts and need to be approved by the Board of Directors pursuant to the Articles; conducting research and making proposals on important projects of significant international influence; conducting research and making proposals on the projects for which the management consider necessary to obtain the opinions of the Art Committee; presenting suggestions and proposals directly to the Board of Directors if the Art Committee consider it necessary; and other matters that the Board of Directors has authorized it to deal with.

No meeting of the Art Committee was convened for the year ended December 31, 2014.

2.5 Strategy Committee

The Strategy Committee of the Company consists of five Directors: Mr. Xu Niansha (executive Director), Mr. Li Nan (executive Director), Mr. Zhang Xi (executive Director), Mr. Wang Lin (non-executive Director) and Mr. Jiang Yingchun (executive Director). Mr. Xu Niansha currently serves as the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are: to consider and make recommendations on the strategic plan for the Company`s long-term development; to consider and make recommendations on the material investments and financing plans, subject to the Board of Directors`approval, in accordance with the Articles of Association; to consider and make recommendations on material capital operation and asset operating project, which are subject to the Board of Directors' approval, in accordance with the Articles of Association; to consider and make recommendations on other material matters that will affect the development of the Company; to review the implementation of above matters; and other matters that the Board of Directors has authorized it to deal with.

No meeting of the Strategy Committee was convened for the year ended December 31, 2014.

3. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors has confirmed its responsibility for preparing annual financial statements of the Company for the year ended December 31, 2014.

The Board of Directors is responsible for submitting a well-defined assessment on the interim and annual reports, stock price sensitive information, and other matters that need to be disclosed according to the Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information to the Board of Directors so that the Board of Directors could make informed assessment on the financial data and position of the Company for examination and approval.

The Company does not face any significant uncertainty likely to give rise to the significant doubt of the Company`s capability of sustained operations.

4. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company`s securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the Reporting Period.

The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company`s securities, without noticing any violation of the guidelines.

5. JOINT COMPANY SECRETARIES

To maintain sound corporate governance practices and guarantee the compliance with the Listing Rules and applicable laws, the Company appointed Mr. Chen Peng and Ms. Yung Mei Yee as the joint company secretaries. Ms. Yung Mei Yee assists Mr. Chen Peng in performing his duties as a joint company secretary of the Company. Mr. Chen Peng is the main contact person of the Company.

The joint company secretaries of the Company, Mr. Chen Peng and Ms. Yung Mei Yee participated in relevant trainings in 2014, which met the requirements of Rule 3.29 of the Listing Rules.

6. INTERNAL CONTROL

The Directors of the Company understand that the Board of Directors shall be responsible for maintaining adequate internal control system to safeguard the investment of Shareholders and assets of the Company and reviewing the effectiveness of the system.

The Board of Directors has examined the effectiveness of internal control system of the Company, believing that the internal control system is effective and adequate.

7. AUDITOR'S REMUNERATION

For the year ended December 31, 2014, the remuneration to external auditor in respect of its annual audit services and reporting accountant service fees to the Listing of the Company were RMB4.26 million and RMB2.42 million, respectively.

8. GENERAL MEETINGS

During the year ended December 31, 2014, the Company convened three general meetings, as detailed below:

Date	Venue	Meetings
February 14, 2014	Meeting room on Floor 28 of the New Poly Plaza in Beijing	First Extraordinary General Meeting of 2014
June 17, 2014	Meeting room on Floor 27 of the New Poly Plaza in Beijing	Annual General Meeting of 2013
December 22, 2014	Meeting room on Floor 28 of the New Poly Plaza in Beijing	Second Extraordinary General Meeting of 2014

Attendance by Directors:

Name	Position	Meetings attended/ meetings eligible to attend	Attendance Rate
Chen Hongsheng[1]	Chairman and Executive Director	2/2	100%
Xu Niansha[2]	Chairman and Executive Director	1/1	100%
Li Nan	Vice Chairman and Executive Director	3/3	100%
Zhang Zhengao[3]	Executive Director	2/2	100%
Zhang Xi[4]	Executive Director	1/1	100%
Jiang Yingchun	Chief Executive Officer and Executive Director	3/3	100%
Wang Lin	Non-executive Director	3/3	100%
Zhao Zigao[5]	Non-executive Director	2/3	66.7%
Li Boqian	Independent non-executive Director	3/3	100%
Li Xiaohui	Independent non-executive Director	3/3	100%
Yip Wai Ming[6]	Independent non-executive Director	2/3	66.7%

Note:

1. Mr. Chen Hongsheng resigned as an executive Director and chairman of the Board on November 5, 2014.

2. Mr. Xu Niansha was appointed as chairman of the Board and an executive Director of the Company on December 22, 2014. Subsequent to his appointment, only one general meeting was convened for the year end December 31, 2014.

3. Mr. Zhang Zhengao resigned as an executive Director of the Company on November 5, 2014.

4. Mr. Zhang Xi was appointed as an executive Director of the Company on December 22, 2014. Subsequent to his appointment, only one general meeting were convened for the year end December 31, 2014.

5. Mr. Zhao Zigao was not able to attend the second Extraordinary General Meeting of 2014 on December 22, 2014 due to personal reasons.

6. Mr. Yip Wai Ming was not able to attend the second Extraordinary General Meeting of 2014 on December 22, 2014 due to personal reasons.

9. COMMUNICATIONS WITH SHAREHOLDERS

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, and has established effective channels for the Company to communicate with the investor.

9.1 Shareholders' Rights

Where the Company convenes a general meeting, a notice of the meeting in written form or in electronic form (by publishing announcement on, including but not limited to, the websites of the Stock Exchange for information disclosure and the Company) shall be given not less than 45 days before the date of the meeting to notify all of the Shareholders in the Shareholders` register of the matters to be considered and the date and venue of the meeting to be held. Any Shareholder intending to attend the meeting shall deliver to the Company a written reply showing his/her intention to attend at least 20 days before the meeting.

Shareholder(s) holding more than 10% of the Company`s Shares, individually or jointly, shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting or a class general meeting. The Board of Directors shall provide its written feedback on agreeing or disagreeing to convene an extraordinary general meeting or a class general meeting within 10 days after receiving the proposal in accordance with the provisions of laws, administrative regulations and the Articles.

If the Board of Directors agrees to convene an extraordinary general meeting or a class general meeting, a notice of general meeting shall be issued within five days after the resolution of the Board of Directors meeting is made. The changes to the original proposal in the notice shall be subject to consent of the Shareholders who make the said proposal.

If the Board of Directors disagrees to convene an extraordinary general meeting or a class general meeting or fails to make any feedback within 10 days after receiving the proposal, Shareholder(s) holding more than 10% of the Company's Shares, individually or jointly, shall have the right to request the Board of Supervisors in writing to convene an extraordinary general meeting or a class general meeting.

9.2 Inquiry and Communication of Shareholders

The Company releases its announcements, financial data and other relevant data on its website www.polyculture.com.cn, which serves as a channel facilitating effective communication. The Shareholders may send any inquiry in writing to the Company`s principal place of business in Hong Kong. The Company will properly handle all inquiries in time.

The Board of Directors welcomes suggestions from Shareholders, and encourages Shareholders to attend general meetings to directly express misgivings that they may have to the Board of Directors and the management. Usually, the chairman of the Board of Directors and the chairmen of respective committees would attend annual general meetings and other general meetings to answer questions put forward by Shareholders.

Detailed voting procedure and resolutions voted on are set out in the Shareholders' circulars before the general meetings.

10. INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintain communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels. Such channels include annual reports, announcements and company website. After formal announcement of its results in accordance with the Listing Rules, the Company will arrange for meetings during which the management will answer questions from investors. The Company will meet overseas investors and facilitate communication with them through analysts' conference and roadshows. The Company has communicated with domestic and overseas investors through roadshows and analysts' conferences prior to the Listing.

11. ARTICLES AND AMENDMENTS

The Articles of the Company took effect on the Listing Date. As at December 31, 2014, there were no significant changes in the Articles of the Company except for the necessary amendments to the Articles by the Board of Directors with the authorization from the Second Extraordinary General Meeting for 2013 held on June 24, 2013 (including the amendments to the clauses concerning the Company's Share capital according to the exercise of over-allotment option and the clauses concerning the quarterly financial statements). Details are set out in the announcement published by the Company on the websites of the Stock Exchange for information disclosure and the Company on March 28, 2014.

The Articles of the Company are available on the websites of the Stock Exchange for information disclosure and the Company.

Corporate Social Responsibilities

Placing an emphasis on operation efficiency and corporate development, Poly Culture adheres to the unity of social benefits and economic benefits, receiving favorable comments from different circles in society by proactively shouldering social responsibility, contributing to the community and caring about others.

Poly Theater has been adhering to “passing down the essence of the Chinese culture, popularizing education, motivating originality, importing fine works and promoting China’s main themes” as the basis of programme organization. In 2014, Poly Theater organized around 500 brand-based community shows, such as “Opening the Door to Arts”, and about 300 seminars and lectures themed in arts. Low ticket fares and even free-of-charge admission realized “people benefitted by culture”, which was greeted with an enthusiastic welcome of the market and the audience.

Poly Auction Beijing and Poly Art Center launched activities such as Contemporary Oil Painting Guest Exhibition “The Star of the College” and “Yachang•New Power of Poly”, to facilitate the growth of teenage artists through exploring and nurturing artistic talents. Over 10,000 works were reviewed in the activity of “Yachang•New Power of Poly” alone. They were exhibited in places including Beijing, Guiyang, Xiamen, etc. at different times, which attracted the widespread attention of society.

In conjunction with One Foundation founded Jet Li, Poly Auction Hong Kong organized “One Love Charity Gala”, where 30 million Hong Kong dollars was raised to help people who were traumatized in disasters or emergencies and children who were in a plight.

Poly Film undertook the presentation session at the Fourth Beijing International Film Festival in 2014, in which around 200 Chinese and foreign movies were shown and about 40 activities were held. Cinemas of Poly Film screen dozens of community movies every year. Poly Firm also partook in the Third Beijing People Beneficial Cultural Consumption Season, assigning representative to distribute consumption cards to ten thousand audience and assisting the government to organize this activity.

What Poly Culture has been striving for earned full recognition from different circles in society. In 2014, Poly Culture was awarded “Top 30 National Culture Enterprises” for six consecutive years and received “Charity Award” for the year 2013/2014 from The Community Chest of Hong Kong.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xu Niansha, aged 58, joined the Company in December 2014 and has been the chairman since then. Mr. Xu has been the chairman of Poly Group since May 2013. Mr. Xu also serves as a director of Straco Corporation Limited (新加坡星雅集團) and a member of the 12th national committee of the Chinese People Political Consultation Conference. Mr. Xu has successively served as the general manager of Huahai Real Estate Development Corporation (華海房地產開發公司), the chairman and the general manager of China Ocean Aviation Group Limited (中國海洋航空集團公司), the vice chairman of China National Machinery Industry Corporation (中國機械工業集團有限公司) and the vice chairman of CITIC Offshore Helicopter Co., Ltd. (中信海洋直升機股份有限公司). Mr. Xu holds a doctor degree in law and a doctor degree in economics and was granted the qualification of senior engineer in professor level.

Mr. Li Nan, aged 59, joined the Company in January 2000 and served as a Director and general manager of our Company from January 2000 to November 2010. Mr. Li has been the vice chairman of our Company since December 2010. Mr. Li is also a director of Poly Theatre Management and Poly Film, the head of the China Philharmonic Orchestra, the vice president of Beijing Association for Performances and a director of Chinese Musicians Association. Mr. Li holds a postgraduate equivalent degree in Business Management and used to study violin performance and composition in the People`s Liberation Army Institute of Arts.

Mr. Zhang Xi, aged 53, joined the Company in December 2014 and has been an executive Director since then. Mr. Zhang has been the vice general manager of Poly Group since September 2014. Mr. Zhang also serves as the curator of Poly Art Museum and a director of Poly Jiu Lian Holding Group Co., Ltd. (保利久聯控股集團有限責任公司). Mr. Zhang joined Poly Group since 1996 and successively served as the project manager of finance department of Poly Group, the chief accountant of Poly Plaza Co., Ltd. (保利大廈有限公司), the chief accountant and the vice general manager of Poly Technologies Inc. (保利科技有限公司), the vice general manager and the general manager of Poly Finance Co., Ltd. (保利財務有限公司), the assistant to general manager of Poly Group, the chairman of Poly Energy Holdings Co., Ltd. (保利能源控股有限公司) and the vice general manager and the chief financial officer of Poly Real Estate Group Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600048). Mr. Zhang holds a bachelor degree in economics and was granted the qualification of senior accountant.

Mr. Jiang Yingchun, aged 46, joined the Company in December 2001, and has been an executive Director and Chief Executive Officer of the Company since December 2010. Mr. Jiang served as assistant to general manager from December 2001 to February 2007, and vice general manager from February 2007 to November 2010. Mr. Jiang is currently the chairman of Poly Auction Beijing, chairman of Poly Auction Hong Kong, chairman of Poly Art Centre, a director of Poly Art Investment and the chairman of Poly Film. Mr. Jiang holds a bachelor degree in History majoring in Archaeology and qualification as an editor.

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Wang Lin, aged 51, joined the Company in March 2013 and has been a non-executive Director since then. Mr. Wang also serves as the vice general manager of Poly Group, the chairman of Poly Mining Investment Co., Ltd., and the chairman of Sino Africa Investment and Development Co., Ltd. (中非投資發展有限公司). Mr. Wang holds a master degree in Literature.

Mr. Zhao Zigao, aged 53, joined the Company in November 2007 and has been a non-executive Director since then. Mr. Zhao is also head of the corporate development department of Poly Group, a director of Poly Property Group Co., Ltd., and a director of Poly Investment Holding Co., Ltd.. Mr. Zhao holds a master degree in Economics.

Independent non-executive Directors

Mr. Li Boqian, aged 78, joined the Company in December 2013 and has been an independent non-executive Director since then. Mr. Li has been a teacher in Archaeology Department of Peking University since 1961 and has been a professor and doctoral tutor of School of Archaeology and Museology of Peking University since 1990 and 1996, respectively. Mr. Li holds a bachelor degree in Archaeology.

Ms. Li Xiaohui, aged 47, joined the Company in December 2010 and has been an independent non-executive Director since then. Ms. Li has served as a professor and doctoral tutor of the School of Accountancy of the Central University of Finance and Economics and a member of the Professional Technology Consultancy Committee of the Association of Registered Accountants of the PRC (中國註冊會計師協會專業技術諮詢委員會) since January 2007. Ms. Li is currently an independent non-executive director of Jiangsu Welle Environmental Co., Ltd., Kailuan Energy Chemical Co., Ltd., Bank of Beijing Co., Ltd. and China U-Ton Holdings Limited. Ms. Li holds a doctor degree in Economics.

Mr. Yip Wai Ming, aged 49, joined the Company in December 2013 and has been an independent non-executive Director since then. Mr. Yip is currently an independent non-executive director of BBMG Corporation, Ju Teng International Holdings Limited, Pax Global Technology Limited and Far East Horizon Limited. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Yip holds a bachelor degree in social sciences and a bachelor degree in law.

SUPERVISORS

Mr. Liu Juncai, aged 50, joined the Company in December 2010 and has been the chairman of the Board of Supervisors since then. Mr. Liu is also an employee Director, chairman of the trade union and the head of the office of Poly Group, a supervisor of Poly Real Estate (a company listed on Shanghai Stock Exchange, stock code: 600048). Mr. Liu holds a Master`s equivalent degree in Business Management.

Mr. Liu Jianmin, aged 53, joined the Company in April 2005 and has been a Supervisor since March 2013. Mr. Liu is also a director of Poly Energy Holdings Limited, a director of Poly Mining Investment Corporation Limited and a director of Poly Star Data Disc Company Limited (保利星數據光盤有限公司). Mr. Liu holds a bachelor degree in Artillery and qualification as a senior economist.

Mr. Guo Jianwei, aged 38, joined the Company in March 2011 and has been an employee Supervisor since March 2013. Mr. Guo is also the chief financial officer of Poly Auction Beijing since October 2014. Mr. Guo holds a master degree in business administration and qualification as an accountant.

SENIOR MANAGEMENT

Mr. Ren Wei, aged 55, joined the Company in August 2000 and has been the standing vice president of the Company since April 2013. Mr. Ren also serves as the general counsel of the Company, chairman of Poly Theatre Management, a director of Shanghai Oriental Art Centre, a director of Poly Auction Beijing and a director of Poly Auction Hong Kong. Mr. Ren holds a master's equivalent degree in Enterprise Management.

Mr. Zhou You, aged 54, joined the Company in 2003 and has been the vice president of the Company since January 2003. Mr. Zhou also serves as a director of Poly Theatre Management. Mr. Zhou holds a bachelor degree in Literary Editing and qualification as an editor.

Mr. Liu Debin, aged 42, joined the Company in March 2011 and has been the vice president since March 2013. Mr. Liu also serves as a director and general manager of Poly Film. Mr. Liu holds a bachelor degree in Industrial Accounting and qualification as a senior economist.

Ms. Wang Wei, aged 47, joined the Company in June 2010 and has been the chief financial officer since April 2013. Ms. Wang also serves as a director of Poly Theatre Management, a director of Poly Auction Beijing, a director of Poly Auction Guangdong and a director of Poly Auction Hong Kong. Ms. Wang holds her bachelor degree in technology of foreign trade and qualification as a senior accountant.

Mr. Chen Peng, aged 35, joined the Company in September 2002 and has been the secretary to the Board of Directors since December 2010. Mr. Chen is also a director of Poly Art Centre and Poly Film. He is also a supervisor of Poly Theatre Management, Poly Art Investment and Poly Auction Guangdong. Mr. Chen holds a bachelor degree in Chrematistics and qualification as an accountant.

Independent Auditor's Report

TO THE SHAREHOLDERS OF

POLY CULTURE GROUP CORPORATION LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Poly Culture Group Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 136, which comprise the consolidated and company statements of financial position as at December 31, 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 25, 2015

Consolidated Statement of Profit or Loss

for the year ended December 31, 2014
(Expressed in Renminbi ("RMB"))

	Note	**2014** **RMB'000**	2013 RMB'000
Revenue	4	**2,243,024**	2,002,984
Cost of sales		**(1,249,597)**	(1,013,275)
Gross profit		**993,427**	989,709
Other revenue	6	**25,301**	23,561
Other net income	6	**8,067**	4,190
Selling and distribution expenses		**(239,274)**	(213,073)
Administrative expenses		**(300,885)**	(219,632)
Profit from operations		**486,636**	584,755
Finance income		**81,395**	28,212
Finance costs	7(a)	**(22,399)**	(20,824)
Share of profits of associates		**26**	–
Share of losses of joint ventures	14	**(1,571)**	–
Profit before taxation	7	**544,087**	592,143
Income tax	8	**(130,763)**	(142,572)
Profit for the year		**413,324**	449,571
Attributable to:			
Equity shareholders of the Company		**251,519**	275,209
Non-controlling interests		**161,805**	174,362
Profit for the year		**413,324**	449,571
Earnings per share			
Basic and diluted earnings per share (RMB)	11	**1.09**	1.67

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**413,324**	449,571
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the PRC		**697**	(3,329)
Total comprehensive income for the year		**414,021**	446,242
Attributable to:			
Equity shareholders of the Company		**251,902**	273,342
Non-controlling interests		**162,119**	172,900
Total comprehensive income for the year		**414,021**	446,242

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12	**543,603**	408,318
Long-term prepayments		**3,806**	4,206
Interest in associates		**3,426**	–
Interest in joint ventures	14	**23,429**	–
Other financial assets		**100**	100
Deferred tax assets	22(b)	**11,598**	4,924
		585,962	417,548
Current assets			
Inventories	15	**1,468,809**	805,327
Trade and bills receivables	16	**149,101**	139,927
Consignor advances	17	**884,823**	240,940
Deposits, prepayments and other receivables	18	**697,097**	493,901
Income tax recoverable	22(a)	**–**	636
Banks deposits with original maturities over three months		**29,800**	23,900
Cash and cash equivalents	19	**1,536,301**	1,004,723
		4,765,931	2,709,354
Current liabilities			
Bank loans	20	**100,000**	208,000
Trade and other payables	21	**1,285,801**	1,314,975
Current taxation	22(a)	**75,877**	68,930
		1,461,678	1,591,905
Net current assets		**3,304,253**	1,117,449
Total assets less current liabilities		**3,890,215**	1,534,997
Non-current liabilities			
Deferred revenue		**369**	567
Deferred tax liabilities	22(b)	**187**	–
Trade and other payables	21	**18,659**	–
		19,215	567
NET ASSETS		**3,871,000**	1,534,430

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2014
(Expressed in RMB)

	Note	**2014 RMB'000**	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	23(c)	**246,316**	165,000
Reserves		**3,221,303**	991,827
Total equity attributable to equity shareholders of the Company		**3,467,619**	1,156,827
Non-controlling interests		**403,381**	377,603
TOTAL EQUITY		**3,871,000**	1,534,430

Approved and authorized for issue by the board of directors on March 25, 2015.

Jiang Yingchun
Director

Wang Wei
Authorised Non-director

The notes on pages 68 to 136 form part of these financial statements.

Statement of Financial Position

at December 31, 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12	**3,546**	3,682
Investments in subsidiaries	13	**609,561**	308,856
Interest in joint ventures	14	**23,429**	–
Other financial assets		**100**	100
		636,636	312,638
Current assets			
Deposits, prepayments and other receivables	18	**1,527,296**	423,841
Income tax recoverable	22(a)	**–**	636
Cash and cash equivalents	19	**684,619**	13,504
		2,211,915	437,981
Current liabilities			
Bank loans	20	**–**	1,000
Trade and other payables	21	**20,172**	189,245
Current taxation	22(a)	**2,434**	–
		22,606	190,245
Net current assets		**2,189,309**	247,736
Total assets less current liabilities		**2,825,945**	560,374
NET ASSETS		**2,825,945**	560,374
CAPITAL AND RESERVES	23		
Share capital		**246,316**	165,000
Reserves		**2,579,629**	395,374
TOTAL EQUITY		**2,825,945**	560,374

Approved and authorized for issue by the board of directors on March 25, 2015.

Jiang Yingchun
Director

Wang Wei
Authorised Non-director

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2014
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 note 23(c)	Share premium RMB'000 note 23(d)(ii)	Capital reserve RMB'000 note 23(d)(i)	PRC statutory reserve RMB'000 note 23(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 23(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2013	165,000	4,874	1,104	39,013	835,050	294	1,045,335	353,199	1,398,534
Changes in equity for 2013:									
Profit for the year	–	–	–	–	275,209	–	275,209	174,362	449,571
Other comprehensive income					–	(1,867)	(1,867)	(1,462)	(3,329)
Total comprehensive income	–	–	–	–	275,209	(1,867)	273,342	172,900	446,242
Appropriation of reserve	–	–	–	17,812	(17,812)	–	–	–	–
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 year	–	–	–	–	(156,750)	–	(156,750)	–	(156,750)
Dividends paid by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(142,341)	(142,341)
Balance at December 31, 2013 and January 1, 2014	**165,000**	**4,874**	**(3,996)**	**56,825**	**935,697**	**(1,573)**	**1,156,827**	**377,603**	**1,534,430**
Changes in equity for 2014:									
Profit for the year	**-**	**-**	**-**	**-**	**251,519**	**-**	**251,519**	**161,805**	**413,324**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**383**	**383**	**314**	**697**
Total comprehensive income	**-**	**-**	**-**	**-**	**251,519**	**383**	**251,902**	**162,119**	**414,021**
Issuance of shares upon public offering, net of issuing expenses	**81,316**	**1,977,574**	**-**	**-**	**-**	**-**	**2,058,890**	**-**	**2,058,890**
Appropriation of reserve	**-**	**-**	**-**	**20,668**	**(20,668)**	**-**	**-**	**-**	**-**
Capital contributions from non-controlling equity owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,909**	**7,909**
Dividends declared by subsidiaries to non-controlling equity owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(144,250)**	**(144,250)**
Balance at December 31, 2014	**246,316**	**1,982,448**	**(3,996)**	**77,493**	**1,166,548**	**(1,190)**	**3,467,619**	**403,381**	**3,871,000**

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		**544,087**	592,143
Adjustments for:			
Depreciation	7(c)	**60,313**	39,609
Net loss/(gain) on disposal of property, plant and equipment	6	**104**	(2,230)
Impairment losses/(recovery) on trade and bills receivables	7(c)	**4,198**	(90)
Impairment losses on deposits, prepayments and other receivables	7(c)	**963**	381
Interest earned from consignor advances		**(46,429)**	(21,258)
Net foreign exchange (gain)/loss		**(1,577)**	8,598
Finance costs	7(a)	**22,399**	20,824
Amortization of deferred revenue		**(198)**	(317)
Net gain on disposal of subsidiaries	6	**–**	(5,803)
Share of profits of associates		**(26)**	–
Share of losses of joint ventures	14	**1,571**	–
Changes in working capital:			
Increase in inventories		**(663,482)**	(158,371)
Increase in trade and bills receivables		**(13,338)**	(118,572)
(Increase)/decrease in deposits, prepayments and other receivables		**(168,688)**	44,249
Decrease in long-term prepayments		**400**	363
Increase/(decrease) in trade and other payables		**129,103**	(4,470)
Cash (used in)/generated from operations		**(130,600)**	395,056
Tax paid			
– PRC income tax paid	22(a)	**(130,079)**	(117,068)
Net cash (used in)/generated from operating activities		**(260,679)**	277,988

The notes on pages 68 to 136 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(177,940)**	(144,865)
(Payment for)/repayment of consignor advances		**(643,883)**	157,852
Disposal of a subsidiary-net		**–**	872
(Addition)/withdrawal of bank deposit with maturity over three months		**(5,900)**	32,115
Investments in a joint venture and an associate		**(18,400)**	–
Proceeds from sale of property, plant and equipment		**94**	11,428
Interest received from consignor advances		**805**	23,761
Net cash (used in)/generated from investing activities		**(845,224)**	81,163
Cash flows from financing activities			
Proceeds from issuance of shares upon public offering, net of issuing expenses		**2,058,890**	–
Capital contributions from non-controlling equity owners of subsidiaries		**7,909**	2,940
Proceeds from bank loans		**1,159,000**	447,000
Repayment of bank loans		**(1,267,000)**	(537,000)
Dividends paid by subsidiaries to non-controlling equity owners		**(143,746)**	(141,904)
Dividends paid to equity shareholders of the Company		**(156,750)**	–
Borrowing costs paid		**(22,399)**	(20,824)
Net cash generated from/(used in) financing activities		**1,635,904**	(249,788)
Net increase in cash and cash equivalents		**530,001**	109,363
Cash and cash equivalents at January 1	19	**1,004,723**	903,958
Effect of foreign exchange rate changes		**1,577**	(8,598)
Cash and cash equivalents at December 31	19	**1,536,301**	1,004,723

The notes on pages 68 to 136 form part of these financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited was established in the People's Republic of China (the "PRC") on December 14, 2010 as a joint stock company with limited liability. The Group is mainly engaged in art business and auction, performance and theatre management and cinema investment and management.

On March 6, 2014, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2014 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the available-for-sale equity securities are stated at their fair value as explained in the accounting policies as set out below (see note 2(g)).

The preparation of financial statements 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(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 statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's financial report as they are consistent with the policies already adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have any material impact on the Group's financial report as no impairment of non-financial assets has been recognized as of the end of the reporting period.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's financial report as the Group does not have any derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognized. The amendments do not have an impact on the Group's financial report as the guidance is consistent with the Group's existing accounting policies.

(d) Functional and presentation currency

The consolidated financial statements 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").

(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 consolidated financial statements 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 consolidated financial statements. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

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 statement of financial position 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 statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity 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 statements of financial position in accordance with notes 2(n) or (o) 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 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements 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 note 2(j)). 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 are recognized in the consolidated statement of profit or loss, 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 profit or loss and other 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 ventures 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 2(g)).

In the Company's statement of financial position, investments in an associate and joint ventures are stated at cost less impairment losses (see note 2(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in 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 for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 2(j)).

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

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

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 2(v)).

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 — 3-10 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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 instalments 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.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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 amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period 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 associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(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 2(j)(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

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

– For trade and other current receivables and other financial assets carried at amortized 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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

– investments in subsidiaries, associates and joint ventures in the company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 of disposal (if measurable) 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 favourable 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 in which the reversals are recognized.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories mainly consist of works 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 works of art.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary 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.

(l) Trade, bills and other receivables

Trade, bills and other receivables are recognized initially at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), 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.

(m) Consignor advances

Consignor advances are recognized initially at fair value less allowance for impairment of doubtful debts (see note 2(j)). It represents financing provided to art collectors prior to their works of art being auctioned off, secured by works of art.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized 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.

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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 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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year 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 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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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 utilized, 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 utilized.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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.

(s) 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 Company 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 amortized 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 2(s)(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 amortization.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(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.

(t) 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 generally recognized upon settlement of consideration with purchasers and/or sellers and when the related services are provided. Auction service revenue includes buyer premium 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.

(iii) Revenue from investment consultation

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

Performance and theatre management

(i) Revenue from show performance

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

(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 audiences.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

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 income 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 deducted from the carrying amount of the asset and consequently are effectively 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.

(iii) Interest income

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

(u) Translation of foreign currencies

Foreign currency transactions during the year 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 end of the reporting period. 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. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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 capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization 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. Capitalization 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.

(w) 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).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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 and geographical locations.

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.

3 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 statements. 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 statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

(a) Valuation of artworks inventory

Valuation of artworks 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 works of art and 2) supply and demand and current economic environment. Due to the subjectivity involved in estimating the realizable value, if the artwork market deteriorates and the overall economic condition were to deteriorate, actual write-offs would be higher than estimated.

3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(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.

(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 associates and joint ventures 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 end of the reporting period. In determining the carrying amounts of deferred tax 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 utilization may be different.

3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES *(Continued)*

(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 26. Management reassesses the likelihood of the outcome of these possible obligations at each end of the reporting period. 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.

4 REVENUE

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

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

	2014 **RMB'000**	2013 RMB'000
Revenue from art business and auction	**1,013,929**	972,704
Revenue from performance and theatre management	**838,567**	740,542
Revenue from cinema investment and management	**384,864**	289,738
Revenue from other services	**5,664**	–
	2,243,024	2,002,984

5 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:

– Art business and auction: including auction, buy and sell of Chinese antiques, Chinese modern and contemporary calligraphy and painting, Chinese ancient calligraphy and painting, Chinese oil painting and sculpture 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 cinema construction and cinema 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 joint ventures and associates, other financial assets, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of tax payables, deferred tax liabilities and other corporate liabilities.

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 income, share of profits of associates, share of losses of joint ventures, 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, finance income and finance costs.

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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, 2014 and 2013 is set out below:

	Year ended December 31, 2014			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Revenue from external customers	**1,013,929**	**838,567**	**384,864**	**2,237,360**
Reportable segment revenue	**1,013,929**	**838,567**	**384,864**	**2,237,360**
Reportable segment profit	**480,167**	**38,346**	**71,672**	**590,185**
Depreciation	**(5,840)**	**(4,219)**	**(49,325)**	**(59,384)**
Finance income	**48,993**	**7,215**	**375**	**56,583**
Finance costs	**(52,345)**	**–**	**(6,597)**	**(58,942)**
Reportable segment assets	**3,676,082**	**469,932**	**595,064**	**4,741,078**
Reportable segment liabilities	**2,386,961**	**253,257**	**362,646**	**3,002,864**

	Year ended December 31, 2013			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Revenue from external customers	972,704	740,542	289,738	2,002,984
Reportable segment revenue	972,704	740,542	289,738	2,002,984
Reportable segment profit	556,618	38,265	48,878	643,761
Depreciation	(5,200)	(3,338)	(30,202)	(38,740)
Finance income	25,309	4,742	411	30,462
Finance costs	(32,248)	–	(5,755)	(38,003)
Reportable segment assets	2,431,383	341,208	415,909	3,188,500
Reportable segment liabilities	1,360,699	182,162	292,622	1,835,483

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the years ended December 31, 2014 and 2013. Further details of concentration of credit risk arising from the Group's customers are set out in note 24(a).

5 SEGMENT REPORTING *(Continued)*

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

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	**2,237,360**	2,002,984
Revenue from other services	**5,664**	–
Consolidated revenue	**2,243,024**	2,002,984
Profit		
Reportable segment profit	**590,185**	643,761
Revenue from other services	**5,664**	–
Unallocated head office and corporate other revenue and other net gain	**2,813**	3,560
Share of profits of associates	**26**	–
Share of losses of joint ventures	**(1,571)**	–
Depreciation	**(60,313)**	(39,609)
Finance income	**81,395**	28,212
Finance costs	**(22,399)**	(20,824)
Unallocated head office and corporate expenses	**(51,713)**	(22,957)
Consolidated profit before taxation	**544,087**	592,143

	2014 RMB'000	2013 RMB'000
Assets		
Reportable segment assets	**4,741,078**	3,188,500
Elimination of inter-segment receivables	**(1,618,207)**	(492,891)
Other financial assets	**100**	100
Interests in associates	**3,426**	–
Interests in joint ventures	**23,429**	–
Income tax recoverable	**–**	636
Deferred tax assets	**11,598**	4,924
Unallocated head office and corporate assets	**2,190,469**	425,633
Consolidated total assets	**5,351,893**	3,126,902
Liabilities		
Reportable segment liabilities	**3,002,864**	1,835,483
Elimination of inter-segment payables	**(1,618,207)**	(492,891)
Current tax liabilities	**75,877**	68,930
Deferred tax liabilities	**187**	–
Unallocated head office and corporate liabilities	**20,172**	180,950
Consolidated total liabilities	**1,480,893**	1,592,472

5 SEGMENT REPORTING *(Continued)*

(c) Geographic information

The Group's operations are mainly located in the Mainland China and Hong Kong.

Information about the Group's revenue from its operations from external customers is presented based on the customers' location of incorporation/establishment. Information about the Group's non-current assets other than deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Mainland China	**2,017,295**	1,802,045	**570,016**	407,760
Hong Kong	**225,729**	200,939	**4,348**	4,864
	2,243,024	2,002,984	**574,364**	412,624

6 OTHER REVENUE AND OTHER NET INCOME

	2014 RMB'000	2013 RMB'000
Other revenue		
Government grants	**20,994**	19,397
Others	**4,307**	4,164
	25,301	23,561
Other net income		
Net (loss)/income on sale of property, plant and equipment	**(104)**	2,230
Net foreign exchange gain/(loss)	**8,171**	(3,843)
Net gain on disposal of a subsidiary	**–**	5,803
	8,067	4,190

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Interest expenses	**24,580**	22,187
Less: interest expenses capitalized into property, plant and equipment	**2,181**	1,363
	22,399	20,824

The borrowing costs have been capitalized at a rate of 5.72% per annum (2013:6.01%).

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**326,459**	261,986
Contributions to defined contribution retirement plans (note)	**39,149**	26,137
	365,608	288,123

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 11% to 21% 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.

In addition, the Company and some of its PRC subsidiaries have implemented a supplementary defined contribution retirement scheme for the staffs on the voluntary basis. Under the scheme, the Company and its PRC subsidiaries are required to make contributions to the PRC Schemes at 5% of average basic salaries of the employees in the cities where the Group operates.

The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes other than the annual contributions and supplementary retirement plan described above.

7 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items

	2014 RMB'000	2013 RMB'000
Depreciation	**60,313**	39,609
Impairment losses/(recovery)		
– trade and bills receivables	**4,198**	(90)
– deposits, prepayments and other receivables	**963**	381
Auditors' remuneration		
– annual audit	**4,260**	3,390
– IPO audit	**2,417**	1,900
Operating lease charges	**131,545**	112,899

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax (Note 22(a))		
Provision for the year	**135,938**	145,878
Under provision in respect of prior years	**1,312**	–
	137,250	145,878
Deferred tax (Note 22(b))		
Origination and reversal of temporary differences	**(6,487)**	(3,306)
	130,763	142,572

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**544,087**	592,143
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned (note)	**132,375**	138,100
Tax effect of non-deductible expenses	**2,215**	3,015
Tax effect of non-taxable income	**(386)**	(708)
Tax effect of unused tax losses not recognized	**449**	1,742
Tax effect of temporary differences not recognized	**240**	(172)
Tax effect of use of tax losses in prior years	**(5,442)**	(497)
Under-provision in respect of prior years	**1,312**	–
Others	**–**	1,092
Actual tax expense	**130,763**	142,572

Note:

The Company and its PRC subsidiaries are subject to standard PRC corporate income tax rate of 25% (2013:25%)

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

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended December 31, 2014				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Jiang Yingchun	–	489	600	84	1,173
Mr. Li Nan	–	437	546	79	1,062
Independent non-executive directors					
Mr. Li Boqian (note)	118	–	–	–	118
Mr. Yip Wai Ming (note)	118	–	–	–	118
Ms. Li Xiaohui	118	–	–	–	118
Supervisor					
Mr. Guo Jianwei	–	294	389	59	742
	354	1,220	1,535	222	3,331

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

	Year ended December 31, 2013				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Jiang Yingchun	–	279	462	122	863
Mr. Li Nan	–	255	416	115	786
Independent non-executive directors					
Mr. Rao Geping (note)	60	–	–	–	60
Mr. He Dexu (note)	60	–	–	–	60
Ms. Li Xiaohui	60	–	–	–	60
Supervisor					
Mr. Guo Jianwei	–	152	296	73	521
	180	686	1,174	310	2,350

Note: Mr. Li Boqian and Mr. Yip Wai Ming were appointed as the independent non-executive directors on December 27, 2013, when the term of office of the independent non-executive directors Mr. Rao Geping and Mr. He Dexu expired.

During the years ended December 31, 2014 and 2013, 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 years ended December 31, 2014 and 2013.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2014 and 2013 are set forth below:

	2014 Number of individuals	2013 Number of individuals
Directors	**2**	–
Non-directors	**3**	5
	5	5

The emoluments of the directors are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**1,331**	1,245
Discretionary bonuses	**1,536**	4,360
Contributions to defined contribution retirement plans	**227**	173
	3,094	5,778

(Expressed in RMB unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

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

	2014 Number of individuals	2013 Number of individuals
Nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**3**	4
HKD1,500,001 to HKD2,000,000	**–**	1

For the years ended December 31, 2014 and 2013, 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.

11 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 RMB251,519,000 for the year ended December 31, 2014 (2013: RMB275,209,000) and the weighted average of 231,602,608 ordinary shares (2013: 165,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014 No. of shares	2013 No. of shares
Ordinary shares issued at January 1	**165,000,000**	165,000,000
Effect of issuance of shares	**66,602,608**	–
Weighted average number of ordinary shares at December 31	**231,602,608**	165,000,000

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the years of 2014 and 2013. Accordingly, diluted earnings per share is the same as the basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At January 1, 2013	86,387	44,016	58,496	28,788	22,134	150,980	390,801
Additions	29,765	–	10,792	5,352	4,867	94,089	144,865
Transfer from construction in progress	114,612	–	46,634	254	15,000	(176,500)	–
Reclassification	–	–	7,828	–	(7,828)	–	–
Disposal of a subsidiary	–	–	(4,675)	(651)	(586)	–	(5,912)
Disposals	(2,963)	–	(7,588)	(343)	(724)	–	(11,618)
At December 31, 2013	227,801	44,016	111,487	33,400	32,863	68,569	518,136
Additions	908	–	12,101	3,087	5,080	174,620	195,796
Transfer from construction in progress	115,078	–	60,859	–	1,057	(176,994)	–
Reclassification	–	–	5,823	–	(5,823)	–	–
Disposals	–	–	(217)	(855)	(510)	–	(1,582)
At December 31, 2014	**343,787**	**44,016**	**190,053**	**35,632**	**32,667**	**66,195**	**712,350**
Accumulated depreciation:							
At January 1, 2013	(21,931)	(8,031)	(20,527)	(10,101)	(14,300)	–	(74,890)
Charge for the year	(16,966)	(1,432)	(13,547)	(3,045)	(4,619)	–	(39,609)
Reclassification	–	–	(524)	–	524	–	–
Disposal of a subsidiary	–	–	1,651	176	434	–	2,261
Written back on disposals	9	–	1,892	134	385	–	2,420
At December 31, 2013	(38,888)	(9,463)	(31,055)	(12,836)	(17,576)	–	(109,818)
Charge for the year	(29,741)	(1,432)	(21,159)	(3,289)	(4,692)	–	(60,313)
Reclassification	–	–	(1,410)	–	1,410	–	–
Written back on disposals	–	–	85	793	506	–	1,384
At December 31, 2014	**(68,629)**	**(10,895)**	**(53,539)**	**(15,332)**	**(20,352)**	**-**	**(168,747)**
Net book value:							
At December 31, 2014	**275,158**	**33,121**	**136,514**	**20,300**	**12,315**	**66,195**	**543,603**
At December 31, 2013	188,913	34,553	80,432	20,564	15,287	68,569	408,318

Construction in progress represents cinemas under construction which are not ready for its intended use at the end of the reporting period.

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Total RMB'000
Cost:				
At January 1, 2013	4,005	2,941	3,246	10,192
Additions	–	–	70	70
At December 31, 2013	4,005	2,941	3,316	10,262
Additions	–	432	361	793
At December 31, 2014	**4,005**	**3,373**	**3,677**	**11,055**
Accumulated depreciation:				
At January 1, 2013	(1,648)	(1,167)	(2,891)	(5,706)
Charge for the year	(554)	(244)	(76)	(874)
At December 31, 2013	(2,202)	(1,411)	(2,967)	(6,580)
Charge for the year	(554)	(234)	(141)	(929)
At December 31, 2014	**(2,756)**	**(1,645)**	**(3,108)**	**(7,509)**
Net book value:				
At December 31, 2014	**1,249**	**1,728**	**569**	**3,546**
At December 31, 2013	1,803	1,530	349	3,682

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**609,561**	308,856
Less: impairment loss	**–**	–
	609,561	308,856

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

As at December 31, 2014, the subsidiaries of the Company are listed as follows:

Name of company	Place and date of incorporation and operation	Proportion of ownership interest: 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	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	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	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	51%	-	51%	Art center operation management
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	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	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	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	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	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	100%	-	100%	Art center operation management
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	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	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	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	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	100%	-	100%	Theatre operation management
Poly (Beijing) Theatre Construction Engineering Consulting Corporation Limited 保利(北京)劇院建設工程諮詢有限公司	The PRC October 28, 2002	100%	-	100%	Engineering and technology management consulting
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	100%	-	100%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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	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	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	100%	-	100%	Theatre operation management
Poly Advertisement Co., Ltd. 保利廣告有限公司	The PRC May 16, 2001	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	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	100%	-	100%	Theatre operation management
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	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	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	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	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	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	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	51%	-	51%	Theatre operation management
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	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 February16, 2013	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	100%	-	100%	Theatre operation management
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	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	100%	-	100%	Theatre operation management
Zhoushan Putuo Poly Grand Theatre Management Co., Ltd 舟山市普陀區保利大劇院管理有限公司	The PRC November 21, 2013	100%	-	100%	Theatre operation management
Weihai Poly Grand Theatre Management Co., Ltd 威海市保利大劇院管理有限公司	The PRC December 2, 2013	100%	-	100%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nanjing Poly Grand Theatre Management Co., Ltd 南京保利大劇院管理有限公司	The PRC March 26, 2014	100%	-	100%	Theatre operation management
Yi Xing Poly Grand Theatre Management Co., Ltd 宜興市保利大劇院管理有限公司	The PRC April 17, 2014	100%	-	100%	Theatre operation management
Xiamen Poly Theatre Management Co., Ltd 廈門保利劇院管理有限公司	The PRC June 20, 2014	100%	-	100%	Theatre operation management
Shenyang Poly Grand Theatre Management Co., Ltd 瀋陽保利大劇院管理有限公司	The PRC October 27, 2014	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	55%	55%	-	Auction Business
Xiamen Poly International Auction Corporation Limited 保利(廈門)國際拍賣有限公司	The PRC July 31, 2014	28.05%	-	51%	Auction Business
Kangoo overseas Ltd. 康高有限責任公司	British Virgin Islands February 22, 2002	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	62.05%	62.05%	-	Auction of moveable property, real estate, intangible assets and artworks
Guangdong Poly Assets Management Corporation Limited 廣東保利資產管理有限公司	The PRC December 24, 2010	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	100%	100%	-	sale of cultural relics and artworks (except for auction)
Beijing Poly Contemporary Art Corporation Limited 北京保利當代藝術有限公司	The PRC January 24, 2014	51%	-	51%	Art investment management and consulting
Guizhou Poly Culture Development Corporation Limited 貴州保利文化發展有限公司	The PRC April 10, 2014	51%	-	51%	Art investment management and consulting
Winteam Culture & Art Holding Corporation Limited 聯勝文化藝術控股有限公司	British Virgin Islands December 12, 2014	100%	-	100%	Art consulting
Hong Kong Poly Art Centre Corporation Limited 香港保利藝術中心有限公司	Hong Kong December 30, 2014	100%	-	100%	Art investment management and consulting
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	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	55%	38.50%	30%	Auction business

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Poly Film Investment Corporation Limited ("Poly Film") 保利影業投資有限公司	The PRC August 19, 2002	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	86.67%	-	86.67%	Cinema operation management
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	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	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	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	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	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	100%	-	100%	Cinema operation management
Shanghai Pudong Poly Cinema Corporation Limited 上海浦東保利影城有限公司	The PRC December 6, 2013	100%	-	100%	Cinema operation management
Guiyang Poly Cinema Corporation Limited 貴陽保利影城有限公司	The PRC April 4, 2014	100%	-	100%	Cinema operation management
Nanjing Poly Cinema Corporation Limited 南京保利影城管理有限公司	The PRC April 10, 2014	100%	-	100%	Cinema operation management
Shanghai Jiangchuan Poly Cinema Corporation Limited 上海江川保利影城管理有限公司	The PRC June 5, 2014	100%	-	100%	Cinema operation management
Chengdu Poly Cinema Corporation Limited 成都保利影城有限公司	The PRC July 30, 2014	100%	-	100%	Cinema operation management
Foshan Poly Cinema Corporation Limited 佛山保利影城有限公司	The PRC October 23, 2014	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 other shareholders.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Beijing Poly International Auction Corporation Limited, the subsidiary of the group which has material non-controlling interest (NCI). The summarised financial information presented below represents the consolidated financial statements of Beijing Poly International Auction Corporation Limited and its subsidiaries before any inter-group elimination with other subsidiaries of the Group.

	2014 **RMB'000**	2013 RMB'000
NCI percentage	**45%**	45%
Current assets	**1,877,823**	1,184,933
Non-current assets	**62,358**	60,769
Current liabilities	**(1,345,781)**	(673,803)
Non-current liabilities	**(906)**	–
Net assets	**593,494**	571,899
Carrying amount of NCI	**269,249**	257,355
Revenue	**580,360**	619,139
Profit for the year	**268,597**	262,901
Total comprehensive income	**268,597**	262,901
Profit allocated to NCI	**121,395**	118,305
Dividend paid to NCI	**112,500**	135,000
Cash flows from operating activities	**(167,271)**	397,061
Cash flows from investing activities	**(586,265)**	200,571
Cash flows from financing activities	**497,495**	(406,563)

14 INTEREST IN JOINT VENTURES

	Group		**Company**	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Unlisted shares, at cost	**85,000**	60,000	**85,000**	60,000
Share of net assets	**(61,571)**	(60,000)	**(61,571)**	(60,000)
Total	**23,429**	–	**23,429**	–

(Expressed in RMB unless otherwise indicated)

14 INTEREST IN JOINT VENTURES *(Continued)*

The following list contains the particulars of joint ventures, all of which are unlisted corporate entities whose quoted market price are not available:

			Proportion of ownership interest		
Name of joint venture	**Form of business structure**	**Place of incorporation and operation**	**Group's effective interest**	**Held by the Company**	**Principal Activity**
Beijing Poly Huayi Media and Culture Co., Ltd (note1) 北京保利華億傳媒文化有限公司	Incorporated	The PRC	50%	50%	Investment holding
Guilin Poly Culture Investment development Co., Ltd (note2) 桂林保利文化投資發展有限公司	Incorporated	The PRC	50%	50%	Culture investment and consulting services

Note 1: Beijing Poly Huayi Media and Culture Co., Ltd ("Poly Huayi") mainly invest in TV, movie and advertisement production in the PRC.

Note 2: Guilin Poly Culture Investment development Co., Ltd ("Guilin Poly") was founded in November 2013 with a registered capital of RMB10 million as a wholly-owned subsidiary of the Company. The financial statements of Guilin Poly were included in the consolidated financial statements of the Group for the year ended December 31, 2013.

On April 11, 2014, the Company and Guangxi Poly Property Group Co., Ltd ("廣西保利置業集團有限公司", "Guangxi Property"), a company established in the PRC and a related party of the Company, entered into a Capital Increase Agreement. Pursuant to the Capital Increase Agreement, the Company and Guangxi Property agreed to make capital contributions of RMB40 million and RMB50 million in cash, respectively, to Guilin Poly. Upon completion of the Capital Increase, the registered capital of Guilin Poly was increased to RMB100 million, and the Company' shareholding interest in Guilin Poly decreased from 100% to 50%, while Guangxi Property was entitled to the remaining 50% shareholding interest. As at December 31, 2014, the Company and Guangxi Property had contributed RMB 25 million to Guilin Poly, respectively.

Pursuant to the above Capital Increase Agreement and the updated Articles of Association of Guilin Poly, Guilin Poly is jointly controlled by the Company and Guangxi Property. Accordingly, Guilin Poly becomes a joint venture investment of the Company.

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

As at December 31, 2014 and 2013, the carrying amount of Poly Huayi's net assets is negative and the Group's share of net assets of the joint venture decreased to zero.

14 INTEREST IN JOINT VENTURES *(Continued)*

The Company's shareholding interest in Guilin Poly has been diluted from the subsidiary to joint venture. As Guilin Poly has not started operation, there are no significant effects on the transaction of disposal of the subsidiary.

Summarised financial information of Guilin Poly, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2014	2013
	RMB'000	RMB'000
Gross amounts of Guilin Poly		
Current assets	**76,999**	10,061
Non-current assets	**2,785**	–
Current liabilities	**32,926**	60
Net assets	**46,858**	10,001
Included in the above assets and liabilities:		
Cash and cash equivalents	**51,535**	–
Losses for the year	**(3,142)**	1
Total comprehensive income for the year	**(3,142)**	1
Reconcile to the group's interests in Guilin Poly		
Gross amounts of Guilin Poly's net assets	**46,858**	Not applicable
Group's effective interest	**50%**	100%
Group's share of Guilin Poly's net assets	**23,429**	Not applicable
Carrying amount in the consolidated financial statements	**23,429**	Not applicable

15 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2014	2013
	RMB'000	RMB'000
Antiques and artworks	**1,046,310**	625,342
Chinese calligraphy and painting	**383,251**	141,773
Oil painting and sculptures	**29,161**	29,161
Small value items for resale	**7,069**	6,095
Low value materials	**1,766**	1,501
Drama rights	**1,252**	1,455
	1,468,809	805,327

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**149,418**	47,382

16 TRADE AND BILLS RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	**1,505**	705
– third parties	**153,255**	139,830
	154,760	140,535
Bills receivable for sale of goods and rendering of services due from:		
– third parties	**147**	1,000
	154,907	141,535
Less: allowance for doubtful debts	**5,806**	1,608
	149,101	139,927

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

(a) Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivable of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2014 RMB'000	2013 RMB'000
Within 1 month	**33,003**	112,033
1 to 3 months	**7,967**	16,217
3 to 6 months	**1,683**	2,480
6 to 12 months	**13,134**	7,619
Over 1 year	**93,314**	1,578
	149,101	139,927

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 24(a).

16 TRADE AND BILLS RECEIVABLES *(Continued)*

(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 2(j)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	2014 **RMB'000**	2013 RMB'000
At January 1	**1,608**	3,166
Impairment loss recognized	**4,358**	521
Reversal of impairment loss	**(160)**	(611)
Disposal of a subsidiary	**–**	(1,468)
At December 31	**5,806**	1,608

(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:

	2014 **RMB'000**	2013 RMB'000
Neither past due nor impaired	**14,444**	27,451
Less than 1 month past due	**6,642**	96,751
1 to 3 months past due	**4,397**	9,783
3 to 12 months past due	**3,221**	5,247
More than 12 months past due	**32,836**	695
Amounts past due	**47,096**	112,476
	61,540	139,927

Receivables that were past due but not impaired relate to a wide range of customers for whom there was 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.

17 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, 2014, 14.2% of the consignor advances was due from the group's largest customer (2013: 20.8%).

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

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Group

	2014	2013
	RMB'000	RMB'000
Prepayments for auctioned artwork	**498,251**	304,976
Prepayments for purchase of inventories	**10,293**	62,911
Prepayments for performance	**30,096**	18,936
Rental deposits	**14,239**	13,528
Cinema set-up deposits	**32,784**	33,701
Interest receivables from consignor advances on auction artwork	**55,103**	9,479
Advances to staff for business related activities	**15,602**	14,919
Others	**43,241**	37,000
	699,609	495,450
Less: allowance for doubtful debts	**2,512**	1,549
	697,097	493,901

18 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Company

	2014 RMB'000	2013 RMB'000
Amounts due from subsidiaries	**1,514,212**	422,984
Amounts due from other related parties	**7,419**	2,114
Others	**10,969**	4,047
	1,532,600	429,145
Less: allowance for doubtful debts	**5,304**	5,304
	1,527,296	423,841

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 2(j) (i)).

The movement in the allowance for doubtful debts during the year, is as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At January 1	**1,549**	1,822	**5,304**	5,304
Impairment loss recognized	**1,200**	502	**–**	–
Reversal of impairment loss	**(237)**	(121)	**–**	–
Disposal of a subsidiary	**–**	(654)	**–**	–
At December 31	**2,512**	1,549	**5,304**	5,304

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position and cash flow statement comprise:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**1,536,301**	1,004,723	**684,619**	13,504

20 BANK LOANS

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

Group

	2014	2013
	RMB'000	RMB'000
Bank loans		
– Unsecured	**100,000**	208,000

Company

	2014	2013
	RMB'000	RMB'000
Bank loans		
– Unsecured	**–**	1,000

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

	2014	2013
	%	%
Bank loans		
Fixed rate loans	**5.60-6.00**	5.40-6.00
Variable rate loans	**Not applicable**	5.40-6.00

(c) At the end of each reporting period, bank loans of the Group were repayable within one year.

21 TRADE AND OTHER PAYABLES

Group

	2014 RMB'000	2013 RMB'000
Current		
Trade payables to		
– related parties	**66,681**	59,357
– third parties	**143,226**	95,772
	209,907	155,129
Interest payables		
– related parties	**8,497**	8,497
Payables for staff related costs	**39,042**	45,401
Payables for other taxes and surcharges	**41,893**	43,288
Dividends payables	**1,700**	157,946
Other accruals and payables		
– related parties	**13,614**	5,347
– third parties	**724,113**	738,014
Financial liabilities measured at amortized cost	**1,038,766**	1,153,622
Receipts in advance		
– related parties	**648**	690
– third parties	**246,387**	160,663
	247,035	161,353
	1,285,801	1,314,975
Non-current		
Payable for purchase of equipment	**18,659**	–

21 TRADE AND OTHER PAYABLES *(Continued)*

Company

	2014 **RMB'000**	2013 RMB'000
Interest payables		
– related parties	**8,497**	8,497
Payables for staff related costs	**703**	1,528
Payables for other taxes and surcharges	**2,207**	1,132
Dividends payables	**–**	156,750
Other accruals and payables		
– related parties	**536**	20,464
– third parties	**8,229**	854
Financial liabilities measured at amortized cost	**20,172**	189,225
Receipts in advance	**–**	20
	20,172	189,245

As at December 31, 2014, all trade and other payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

Group

	2014 RMB'000	2013 RMB'000
Tax payable at January 1	**68,930**	40,674
Provision for the year (note 8(a))	**137,250**	145,878
Income tax paid	**(130,303)**	(116,844)
Disposal of a subsidiary	**–**	(778)
Tax payable at December 31	**75,877**	68,930

	2014 RMB'000	2013 RMB'000
Tax recoverable at January 1	**(636)**	(412)
Income tax refund/(paid)	**224**	(224)
Income tax written-off	**412**	–
Tax recoverable at December 31	**–**	(636)

Company

	2014 RMB'000	2013 RMB'000
Tax recoverable at January 1	**(636)**	(412)
Provision for the year	**2,434**	–
Income tax refund/(paid)	**224**	(224)
Income tax written-off	**412**	–
Tax payable/(recoverable) at December 31	**2,434**	(636)

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the year 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	Depreciation allowance in excess of the related depreciation RMB'000	Total RMB'000
At January 1, 2013	1,023	24	4,098	(2,996)	–	–	2,149
Disposal of a subsidiary	(531)	–	–	–	–	–	(531)
Credited/(charged) to profit or loss	79	1,957	(101)	626	745	–	3,306
At December 31, 2013	571	1,981	3,997	(2,370)	745	–	4,924
Credited/(charged) to profit or loss	1,164	2,049	454	1,464	1,543	(187)	6,487
At December 31, 2014	**1,735**	**4,030**	**4,451**	**(906)**	**2,288**	**(187)**	**11,411**

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 utilize these unused tax losses before they expire.

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognized: *(Continued)*

(ii) Reconciliation to the statement of consolidated financial position

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognized in the consolidated statement of financial position	**11,598**	4,924
Net deferred tax liabilities recognized in the consolidated statement of financial position	**(187)**	–
	11,411	4,924

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(r), the Group has not recognized deferred tax assets in respect of unused tax losses of RMB2,993,000 as at December 31, 2014, as it is not probable that future taxable profits against which the losses or the temporary differences can be utilized will be available in the relevant tax jurisdictions and entities. As of December 31, 2014, the unused tax losses of RMB11,000, RMB231,000, RMB955,000 and RMB1,796,000 will expire at the end of the year 2015, 2017,2018 and 2019, respectively.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at January 1, 2013		165,000	4,874	39,013	330,117	539,004
Changes in equity for 2013:						
Total comprehensive income for the year		–	–	–	178,120	178,120
Appropriation of reserve		–	–	17,812	(17,812)	–
Dividends proposed during the year	23(b)	–	–	–	(156,750)	(156,750)
Balance at December 31, 2013 and January 1, 2014		165,000	4,874	56,825	333,675	560,374
Changes in equity for 2014:						
Total comprehensive income for the year		**–**	**–**	**–**	**206,681**	**206,681**
Issuance of shares upon public offering, net of issuing expenses	23(c)	**81,316**	**1,977,574**	**–**	**–**	**2,058,890**
Appropriation of reserve		**–**	**–**	**20,668**	**(20,668)**	**–**
Balance at December 31, 2014		**246,316**	**1,982,448**	**77,493**	**519,668**	**2,825,945**

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014 **RMB'000**	2013 RMB'000
Interim dividend declared (2013: RMB 0.95 per ordinary share)	**–**	156,750
Final dividend proposed after the end of the reporting period of RMB 0.227 per ordinary share (2013: nil)	**55,914**	–

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014 **RMB'000**	2013 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.95 per ordinary share (2013: nil)	**156,750**	–

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorized and issued share capital

	2014		2013	
	No. of shares		No. of shares	
	'000	**RMB'000**	'000	RMB'000
Authorized:				
Ordinary shares of RMB1 each	**246,316**	**246,316**	165,000	165,000
Ordinary shares, issued and fully paid:				
At January 1	**165,000**	**165,000**	165,000	165,000
Issuance of shares upon public offering, net of issuing expenses	**81,316**	**81,316**	–	–
At December 31	**246,316**	**246,316**	165,000	165,000

On March 6, 2014, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange, pursuant to which 70,710,000 ordinary shares of RMB1.00 each were issued at the price of HKD33.00 per share by the Company.

On March 14, 2014, in connection with the exercise of the Over-allotment Option, 10,606,000 ordinary shares with nominal value of RMB1.00 each were issued at the price of HKD33.00 per share by the Company.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents 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.

(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 utilized 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 2(u).

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(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 23(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 lower 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.

(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, 2014 was 27.67% (2013: 50.93%). The liability-to-asset ratio of the Company as at December 31, 2014 was 0.79% (2013: 25.35%).

There were no changes in the Group's approach to capital management during the years ended December 31, 2014 and 2013. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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. 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 are deposited in state-owned/controlled PRC banks, which the directors assessed the credit risk to be insignificant.

In respect of trade and bills receivables, consignor advances, deposits, prepayments and other receivables, 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, and moreover, the relevant artworks will be pledged to the Group until the settlement of the consignor advances. 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 end of the reporting period, the Group has certain concentration of credit risk. The receivables from the five largest debtors at December 31, 2014 represented 27% of the total trade and bills receivables and other receivables (December 31, 2013: 34%), while 9% of the total trade and bills receivables and other receivables were due from the largest single debtor (December 31, 2013: 11%).

Except for the financial guarantees given by the Company as set out in note 26(a), the Group and the Company does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 26(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 16, 17 and 18, respectively.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(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 tables show the remaining contractual maturities at the end of the reporting period 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

Group

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 Dec RMB'000**
Bank loans (note 20)	**102,567**	**–**	**–**	**–**	**102,567**	**100,000**
Trade and other payables measured at amortized costs (note 21)	**1,038,766**	**5,173**	**13,486**	**–**	**1,057,425**	**1,057,425**
	1,141,333	**5,173**	**13,486**	**–**	**1,159,992**	**1,157,425**

	2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Bank loans (note 20)	212,066	–	–	–	212,066	208,000
Trade and other payables measure at amortized costs (note 21)	1,153,622	–	–	–	1,153,622	1,153,622
	1,365,688	–	–	–	1,365,688	1,361,622

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

Company

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Trade and other payables measure at amortized costs (note 21)	20,172	–	–	–	20,172	20,172
	20,172	–	–	–	20,172	20,172

	2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Bank loans (note 20)	1,017	–	–	–	1,017	1,000
Trade and other payables measure at amortized costs (note 21)	189,225	–	–	–	189,225	189,225
	190,242	–	–	–	190,242	190,225

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

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

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended December 31, 2014 and 2013, 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 and the Company's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates of the Group's and the Company's borrowings are disclosed in note 20.

Group

	2014 RMB'000	2013 RMB'000
Fixed rate borrowings:		
Bank loans	**100,000**	80,000
Floating rate borrowings:		
Bank loans	**–**	128,000
Total borrowings	**100,000**	208,000
Fixed rate borrowings as a percentage of total borrowings	**100.00%**	38.46%

Company

	2014 RMB'000	2013 RMB'000
Fixed rate borrowings:		
Bank loans	**–**	1,000
Floating rate borrowings:		
Bank loans	**–**	–
Total borrowings	**–**	1,000
Fixed rate borrowings as a percentage of total borrowings	**–**	100.00%

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At December 31, 2014, 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 nil (2013: RMB891,065). 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 end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period. 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 reporting period. The analysis is performed on the same basis for 2013.

(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.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period 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 statement of financial position date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Group

	Exposure to Hong Kong Dollars (expressed in RMB) at December 31, 2014 RMB'000
Cash and cash equivalents	**556,128**
Net exposure	**556,128**

	Exposure to Hong Kong Dollars (expressed in RMB) at December 31, 2013 RMB'000
Cash and cash equivalents	233,170
Net exposure	233,170

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the years ended December 31, 2014 and 2013:

	Average rate		Reporting date spot rate	
	2014	2013	**2014**	2013
HKD	**0.7876**	0.7986	**0.7889**	0.7862

A 5% strengthening of RMB against the following currency as at December 31, 2014 would have increased 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.

Group

	2014 **RMB'000**	2013 RMB'000
HKD	**(20,855)**	(8,744)

A 5% weakening of RMB against the above currency as at December 31, 2014 would have had the equal but opposite effect on the above currency 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 end of the reporting period 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 reporting period. The analysis is performed on the same basis for 2013.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2014.

(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.

25 COMMITMENTS

(a) Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at December 31, 2014 not provided for in the financial statements were as follows:

Group

	2014	2013
	RMB'000	RMB'000
Contracted for	**57,180**	41,596
Authorized but not contracted for	**691,199**	559,969
	748,379	601,565

(b) At December 31, 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Group

	2014	2013
	RMB'000	RMB'000
Within 1 year	**86,969**	80,716
After 1 year but within 5 years	**285,959**	237,684
After 5 years	**621,883**	387,883
	994,811	706,283

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.

26 CONTINGENT ASSETS AND LIABILITIES

(a) Financial guarantees issued

As at the end of the reporting period, the Company issued financial guarantees to banks in respect of the bank loans granted to the Company's subsidiaries as follows:

Company

	2014	2013
	RMB'000	RMB'000
Financial guarantees to banks for subsidiaries	**100,000**	207,000

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against 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.

As at the end of each reporting period, maximum exposure in respect of trust plan assuming nil proceeds at expiring date is as follows:

Group

	2014	2013
	RMB'000	RMB'000
Trust related	**170,000**	253,000

(c) Contingent liability in respect of legal claim

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2014. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions during the years ended December 31, 2014 and 2013.

(a) 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 of the group, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2014 **RMB'000**	2013 RMB'000
Short-term employee benefits	**6,367**	4,253
Post-employment benefits	**519**	725
	6,886	4,978

Total remuneration was included in "staff costs" (see note 7(b)).

(b) Name and relationship with related parties

During the years ended December 31, 2014 and 2013, 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
Beijing Eastern Poly Culture and Art Corporation Limited("Eastern Poly") 北京東方保利文化藝術有限公司	Associate of the Group

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) 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:

	2014 RMB'000	2013 RMB'000
Sales to		
Poly Group and its affiliates	**5,691**	1,676
Service provided to		
Poly Group and its affiliates	**13,471**	13,044
Receiving Service (note (iii))		
Poly Group and its affiliates	**131,655**	41,959
Office rental from (note (iv))		
Poly Group and its affiliates	**30,775**	32,555
Interest income from		
Poly Group and its affiliates	**–**	5,328
Repayment of loans		
Poly Group and its affiliates	**–**	1,500
Disposal of a subsidiary		
Poly Group and its affiliates	**–**	10,168
Property management services		
Poly Group and its affiliates	**9,761**	10,488
Working capital obtained from		
Poly Group and its affiliates	**–**	1,000
Working capital repaid to		
Poly Group and its affiliates	**–**	1,000
Borrowings from (note (v))		
Eastern Poly	**5,000**	–
Borrowing costs to		
Eastern Poly	**67**	–

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Significant transactions with related parties *(Continued)*

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.

(iii) Receiving service mainly refers to the box office income distributed to Poly Wanhe Cinema Circuit. Pursuant to the Cinema Box Office Income Sharing Framework Agreement signed between the Group and Poly Wanhe Cinema Circuit, Poly Wanhe Cinema Circuit provided new film prints to the Group, and the Group then arranged movie screening in the cinemas. Both parties agree to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Wanhe Cinema Circuit may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves.

(iv) Beijing Poly Art Centre Corporation Limited did not pay any rent to Poly Group for its use of office space for the year ended December 31, 2014 and 2013.

(v) Borrowings from Eastern Poly refers to the entrusted loans, which was recognized in trade and other payables, of RMB5 million from Eastern Poly.

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

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

	2014	2013
	RMB'000	RMB'000
Trade and bills receivables		
Poly Group and its affiliates	**1,505**	705
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**11,210**	7,232
Trade and other payables		
Poly Group and its affiliates	**89,440**	73,891

(e) 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, 2014, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in note 7(b).

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of note 27(c) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report from the Board of Directors.

(Expressed in RMB unless otherwise indicated)

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 23(b)(i).

29 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At December 31, 2014, 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.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2014

Up to the date of issue of the financial statements, the IASB has issued a few amendments and new standards and interpretations which are not yet effective for the year ended December 31, 2014 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, Defined benefit plans: Employee contributions	July 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IFRS 15, Revenue from contracts with customers	January 1, 2017
IFRS 9, Financial instruments	January 1, 2018

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.

Definitions

"Articles"	the Articles of Association of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"Companies Ordinance"	the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "we", "us", "our" or "Poly Culture"	Poly Culture Group Corporation Limited (保利文化集團股份有限公司) and except where the context indicates otherwise, all of its Subsidiaries and with respect to the period before our Company became the holding company of its present subsidiaries, the businesses operated by its present subsidiaries or (as the case may be) their predecessors
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Connected Transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report on Corporate Governance in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Directors"	the directors of the Company
"Domestic Shares"	ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group"	the Company and its Subsidiaries

Definitions

"Guangxi Property"	Guangxi Poly Property Group Co., Ltd (廣西保利置業集團有限公司)
"Guilin Poly"	Guilin Poly Culture Investment Development Co., Ltd (桂林保利文化投資發展有限公司)
"H Shares"	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each
"HK$" or "Hong Kong dollars" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"International Accounting Standards"	International Accounting Standards and its notes
"Latest Practicable Date"	April 23, 2015, being the latest practicable date for the inclusion of certain information in this report prior to its publication
"Listing Date"	March 6, 2014
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing"	listing of the H Shares on the Stock Exchange
"Main Board"	The stock market operated by the Stock Exchange (excluding the option market), which is independent of and operating in parallel with the GEM
"MOF"	Ministry of Finance of the PRC
"NSSF"	the National Council For Social Security Fund of PRC
"Poly Art Centre"	Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司)
"Poly Art Investment"	Beijing Poly Art Investment Management Co., Ltd. (北京保利藝術投資管理有限公司)
"Poly Auction Beijing"	Beijing Poly International Auction Co., Ltd. (北京保利國際拍賣有限公司)
"Poly Auction Guangdong"	Poly Auction Guangdong Co., Ltd. (廣東保利拍賣有限公司)

Definitions

"Poly Auction Hong Kong"	Poly Auction Hong Kong (保利香港拍賣有限公司)
"Poly Film"	Poly Film Investment Co., Ltd. (保利影業投資有限公司)
"Poly Finance"	Poly Finance Company Limited (保利財務有限公司)
"Poly Group"	China Poly Group Corporation, a state-owned company incorporated in the PRC and our Controlling Shareholder, and (when the context requires) including its subsidiaries
"Poly Property"	Poly Property Group Co., Limited, a company incorporated in Hong Kong, with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited under the stock code 0119
"Poly Southern"	Poly Southern Group Co., Ltd. (保利南方集團有限公司), a state-owned company incorporated in the PRC, a wholly-owned subsidiary of Poly Group and a Substantial Shareholder of our Company
"Poly Theatre Management"	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
"Poly Wanhe Cinema Circuit"	Chongqing Poly Wanhe Cinema Circuit Co., Ltd. (重慶保利萬和電影院線有限責任公司), a company incorporated on July 26, 2005 in the PRC and a then subsidiary of the Company before being disposed to Poly Group in 2013; where applicable, it also refers to the cinema circuit managed by Chongqing Poly Wanhe Cinema Circuit Co.,Ltd
"PRC" or "China" or "People's Republic of China"	the People`s Republic of China which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus published by the Company on February 24, 2014
"Reporting Period"	the period from March 6, 2014 to December 31, 2014
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-Owned Assets Supervision and Administration Commission of the State Council of the PRC

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as defined in Section 2 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"U.S." or "United States"	the United States of America, its territories, possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States

保利文化集團股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED

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