2017
Annual Report

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

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. Mok Ming Wai
36th Floor, Tower 2, Times Square,
1 Matheson Street, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Chen Peng(1)
Ms. Wang Wei(2)
Ms. Mok Ming Wai

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

PRINCIPAL BANKS

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(Fuhua Plaza Branch)
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Dongcheng District, Beijing, PRC

Bank of Beijing (Beijing AoDong Branch)
SDIC Trade Building, No.19 Hui Xin West Street,
Chaoyang District, Beijing

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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1 Mr. Chen Peng resigned on January 6, 2017.

2 Ms. Wang Wei was appointed on January 6, 2017.

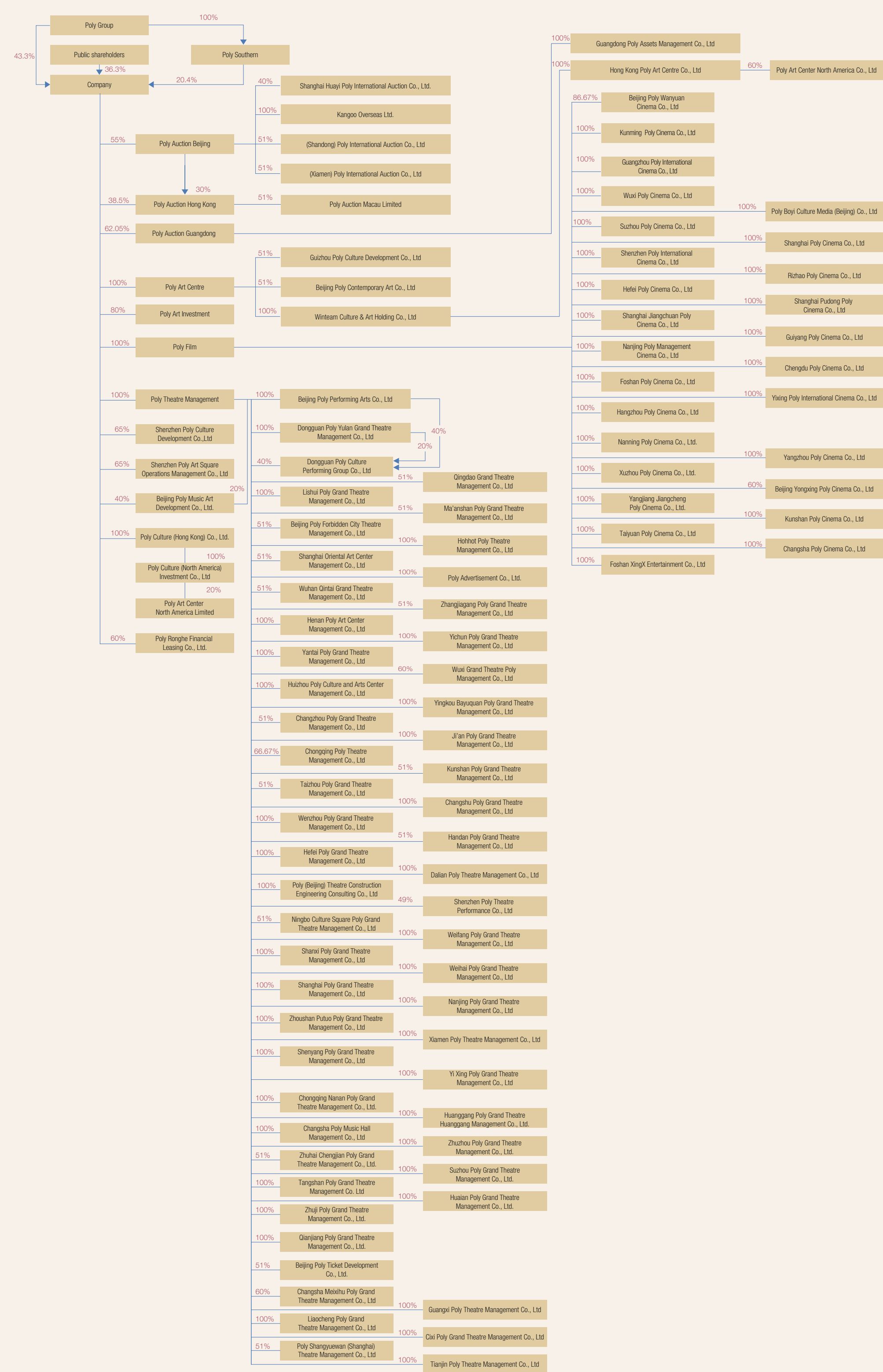
Financial Highlight

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**3,480,415**	2,682,301	2,504,965	2,243,024	2,002,984
Profit from operations	**484,331**	483,846	388,899	486,636	584,755
Profit before taxation	**537,574**	550,111	450,306	544,087	592,143
Income tax	**(133,652)**	(125,675)	(117,740)	(130,763)	(142,572)
Profit for the year	**403,922**	424,436	332,566	413,324	449,571
Profit attributable to:					
Equity shareholders of the Company	**256,171**	310,607	237,790	251,519	275,209
Non-controlling interests	**147,751**	113,829	94,776	161,805	174,362
Earnings per share					
Basic and diluted earnings per share (RMB)	**1.04**	1.26	0.97	1.09	1.67
Total comprehensive income for the year	**381,750**	444,780	342,537	414,021	446,242
Total comprehensive income attributable to:					
Equity shareholders of the Company	**244,049**	323,531	242,211	251,902	273,342
Non-controlling interests	**137,701**	121,249	100,326	162,119	172,900
Total non-current assets	**2,350,158**	1,226,332	718,626	585,962	417,548
Total current assets	**7,793,433**	5,723,069	4,998,375	4,765,931	2,709,354
Total assets	**10,143,591**	6,949,401	5,717,001	5,351,893	3,126,902
Total current liabilities	**5,009,380**	2,280,499	1,585,904	1,461,678	1,591,905
Total non-current liabilities	**342,714**	215,041	92,274	19,215	567
Total liabilities	**5,352,094**	2,495,540	1,678,178	1,480,893	1,592,472
Net Assets	**4,791,497**	4,453,861	4,038,823	3,871,000	1,534,430
Total equity attributable to the equity shareholders of the Company	**4,088,704**	3,911,944	3,653,440	3,467,619	1,156,827
Non-controlling interests	**702,793**	541,917	385,383	403,381	377,603
TOTAL EQUITY	**4,791,497**	4,453,861	4,038,823	3,871,000	1,534,430

The financial information of the Group for the years ended December 31, 2013, 2014, 2015, 2016 was extracted from 2013, 2014, 2015 and 2016 annual reports published on the websites of HKExnews of the Stock Exchange (www.hkexnews.hk) and the Company (www.polyculture.com.cn) on April 28, 2014, April 29, 2015, April 28, 2016 and April 28, 2017 respectively. The financial information of the Group for the year ended December 31, 2017 was set forth on pages 87 to 183 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 2017

In March 2017, on the "2017 Art Market Value List and 2016 Beijing Auction Season Annual Industry Summit", Poly Auction Beijing and the projects undertaken by it and its staff were awarded three honors, i.e. "2016 Auction Enterprise with Brand Influence", "2016 Special Auction for Academic Value" and "2016 Men of Auction".

In March 2017, Poly Culture and China Biodiversity Conservation and Green Development Foundation jointly hosted the "Series Exhibition of Literature on the History of Chinese and Western Cultural Exchange – Atlas of Chinese Birds Drawn by a French Missionary in the 19th Century". Xu Niansha, Chairman of Poly Culture, Hu Deping, President of China Biodiversity Conservation and Green Development Foundation, and Gu Shan, French ambassador to China attended the opening ceremony and delivered a speech.

In March 2017, the first overseas repertoire of the classic opera-musical "An American in Paris" in which Poly Theatre Management participated in the investment staged in the United Kingdom. This was the first Chinese theater company which has been included in the Broadway musical producer list as a co-producer, significantly increasing the overseas influence of Poly Culture.

In April 2017, organizations such as Poly Culture and Beijing Film Academy jointly hosted the first session of Poly Animation Technology Carnival. The activity showcased the cutting-edge way of expression and the most advanced technology of animation, and provided visitors with the chance to "feel the future".

In April 2017, Poly Film and XingX Entertainment held the signing ceremony for the share acquisition of the latter. After integrating 23 cinemas which have been opened for business in XingX Entertainment, the cinemas in which Poly Film has made direct investment increased to 62.

In July 2017, as the first Chinese teenager orchestra invited to Cologne Cathedral, Poly WeDo Chamber Orchestra played traditional Chinese music in the China-Germany Friendship Concert held in the Cologne Cathedral in Germany.

In August 2017, Poly Film was invited to participate in the 41st Montreal World Film Festival. Its film "The Hidden Sword" won the Best Artistic Contribution award. In October, the Hidden Sword (《刀背藏身》) was nominated Best Adapted Screenplay, Best Action Choreography, Best Original Film Score and Best Newcomer in the 54th Golden Horse Awards of Taiwan Film Festival.

In November 2017, Poly Theatre Management entered into the Entrusted Operation and Management Agreement in respect of Tianjin Grand Theatre. After taking over the Beijing Poly Theater, Zhongshan Park Music Hall, Shanghai Oriental Art Centre, Shanghai Poly Grand Theater, Shanghai Shipyard 1862 Theater, Chongqing Grand Theatre, Chongqing Shi Guangnan Grand Theatre, Poly Theatre Management succeeded in collaborating with Tianjin and completed the overall deployment in four major municipalities directly under the Central Government.

In December 2017, Poly Culture was awarded the Best Social Participation Prize under the "Fourth CSR Chinese Culture 2017" organised by "National Humanities and History" magazine of the People's Daily; and it was included in the "TOP 50 of 2017 Chinese Cultural Enterprise Brand Value" list released jointly by the Key Laboratory of Cultural Brand Evaluation Technology and Culture Ministry and the Institute of Creative Industries Technology of Renmin University of China.

In December 2017, Poly Auction Beijing successfully hosted the "Beijing Poly's 2017 Autumn Auction of Work of Art", which achieved a turnover of RMB4.286 billion. To date, Poly Auction has achieved a global turnover of more than RMB10 billion in 2017 and has consistently recorded the highest turnover of auctions of Chinese works of art in the world for eight consecutive years. In addition, it has become the only auction house of Chinese works of art in the world with annual turnover exceeding RMB10 billion in 2017. Among them, Qi Baishi's "Twelve Landscape Paintings (《山水十二條屏》)" set a record for auctions of Chinese works of art in the world with a price of RMB931.5 million, and became the first Chinese work of art to be a member of the "USD100 Million Club".

Chairman's Statement

Chairman
Xu Niansha

2017 was an important year for the implementation of the "Thirteenth Five-Year Plan" in China and for deepening the structural reform at the supply side, and also a year for further promoting the innovative development of cultural industry. The report of the government proposes to adhere to cultural confidence and promote prosperity of socialist culture and development of cultural undertaking and industry, which brings about new opportunities for the development of Poly Culture. In the past year, under the guidance of the Thirteenth Five-Year Development Plan, Poly Culture expanded its development thought by keeping a close eye on market demands and enlarged its international operation. All the work tasks for the year were accomplished in a satisfactory way and resulted in substantial year-on-year increase in revenue and profit; three principal businesses saw steady growth and the development of new businesses have generated preliminary achievements.

2018 is the opening year for thorough implementation of the spirit of the 19th National Congress of the Communist Party of China and a critical year for further implementation of the "Thirteenth Five-Year Plan" on the basis of the previous year. Poly Culture will continue to expand the three principal businesses to consolidate its leading position in the industry and step up with new businesses to seek for development relying on innovation to achieve the effective adjustment to profit structure; in addition, the system and mechanism reform will be deepened to trigger the vigor for corporate development; the capital market will be leveraged on for enhancement of corporate market value. Poly Culture will achieve sound development in the PRC while improving its international image. To achieve 2018 operation development target so as to create greater value for shareholders, staffs and all sectors of society, it will make unremitting efforts to build a flagship in cultural industry of the PRC and set up a world first-rate cultural brand.

Last but not least, on behalf of the Board, I would like to extend my deepest appreciation to all shareholders, Board members, management of the Group and employees for the support to the Company.

Chairman's Statement

In 2017, under the leadership of the Board, Poly Culture set its orientation by market, actively pursued the annual work with satisfaction. Three principal businesses have increased steadily and the new business expansion has begun to show positive results.

Qing dynasty kang period, Multicolored twelve flower cups
2017 Poly Autumn Auction, Auction price: RMB23,920,000

I. SEGMENT BUSINESS INFORMATION

1. Art business and auction business faced the market, forged ahead and dominated the global auction market of Chinese artworks again

In 2017, Poly Culture continued in pursuit of growth in the market, achieving a total auction turnover

Zhao Mengfu Prajna-paramita-hrdaya-sutra
2017 Poly Autumn Auction, Auction price: RMB190,900,000

Magnificent 8.26 carat dark blue diamond with diamond ring
2017 Hong Kong Autumn Auction, Auction price: HKD120,360,000

of RMB10.34 billion. The Company won the title of champion of the global Chinese artworks auction for 8 consecutive years and also became the only Chinese artworks auction enterprise with an annual turnover of over RMB10 billion.

Beijing Poly International Auction Co., Ltd. achieved an auction turnover of RMB6.668 billion in Spring Auction and Autumn Auction as a result of maintaining its competitive advantage in terms of scale while focusing on the high-quality strategy as well as precision marketing. The auction turnover of each of the 7 artworks was over RMB100 million, of which RMB931.5 million was generated from "Twelve Landscape Paintings (《山水十二條屏》)" created by Qi Baishi, which became the first Chinese artwork with the auction price exceeding USD100 million.

Adhering to the operation philosophy of "exquisite, precious and rare", Poly Auction (Hong Kong) Limited achieved that the single auction turnover increased from HKD519 million of the first auction in 2012 to HKD1.808 billion of the Autumn Auction in 2017 and the annual auction turnover of 2017 exceeded HKD3 billion, all of which reached a record high, stably ranking the third in the Hong Kong and Macau markets and further narrowing the gap with Sotheby's Hong Kong Limited (香港蘇富比拍賣有限公司) and Christie's Hong Kong Ltd. (佳士得（香港）有限公司).

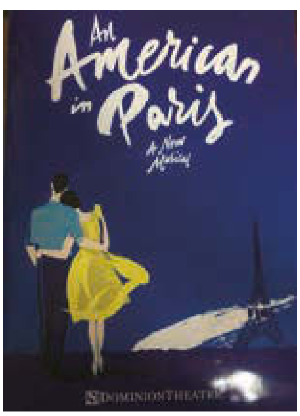
Poly Art Centre cooperated with financial capital actively and enhanced the efforts of proprietary sales. Poly Art Centre will continue to promote the construction of the Gallery Chain (art gallery). Its subsidiary Beijing Poly Contemporary Art Corporation Limited (北京保利當代藝術有限公司) has successfully implemented the project of Wuhan East Lake International Public Art Park, representing a great first step forward in the area of large outdoor art exhibition design.

2. We have taken moves across the board in performance and theatre management business, continue to expand the theatre line and our original production and performance brokerage ability has improved significantly

In 2017, Beijing Poly Theatre Management Corporation Limited newly took over six theatres including Shenzhen Pingshan Cultural Centre Performing Arts Center (深圳坪山文化中心演藝中心), Shuicheng Mingzhu Grand Theatre in Liaocheng, Shandong (山東聊城水城明珠大劇院), Xiaogan Cultural Center Grand Theatre (孝感文化中心大劇院), Tianjin Grand Theatre, Lianyungang Grand Theatre (連雲港大劇院) and Binzhou Grand Theatre (濱州大劇院) and Poly Theatre Management currently has 59 theatres under its management and operation, covering 50 cities in 19 provinces, autonomous regions and municipalities, of which four municipalities realized their overall layout.

In 2017, the theatre line completed 8,093 performances throughout the year, representing an increase of 19% over the same period of last year. To further enhancing original content construction efforts, Poly Theatre Management co-produced and introduced original English opera "A Dream of the Red Mansions (《紅樓夢》)" from San Francisco Opera which was selected as one of the major projects of the first round U.S.-China social and culture dialogue, and drama "Break Gold (《斷金》)" finished its first tour of the country as a great hit. The Children's Theatre Line took the four small theatres of Changzhou, Wuxi, Suzhou and Taizhou as bases firstly and launched the original child plays such as "The Interstellar Travel of the Little Prince (《小王子之星際旅行》)".

Poly Threatre Management successively reached strategic cooperation with various internationally renowned organazations and troupes such as The American Bushnell Center for the Performing Arts in relation to producing and introducing operas, operating and managing theatres; and took part in the first foreign invested opera-musical "An American in Paris" (《一個美國人在巴黎》), which has been performed for 350 times at West London with widespread praise.



An American in Paris

3. Cinema investment and management business completed mergers and acquisitions, and tightened capital operation to become stronger and bigger

Poly Film Investment Co., Ltd. opened 7 new cinemas in the year of 2017 and successfully acquired XingX Entertainment. After integrating 23 new cinemas of XingX Entertainment, the number of cinemas which operated and directly invested increased to 62. The directly invested cinemas of Poly Film recorded a total box office of RMB834 million, ranking the tenth among national film investment companies, which represented an increase of 3 places over the same period of last year.

I Distribution of national film

4. Explored and promoted new business with major projects being implemented

(1) Art education business accelerated its lay-out and reached initial achievement

Beijing Poly Music Art Development Corporation Limited opened 3 new branches in the year of 2017. Currently, 4 branches, namely Beijing Yongli, Damei, Changsha and Suzhou are put into operation or start to recruit students. In 2017, it held concerts named musicals with master participants and successfully organised European music tour camp (歐洲音樂遊學營) and thematic concert in Cologne Cathedral, Germany, and others performances activities. It also formed a high-level orchestra for the Mercedes-Benz company and co-founded the "Yin ni er yue" Ping An Xing Chorus (「音你而悦」平安星合唱團) with Ping An Bank. Meanwhile, to go with the request of the government in carrying out aesthetic education on campus, it dispatched professional teams and teachers into kindergartens, primary and secondary schools to carry out related education activities, which attracted thousands of hardcore family fans and further improved the brand influence.

(2) The cultural and financial business developed rapidly, and diversified business pattern was beginning to take shape

Poly Art Investment Management Co., Ltd discovered customer sources in the institution actively and expanded new model of art consultant services. Art finance leasing business developed rapidly, with Poly Ronghe's accumulated business scale reaching RMB2.7 billion within one year after its establishment, forming a large support to auction business.

(3) Asset operation and management business made progress with the first project successfully completed

Shenyang Shengjing Poly Culture Center, being the first "Poly Culture Center" put into operation in the PRC, successfully carried out a series of activities such as "the Month of Shengjing Poly Culture".

In addition, in the year of 2017, Poly Culture obtained approval from the National Copyright Administration on the "Poly National Artwork Copyright Trading Base", and deeply cooperated with the Palace Museum and actively promoted the cultural creative industries.

North America Corporation integrated into local society actively, and established close cooperation with Vancouver Symphony Orchestra, Vancouver Art Gallery and others to develop businesses vertically. Vancouver Poly Art Gallery launched 9 exhibitions, and held 96 various activities successively to promote excellent Chinese culture, enhance Poly Culture brand international influence and also greatly promote the development of the operation and auction business of Poly artworks.

II. RESULTS ANALYSIS AND DISCUSSION

Revenue

Total revenue increased by 29.8% from RMB2,682.3 million for the year ended December 31, 2016 to RMB3,480.4 million for the year ended December 31, 2017, primarily due to the increasing of business scales of art business, the development of art finance leasing business and the expansion of theatre and cinema networks.

The respective segment revenue of the Group in 2017 and 2016 is as follows:

	Years ended December 31,		
	2017	2016	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**1,301.5**	891.9	45.9
Performance and Theatre Management	**1,372.8**	1,162.4	18.1
Cinema Investment and Management	**786.5**	631.0	24.6

Gross profit

Gross profit increased by 23.5% from RMB995.3 million for the year ended December 31, 2016 to RMB1,229.3 million for the year ended December 31, 2017. Gross profit margin decreased from 37.1% for the year ended December 31, 2016 to 35.3% for the year ended December 31, 2017.

Other revenue

Other revenue (mainly including government grants) increased from RMB55.6 million for the year ended December 31, 2016 to RMB77.2 million for the year ended December 31, 2017, primarily due to the increase in government grants from performance and theatre management segment.

Other net losses

We recorded other net losses of RMB18.9 million for the year ended December 31, 2017 mainly due to foreign exchange losses.

Selling and distribution expenses

Selling and distribution expenses increased by 13.2% from RMB319.2 million for the year ended December 31, 2016 to RMB361.2 million for the year ended December 31, 2017, primarily due to (i) the 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) the increase in the number of cinemas we operated and theatres we managed.

Administrative expenses

Administrative expenses increased by 27.3% from RMB347.2 million for the year ended December 31, 2016 to RMB442.0 million for the year ended December 31, 2017, primarily due to the increase in staff costs as a result of an increase in the headcount of our administrative employees, which was attributable to our increased administrative activities and business scale and the transaction cost for the acquisition of XingX Entertainment.

Reportable segment profit

As a result of the foregoing, reportable segment profit increased by 41.6% from RMB494.2 million for the year ended December 31, 2016 to RMB699.8 million for the year ended December 31, 2017.

The respective reportable segment profit of the Group in 2017 and 2016 is as follows:

	Years ended December 31,		
	2017	2016	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**496.5**	318.2	56.0
Performance and Theatre Management	**56.4**	46.9	20.3
Cinema Investment and Management	**146.9**	129.1	13.8

Finance income

Finance income decreased by 23.7% from RMB81.7 million for the year ended December 31, 2016 to RMB62.3 million for the year ended December 31, 2017, mainly due to a decrease in interest income from consignor advances.

Finance costs

Finance costs increased by 37.4% from RMB10.7 million for the year ended December 31, 2016 to RMB14.7 million for the year ended December 31, 2017, primarily due to an increase in the average amount of bank loans.

Income tax

Income tax increased by 6.4% from RMB125.7 million for the year ended December 31, 2016 to RMB133.7 million for the year ended December 31, 2017, primarily due to an increase in taxable income.

Profit for the year

As a result of the foregoing, profit for the year decreased by 4.8% from RMB424.4 million for the year ended December 31, 2016 to RMB403.9 million for the year ended December 31, 2017, and net profit margin decreased from 15.8% for the year ended December 31, 2016 to 11.6% for the year ended December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2017, the Group maintained a stable financial position and adequate liquidity. As at December 31, 2017, the Group's cash and cash equivalents amounted to RMB1,719.5 million (2016: RMB1,371.6 million), increased by 25.4% as compared to that of December 31, 2016.

During the year ended December 31, 2017, the net cash outflow from operating activities amounted to RMB678.9 million (net cash outflow for the year ended December 31, 2016 was RMB503.5 million). After adding RMB795.8 million in net cash outflow from investing activities mainly arising from the costs of acquisition of XingX Entertainment and payment for purchase of property, plant and equipments, and adding RMB1,821.2 million in net cash inflow from financing activities mainly arising from the increase of bank loans and issuance of bonds. As such there was an increase in cash and cash equivalents of approximately RMB346.5 million 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, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment increased by 23.2% from RMB665.0 million as at December 31, 2016 to RMB819.3 million as at December 31, 2017 mainly due to the acquisition of XingX Entertainment.

Current assets and current liabilities

Primarily due to the expansion of our business, the current assets increased by 36.2% from RMB5,723.1 million as at December 31, 2016 to RMB7,793.4 million as at December 31, 2017. Current liabilities increased by 119.7% from RMB2,280.5 million as at December 31, 2016 to RMB5,009.4 million as at December 31, 2017. The increase of current liability is primarily due to the increase in bank loans and the issuance of short-term debentures.

Inventories

Our inventories increased by 13.0% from RMB1,739.2 million as at December 31, 2016 to RMB1,965.9 million as at December 31, 2017, primarily due to the increase in artwork collections and film production.

Consignor advances

The consignor advances increased by 11.8% from RMB790.5 million as at December 31, 2016 to RMB883.7 million as at December 31, 2017, primarily due to our efforts to attract high quality auction artworks from well-known collectors.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 28.5% from RMB840.4 million as at December 31, 2016 to RMB1,080.0 million as at December 31, 2017, primarily due to the increase in prepayments for auctioned artwork.

INDEBTEDNESS

As at December 31, 2017, we incurred interest-bearing borrowings of RMB2,517.7 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans increased from RMB574.7 million as at December 31, 2016 to RMB1,756.5 million as at December 31, 2017 due to the expansion of business operation. The Company also completed the issuance of corporate bonds on March 15, 2017 and short-term debentures on September 15, 2017. The aggregate issuance amount of the corporate bonds was RMB300.0 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.80%. The aggregate issuance amount of short-term debentures was RMB300.0 million with a term of 365 days, nominal value per unit of RMB100 and coupon rate of 4.84%. The Group entered into an other receivables factoring agreement with Poly Financial Leasing Co., Ltd, on December 27, 2017, the carrying amount of borrowings from related party was RMB100.0 million with a term of 10 months, bearing interest at 6% per annum.

Under artwork 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 at December 31, 2017, our maximum exposure amounted to RMB328.1 million.

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

CAPITAL EXPENDITURE

Our capital expenditures primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB132.1 million and RMB178.9 million, respectively, for the years ended December 31, 2017 and 2016.

OTHER FINANCIAL INDICATORS

Our debt-to-equity ratio which is calculated by dividing the interest-bearing debts by total equity increased from 12.9% as at December 31, 2016 to 52.5% as at December 31, 2017.

EMPLOYEE REMUNERATION AND POLICY

As at December 31, 2017, the Group had 7,408 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board taking into consideration the performance, experience and operational capacity of our employees. As at December 31, 2017, there has been no material change to our remuneration policy and training plans.

III. RISK FACTORS

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

1. Market Risk

Uncertainties in the global economy (in particular economy of China)

In 2018, it is anticipated that the global economy will continue to recover, yet there are still various unstable and uncertain factors, such as changes brought by the adjustment for policies of principal economies and spillover effect, intensified protectionism and increased risk of geopolitics. Chinese economy is at the stage of transforming the way of development, optimizing the economic structure and altering the growth drives, with numerous obstacles yet to cope with and predictable and unpredictable challenges and risks to face. 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 principal existing business segments.

Unpredictability of the market for artworks

The market 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 artworks auction turnover, which could 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 and we may find it difficult to gain expected returns on selling 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 new international clients and 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 the contribution of the excellent management professionals. In terms of the art business and auction segment, we rely on a number of industry professionals to provide authentication and valuation of artworks services, 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 standard 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 management and professional talent for important positions, 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, purchasing and selling artworks, as well as expenses in talent recruitment. In the performance and theatre management segment, we compete with other theatre management companies in China in terms of program resources, theatre line 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. Risks relating to fluctuation of interest rates and exchange rate

Under our art business operations, we purchase and hold 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 operating results of performance if we are unable to pass the costs to customers when we resell the relevant artworks. In addition, due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the contract we entered into with overseas customers may also be in the value denominated in the Euro, the U.S. dollar or the Canadian dollar. Therefore, exchange rate fluctuation (especially among the RMB, the Euro, the U.S. dollar or the Canadian dollar) may increase our costs but decrease our profitability due to the decline in foreign exchange. 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 finance costs during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

Chinese government clearly pointed out that we must uphold cultural confidence, promote the prosperity of socialist culture and promote the development of cultural undertakings and cultural industries, which has brought new opportunities for the development of Poly Culture. According to forecast from various parties, China's economy will maintain a steady and favorable development trend under the new normal with an estimated GDP growth of 6.5% in 2018. However, we must also note that the current development situation of the domestic and global economy is tangled and complicated and the challenges and risks cannot be underestimated.

In 2018, Poly Culture determines that the overall strategies of operation are: **continuing to expand the three principal businesses and consolidating the leading position in the industry; accelerating the promotion of new businesses, promoting development by innovation, and achieving the effective adjustment of the profitability structure; deepening the reform of the Institutional Mechanisms and stimulating vitality of the enterprise development; fully utilizing the capital market and enhancing the market value of enterprises; the stories of China should be well told and enhancing the international image of enterprises.**

1. Strengthen and improve the three principal businesses around consumption upgrade

As for art market, according to the "Survey Report of Chinese Art Auction Market" produced by Artron (Culture) Group Co., Ltd. (雅昌（文化）集團有限公司), due to the re-inflow of capital into the art market and the increasing confidence of the public in the art market, the market is expected to rise in 2018, but the uncertainty is still large. In 2018, the art operating and auction business of Poly Culture will consolidate the market leading-edge in domestic, and actively expand overseas markets and expand its influence in the global art market. Art auctions shall continue to optimize the structure of the auction and increase publicity and collection efforts to attract more new customers. Art operating shall actively innovate the sales model, open up sales channels, and enhance the market influence of "Poly Arts".

In terms of performance market, in view of the industry, the current overall performance market is good and the scale has been steadily upgrading, but with the deepening of the capital tentacles, the industry competition intensified. The performance and theatre management business will focus on content creation, children's theatre lines and ticketing platform construction, to ensure that the scale of the cinemas expand steadily and the number of performances exceed 9,000.

In respect of film market, the national film box office reached RMB55.9 billion in 2017, representing an increase of 13.5% over the same period of last year, the newly increased cinemas have an intensifying competition, and the market concentration further improved. In 2018, it will grasp the market opportunities of theatre investment management business to achieve major breakthroughs in scale and efficiency and other aspects. It will continue to expand the scale of cinema, increase the direct operation cinema, and take full advantage of the capital market and effectively enhance the scale and market shares through various means such as mergers and acquisitions as and when appropriate.

2. Promoting innovative business vigorously, forming the industrial pattern preliminarily

The art education business continues to run the existing campuses, establishes new course systems, and strives to expand into new cities.

Cultural and financial business acts as a platform combining industry and finance to help the development of principal business. The art investment consultancy business should innovate and develop various forms of services, explore the new channels of service. The art financial leasing company will control risk and steadily expand its scale based on the existing business to support the artwork business.

In respect of cultural assets operation management and cultural tourism business, the Company will actively keep an eye on the existing cultural tourism projects, study the chain-sale development model for museum, set up the professional management team, and gradually form a standardized operation and management system for replication and promotion in the country. Grasping the golden opportunity of cultural creativity industry development supported by the government, the Company will establish the professional platform treating the base construction of Poly national art copyright trade and the base construction of Poly cultural creativity industry in the Palace Museum as a starting point to speed up the development of cultural creativity business.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. As of December 31, 2017, the Board of Directors includes the following Directors:

Executive Directors

The executive Directors of the Company are Mr. Xu Niansha (chairman), Mr. Zhang Xi (vice chairman), Mr. Jiang Yingchun (chief executive officer) and Mr. Hu Jiaquan.

Non-executive Directors

The non-executive Directors of the Company are Mr. Wang Lin and Mr. Wang Keling.

Independent non-executive Directors

The independent non-executive Directors of the Company are Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming.

The profiles of our Directors were set forth on pages 66 to 68 of this report.

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 HKExnews of Stock Exchange (www.hkexnews.hk) and the Company (www.polyculture.com.cn).

MAIN BUSINESS

The Company is a leading diversified culture and art enterprise in China, which maintains a well-balanced structure of cultural industry with three pillar operations, namely art business and auction, performance and theatre management and cinema investment and management, through its twelve first-level wholly-owned subsidiaries. The Company actively develops four new businesses, such as art education, culture finance, culture tourism and operation and management of culture asset.

ANALYSIS OF KEY INDICATORS OF FINANCIAL PERFORMANCE

For details of analysis of key indicators of financial performance, please refer to "Management Discussion and Analysis—Results Analysis and Discussion" of this report.

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 international trade, real estate development, investment and exploitation in resource field, production and marketing of civilian explosive materials and related services.

ANNUAL RESULTS

The annual results of the Group for the year ended December 31, 2017 were published on the websites of HKExnews of the Stock Exchange and the Company on March 26, 2018.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended December 31, 2017 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.

RESERVES

Movements in the reserves of the Company for the year ended December 31, 2017 are set out in the Consolidated Statement of Changes in Equity and Note 26 to the Financial Statements of this report, and details of reserves available for distribution to our Shareholders are set out in Note 26 (e) to the Financial Statements of this report.

APPOINTMENT OF AUDITORS

For the year ended December 31, 2017, the Company continued to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the PRC auditor of the Company, and KPMG as the international auditor of the Company. BDO China Shu Lun Pan Certified Public Accountants LLP and KPMG will retire as the Company's auditors at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. the Company has not changed the auditor for the past three years.

PROFIT DISTRIBUTIONS

The Company has reviewed and approved the dividend distribution plan of the Company for the year 2016 at the annual general meeting of the Company on June 22, 2017. The Company has distributed a final cash dividend of RMB0.274 per share (tax inclusive) in an aggregate amount of approximately RMB67,490,584.00 (tax inclusive) for the year ended December 31, 2016 to Shareholders whose names appear on the register of members of the Company on July 10, 2017.

The Board recommends to distribute a final dividend of RMB0.207 per share (tax inclusive) in cash to the Shareholders for the year ended December 31, 2017. The above dividend is expected to be distributed on or before August 10, 2018 upon approval of Shareholders at the annual general meeting of the Company.

TAXATION

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H Share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發（1993）045號文件廢止後有關個人所得稅徵管問題的通知) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual Shareholders may vary depending on the relevant tax agreements between the countries of their residence and mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual Shareholders of H Shares whose names appear on the H Share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will withhold payment of the enterprise and individual income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and based on the Company's register of members of H Shares on the record date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding of enterprise income tax. The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

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 for the year ended December 31, 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2017, 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, TRANSACTIONS OR AGREEMENTS

No contracts, transactions or agreements of significance to which the Company or any of its holding companies, its fellow subsidiaries and subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly and indirectly, existed at the end of the year ended December 31, 2017 or at any time during that year.

PRINCIPAL RELATIONSHIP BETWEEN THE COMPANY AND ITS EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER ENTITIES WHICH HAVE MATERIAL INFLUENCE ON THE COMPANY

Customers

The Company is always concerned about the needs of our customers, providing reliable and safe products and services to maintain our long-term business relationship with customers, and keep in touch through regular and irregular visits, telephone and e-mail. Its auction companies adhere to the concept of "boutique Poly", continuing to provide quality services to domestic and international customers and gradually establishing a set of standardised customer service process. We form strict service standards and timings for the whole process, from the collection and storage of auction items, the issuance of auction notices, the delivery of invoice to buyers and sellers after the auction was completed to the real time tracking of customers' settlement. In order to protect the privacy of customers, we strictly conform to the requirements of the relevant laws and regulations, and only those authorized people are allowed to dealing with clients' information.

Sales to the top five customers of the Company accounted for less than 30% of the Group's sales and the dependence on the major customers is less risky.

Employees

In terms of employees, the Company has established a good training system, to promote career development for employees, help them maintain work life balance and will explore to construct a mid-to-long-term incentive mechanism. We strive to create a good working environment of innovative development and result sharing.

Supplier

The company's main products and service providers include domestic and foreign performance groups, cinema line companies, art holders, decorating and constructor, printer and others. The Company aims to establishing long-term relationship with the suppliers and generally select the suppliers with high credibility. The audit department of the Company also makes periodic checks on the relevant purchase prices.

The group's business does not depend on any individual supplier. The purchases from the top five suppliers of the Company accounted for less than 30% of the Group's total purchases.

Investors

The Company has continuously placed high importance on the maintenance and development of a long term relationship with investors, in order to timely and effectively convey the corporate information to the public, enhance the Company's information transparency and build an effective communication channel between the Company and investors.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group for the year ended December 31, 2017 were set forth in Note 23 to the Financial Statements of this report.

EMPLOYEES REMUNERATION AND POLICIES

As at December 31, 2017, the Group had 7,408 employees. The employee 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.

ENVIRONMENT POLICY AND PERFORMANCE OF THE COMPANY

The Company insists on the concept of scientific and green development. We study, publicize and strictly comply with national laws and regulations relating to environmental protection and energy conservation. We actively promote the production and business mode of energy conservation, green and low-carbon. We change bad consumption patterns and living habits, eliminating waste. The Company has established an OA (office automation) system and implemented paperless work, to promote the re-use of office paper. We suggest our employees to go out by walk or public transportation and drive as little as possible. We hold meetings by video and telephones, to effectively reduce operating costs and carbon emissions.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As the Group's main businesses are performance and theatre management, art business and auction and cinema investment and management, and art education, culture finance, culture tourism and operation and management of culture asset. The Group is subject to relevant laws and regulations and the monitors of the relevant government agencies including the auction law of the People's Republic of China, Regulations on Management of Business Performance and Regulations on Film Management and is under supervision and regulation of the relevant government authorities. In addition, all our business operations in the PRC are subject to the laws and regulations regarding quality, safety production, environmental protection, intellectual property and labor and other general laws and regulations. Besides, any violation to those laws and regulations may result in sanctions, including warnings, penalties and remedies, which will have an adverse impact on the Group's business operation and future development.

In addition, the Group is required to obtain and maintain valid permits, licenses, approvals and certificates from various governmental authorities or institutions under relevant laws and regulations for the Group's businesses of cultural relics auction, foreign-related performance, film projection and cultural fund. The Group must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain the Group's permits, licenses, approvals and certificates. If the Group fails to comply with any of the regulations or meet any of the conditions required for the maintenance of the Group's permits, licenses, approvals and certificates, such permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and operating results.

As an H share company incorporated in the PRC with limited liabilities and listed on the Hong Kong Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the People's Republic of China, the Standards for Corporate Governance of Listed Companies (《上市公司治理準則》) promulgated by the CSRC, the Guideline on Comprehensive Risk of Central Enterprises (《中央企業全面風險指引》) promulgated by the SASAC, as well as the Listing Rules and the Securities and Futures Ordinance. The Group has implemented internal control measures to ensure its compliance with such laws and regulations. Having reviewed the business performance of the Group, the Board is of the view that the Group has been in compliance with the requirements of relevant laws and regulations in all material respects.

DIRECTORS' AND SUPERVISORS' INDEMNITIES

At no time during the year ended December 31, 2017 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or the Directors or Supervisors of associated companies (if made by the Company). The Company has arranged appropriate Directors', Supervisors and officers' liability insurance coverage for the Directors, Supervisors and officers of the Group.

EQUITY-LINKED AGREEMENTS

For the year ended December 31, 2017, the Company did not enter into any equity-linked agreements.

DEBENTURES ISSUED

Pursuant to the requirements of the Company Law, the Listing Rules and the Articles, for the year ended December 31, 2017, the Company has completed the issuance of the following debentures in order to broaden the financing channels, enhance the financing capability and reduce the financing cost of the Company.

The Company has completed the issuance of 2017 corporate bonds (first tranche) (the "**Corporate Bonds**") on March 15, 2017. The aggregate issuance amount of the Corporate Bonds is RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.80%. Interest will be paid every year during the term, while the principal and interest will be repaid in a lump sum on maturity. The interests has been accruing from March 15, 2017. After deducting issuance expenses, the proceeds raised from the Corporate Bonds are intended to be used for repayment of borrowings from financial institutions and used as additional working capital. For details, please refer to the Company's announcement published on March 15, 2017.

The Company has completed the issuance of 2017 short-term debentures (first tranche) (the "**Debentures**") on September 15, 2017. The aggregate issuance amount of the Debentures is RMB300 million, with a term of 365 days (the maturity date being 15 September 2018). The par value is RMB100 and the coupon rate is 4.84%. The interests has been accruing from September 15, 2017. After deducting issuance expenses, the proceeds raised from the Debentures are intended to be used as additional working capital. For details, please refer to the Company's announcement published on September 15, 2017.

DONATIONS

For the year ended December 31, 2017, the charity donations made by the Group amounted to approximately RMB180,000.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles and changes of our Directors, Supervisors and senior management were set forth on pages 66 to 68 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 sets 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 any interests in businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2017, none of the Directors, Supervisors or senior management 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.

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

As at December 31, 2017, 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:

Shareholders	Type of Shares	Capacity	Number of Shares/underlying Shares held (Note 1)	Percentage of the relevant class of share capital (%) (Note 2)	Percentage of the total share capital (%) (Note 2)
Poly Group (Note 3)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (L)	100.00	63.69
Poly Southern	Domestic Shares	Beneficial owner	50,197,900 (L)	32.00	20.38

Notes:

1. "L" stands for long positions.

2. The percentage is calculated with the number of the relevant class of Shares of the Company issued as at December 31, 2017 divided by the total number of Shares.

3. 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.

Save as disclosed above, as at December 31, 2017, 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 exist at any time during the Reporting Period.

CONNECTED TRANSACTIONS

I. Non-exempt One-off Connected Transaction

1. *Share Subscription Agreements*

Parties

(1)	Issuer:	The Company
(2)	Subscriber under Share Subscription Agreement 1:	Bright Hero Global
	Subscribers under Share Subscription Agreement 2:	Hangzhou Dinghai Investment Management Limited AVICT Global
	Subscribers under Share Subscription Agreement 3:	Diamond Global Golden Power Sun Oriental Limited
	Subscribers under Share Subscription Agreement 4:	Zhang Yixiu New Moon

Principal Terms

(1) Date

May 8, 2017

(2) New Shares

The Company will issue up to 59,209,300 H Shares, representing approximately 24.04% of the total number of issued shares and 66.19% of the total number of issued H Shares of the Company as at the date of the announcement of the Company dated May 8, 2017; and 19.38% of the total number of issued shares and 39.83% of the total number of issued H Shares as enlarged by the issuance and placement of New Shares (the "New Issues"). The New Shares will rank pari passu in all respects with the shares already in issue on the issuance and placement date, including the right to vote and the rights to all future dividend, distributions and other payments declared, made or paid on or after the issuance and placement date of the New Shares.

(3) The subscription price

The subscription price was determined after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market price of Shares of the Company under the prevailing market conditions. The subscription price of HK$18.3 per New Share represents:

(i) a discount of approximately 8.73% to the closing price HK$20.05 per share quoted on the Stock Exchange as at the date of the Share Subscription Agreements (i.e. May 8, 2017);

(ii) a discount of approximately 10.91% to the average closing price HK$20.54 per share quoted on the Stock Exchange for the five trading days immediately before the date of the Share Subscription Agreements;

(iii) a discount approximately 10.60% to the average closing price HK$20.47 per share quoted on the Stock Exchange for the ten consecutive trading days up to and including the date of the Share Subscription Agreements.

(4) Completion

With effect from the date of the listing of the New Shares, the Subscribers shall become the owners of the New Shares and are entitled to New Shares as well as all rights and obligations attached thereto. As advised by the Chinese legal counsel of the Company, the New Issues shall be subject to the approvals by the SASAC and the China Securities Regulatory Commission.

Listing Rules Implications

As at May 8, 2017, Li Da and Zhao Xu directly hold 22% and 18% equity interest of the Company's subsidiary Poly Auction Beijing, respectively, and Zhao Xu directly holds 21.5% equity interest of the Company's subsidiary Poly Auction Hong Kong. As Li Da and Zhao Xu are directors of Poly Auction Beijing while Li Da, Zhao Xu and Zhang Yixiu are directors of Poly Auction Hong Kong, so Li Da, Zhao Xu and Zhang Yixiu constitute the Connected Persons of the Company under Chapter 14A of the Listing Rules. As Diamond Global and Golden Power are wholly-owned by Li Da and Zhao Xu respectively, Diamond Global and Golden Power constitute the Company's Connected Persons under Chapter 14A of the Listing Rules.

As Poly Group holds 43.3% equity interest directly and 20.4% equity interest of the Company indirectly through its subsidiary Poly Southern, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. As Bright Hero Global is a subsidiary of Poly Group, Bright Hero Global constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Therefore, the Share Subscription Agreements and the transactions contemplated thereunder constitute the Connected Transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Transaction and its Reasons

(1) The Company is currently operating positively with a low debt ratio, and does not want to incur additional financing cost, which might affect results of operation;

(2) The Company expects that the New Issues can increase its long-term liquidity, and thus increase its market capitalization;

(3) The New Issues will make the minority shareholders of Poly Auction Beijing and Poly Auction Hong Kong become the Shareholders of the Company and thus encourage the minority shareholders to make contribution to the development of Poly Auction Beijing and Poly Auction Hong Kong continuously;

(4) The completion of the New Issues and the Acquisitions (as defined below) will make all Shareholders share the increased profits arising from the acquisitions of Poly Auction Beijing and Poly Auction Hong Kong; and

(5) The participation by Poly Group, being the Controlling Shareholder, in the New Issues will demonstrate its solid confidence in the Acquisitions as well as the prospect of the Company.

For details of the above transactions, please refer to the announcements published on April 18, 2017 and May 8, 2017 and the circular published on May 18, 2017.

2. Equity Transfer Agreements

2.1 Beijing Auction Equity Transfer Agreement

Parties

(1) Buyer: The Company

(2) Sellers: Li Da, Zhao Xu, Li Yizhou

(3) Target Company: Poly Auction Beijing

Principal Terms

(1) Date

May 8, 2017

(2) Assets to be acquired

On May 8, 2017, the Company entered into Beijing Auction Equity Transfer Agreement with the minority shareholders of Poly Auction Beijing. Pursuant to the Beijing Auction Equity Transfer Agreement, the sellers will transfer the aggregate 35% equity interest held by them in the total registered capital of Poly Auction Beijing (as to 17% by Li Da, 14% by Zhao Xu and 4% by Li Yizhou) (the “Subject Equity Interest of Beijing Auction”) as well as all rights and obligations attached thereto to the buyer, and the Buyer will acquire the Subject Equity Interest of Beijing Auction from the sellers (the “Beijing Auction Acquisition”).

(3) Consideration

The buyer will acquire the Subject Equity Interest of Beijing Auction held by the sellers in aggregate at a transfer consideration of approximately RMB625.0 million, of which 17% equity interest held by Li Da at a consideration of approximately RMB303.2 million, 14% equity interest held by Zhao Xu at a consideration of approximately RMB249.7 million, and 4% equity interest held by Li Yizhou at a consideration of approximately RMB71.3 million.

(4) Completion

From the date of completion of registration of changes in respect of Beijing Auction Acquisition with the State Administration for Industry and Commerce, the buyer shall become the owner of the Subject Equity Interest of Beijing Auction, and shall be entitled to the Subject Equity Interest of Beijing Auction as well as all the rights and obligations attached thereto. After the completion of Beijing Auction Acquisition, the Company will hold 90% equity interests of Poly Auction Beijing.

2.2 Hong Kong Auction Equity Transfer Agreement

Parties

(1) Buyer: Poly Culture Hong Kong

(2) Sellers: Zhao Xu, Zhang Yixiu, New Moon

(3) Target Company: Poly Auction Hong Kong

Principal Terms

(1) Date

May 8, 2017

(2) Assets to be acquired

According to the Hong Kong Auction Equity Transfer Agreement, the sellers will transfer the aggregate 31.5% equity interest held by them in the total share capital of Poly Auction Hong Kong (as to 21.5% by Zhao Xu, 5% by Zhang Yixiu and 5% by New Moon) (the “Subject Equity Interest of Hong Kong Auction”) as well as all rights and obligations attached thereto to the buyer, and the buyer will acquire the Subject Equity Interest of Hong Kong Auction from the sellers (the “Hong Kong Auction Acquisition”, together with Beijing Auction Acquisition, collectively referred to as the “Acquisitions”).

(3) Consideration

The buyer will acquire the Subject Equity Interest of Hong Kong Auction held by the sellers in aggregate at a transfer consideration of approximately RMB284.6 million, of which, 21.5% equity interest held by Zhao Xu at a consideration of approximately RMB194.2 million, 5% equity interest held by Zhang Yixiu at a consideration of approximately RMB45.2 million, and the 5% equity interest held by New Moon at a consideration of approximately RMB45.2 million.

(4) Completion

Since the date of completion of the registration of the equity change in Hong Kong Auction Acquisition, the buyer shall become the owner of the Subject Equity Interest of Hong Kong Auction, and shall be entitled to the Subject Equity Interest of Hong Kong Auction as well as all the rights and obligations attached thereto. After the completion of the Hong Kong Auction Acquisition, the Company will hold 100% equity interests of Poly Auction Hong Kong.

Listing Rules Implications

According to Rule 14A.81 of the Listing Rules, Beijing Auction Acquisition and Hong Kong Auction Acquisition shall be calculated on an aggregated basis. As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the equity transfer agreements and the transactions contemplated thereunder are higher than 5%, but all applicable percentage ratios are lower than 25%, therefore, the Acquisitions constitute disclosable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to notice and announcement requirements as set out in Chapter 14 of the Listing Rules.

As Li Da and Zhao Xu directly hold 22% and 18% equity interest of the Company's subsidiary Poly Auction Beijing, respectively, Zhao Xu directly holds 21.5% equity interest of the Company's subsidiary Poly Auction Hong Kong, and Li Da and Zhao Xu are directors of Poly Auction Beijing while Li Da, Zhao Xu and Zhang Yixiu are directors of Poly Auction Hong Kong, Li Da, Zhao Xu and Zhang Yixiu constitute the Connected Persons of the Company under Chapter 14A of the Listing Rules. In addition, Poly Culture Hong Kong is a wholly-owned subsidiary of the Company. Thus, the Beijing Auction Equity Transfer Agreement between the Company and Li Da, Zhao Xu and Li Yizhou, the Hong Kong Auction Equity Transfer Agreement between Poly Culture Hong Kong and Zhao Xu, Zhang Yixiu and New Moon, and the transactions contemplated thereunder, constitute the Connected Transactions of the Company. As the highest applicable percentage ratios of the Equity Transfer Agreements and the transactions contemplated thereunder is higher than 5%, the Equity Transfer Agreements and the transactions contemplated thereunder therefore are subject to the reporting, announcement and independent Shareholders' approval requirements as set forth in Chapter 14A of the Listing Rules.

Transaction and its Reasons

Poly Auction Beijing and Poly Auction Hong Kong are the major profit drivers of the Company, contributing approximately 50% of the 2016 profits of the Company. The Acquisitions can not only significantly increase the net profits attributable to the Company without diluting earnings per share of the Company, play a positive role in preservation and appreciation of state-owned assets and protection of the interests of all Shareholders of the Company, but also enhance the market value of the Company, build the Company's influence in the capital market, enhance the Company's financing and capital operation capability and support the development of existing core business and innovative businesses.

For details of the above transaction, please refer to the announcements published by the Company on April 18, 2017, May 8, 2017 and the circular published on May 19, 2017.

3. Establishment of Poly Culture Industrial Fund

Parties

The Company, Poly Investment, CCB Investment, Everbright Investment and Tianjin Ruida

Principal Terms

(1) Date

June 19, 2017

(2) Capital contribution

According to the Joint Venture Agreement, the registered capital of Poly Culture Industrial Fund is RMB50 million, of which the Company contributed RMB20 million, accounting for 40% of the registered capital; Poly Investment contributed RMB5 million, accounting for 10% of the registered capital; CCB Investment contributed RMB10 million, accounting for 20% of the registered capital; Everbright Investment contributed RMB10 million, accounting for 20% of the registered capital; and Tianjin Ruida contributed RMB5 million, accounting for 10% of the registered capital. The new company is incorporated in Tianjin in the PRC.

The Company, Poly Investment, CCB Investment, Everbright Investment and Tianjin Ruida made the contribution in cash. The source of capital contributed by the Company is from its own funds.

Upon establishment, Poly Culture Industrial Fund will not be a subsidiary of the Company and its financial results will not be incorporated in the Company's statements.

(3) Corporate governance

The board of directors to be established by Poly Culture Industrial Fund consists of five directors, of which the Company will appoint two directors, and Poly Investment, CCB Investment and Everbright Investment will each appoint one director.

Listing Rules Implications

As Poly Group directly holds 43.3% of the equity interest of the Company and indirectly holds 20.4% of the equity interest of the Company through its subsidiary, Poly Southern, Poly Group is a Connected Person of the Company under Chapter 14A of the Listing Rules. As Poly Investment is a wholly-owned subsidiary of Poly Group, Poly Investment is a Connected Person of the Company under Chapter 14A of the Listing Rules. The joint capital contribution by the Company, Poly Investment, CCB Investment, Everbright Investment and the Tianjin Ruida to establish Poly Culture Industrial Fund constitutes a Connected Transaction of the Company. As the highest applicable percentage ratio calculated in accordance with the Listing Rules is higher than 0.1% but lower than 5%, the transaction is subject to the reporting and announcement requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Transaction and its Reasons

By the joint establishment of Poly Culture Industrial Fund, the Company is benefited to absorb and integrate business resources. This contributes to facilitate the development and expansion of three principal businesses, facilitate the rapid expansion of the new businesses and diversify the channels and models of content investment, providing new models and financial support for the Company's mergers and acquisitions at home and abroad, production of cultural content, artwork investment, new business development and others.

For details of the above transaction, please refer to the announcement published by the Company on June 19, 2017.

4. ***Factoring Agreement***

Parties

(1) The recipient of the factoring services: Poly Ronghe

(2) The provider of the factoring services: Poly Leasing

(3) The guarantor: the Company

Principal Terms

(1) Date

December 27, 2017

(2) Term

Ten months effective from the signing date of the Factoring Agreement

(3) Type of facility

With recourse right

(4) Subject of the transaction

Poly Ronghe agreed to transfer the receivables under the Elementary Transaction Contracts to Poly Leasing so as to obtain the factoring facility funds from Poly Leasing. Poly Leasing agreed to accept the aforesaid receivables and provide factoring services to Poly Ronghe.

(5) Factoring services

Poly Leasing will provide Poly Ronghe with a factoring facility amounting to RMB100,000,000.

(6) Repayment arrangements

The interest rate per annum of factoring facility is 6%. Poly Ronghe shall pay interests to Poly Leasing on a quarterly basis, and pay the principal to Poly Leasing on the maturity date of the Factoring Agreement. With the written consent from Poly Leasing, the principal and interests of factoring facility can be repaid in advance, in which case it is required to pay interests incurred for the actual days of duration of the amount of principal of factoring facility to be repaid in advance as calculated with the following formula: interests for advance repayment = amount of principal of factoring facility to be repaid in advance × daily interest rate × actual days of financing.

(7) Guarantee

In order to guarantee Poly Leasing's creditor's rights against Poly Ronghe under the Factoring Agreement, the Company agreed to provide joint liability guarantee for the debts payable by Poly Ronghe under the Factoring Agreement in favour of Poly Leasing. The scope of guarantee provided by the Company covers the principal of major creditor's rights, interests, default interests, compound interests, liquidated damages, damages, expenses incurred for realization of creditor's rights (including but not limited to litigation fees, travel expenses, attorney fee, etc.) and other payable expenses. The term of guarantee provided by the Company under the Factoring Agreement commences from the maturity date of relevant secured debts (including but not limited to the date on which the amounts payable by Poly Ronghe to Poly Leasing under the Factoring Agreement become due and payable) and ends upon expiry of two years after the maturity date of discharge term of the last instalment of debts under the Factoring Agreement.

Listing Rules Implications

As Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through its subsidiary Poly Southern, therefore Poly Group is a Controlling Shareholder and thus a Connected Person of the Company. As Poly Leasing is a subsidiary of Poly Group, it is also a Connected Person of the Company. In addition, Poly Ronghe is a non wholly-owned Subsidiary of the Company. Hence, the Factoring Agreement entered into between Poly Leasing and Poly Ronghe and the transactions contemplated thereunder constitute Connected Transactions of the Company. As the highest applicable percentage calculated in accordance with the Listing Rules is above 0.1% and less than 5%, the aforesaid transactions shall comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the independent Shareholders' approval requirement.

Transaction and its Reasons

The terms of the Factoring Agreement were entered into after arm's length negotiations between the parties. The execution of Factoring Agreement is conducive to giving full play to the advantages of all parties; the proceeds can be expected; the risk is controllable; and it is beneficial for Poly Ronghe to activate its debt assets, widen its finance channels, improve its finance structure, and build on its development strength.

For details of the above transaction, please refer to the announcement published on December 27, 2017.

II. 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 2017 (RMB Million)	Actual Transaction Amount of 2017 (RMB Million)
1	Financial Services Agreement	Poly Finance	the maximum daily deposit balance: 1,000 the maximum daily lending balance: 500	depositing services: 522.86 credit lending services: 150.00 settlement services:/ miscellaneous financial services:/
2	General Services Framework Agreement	Poly Group (as the service receiver)	31.18	0.93
3	Commodities Sale and Purchase Framework Agreement	Poly Group (as the purchaser)	15.75	5.60
4	Property Lease Framework Agreement	Poly Group (as the lessor)	58.91	37.96
5	Cinema Box Office Income Sharing Framework Agreement	Poly Group	405.95	223.47
6	Finance Lease Framework Agreement	Poly Leasing (as the lessor)	302	3.69

- For the above-mentioned No.1 non-exempt Continuing Connected Transaction, its annual caps from 2015 to 2017 have been approved by the first 2014 extraordinary general meeting of the Company convened on December 22, 2014. As the Financial Services Agreement and the corresponding annual caps expired on December 31, 2017, the Company renewed the Financial Services Agreement with Poly Finance on October 23, 2017, which shall be valid from January 1, 2018 to December 31, 2020. As the deposit services under the New Financial Services Agreement and the proposed annual caps for 2018, 2019 and 2020 contemplated thereunder were not duly passed by the Shareholders, before obtaining the approval from the shareholders' general meeting towards such Continuing Connected Transactions, the actual amount of the maximum daily deposit balance (including any accrual interests) of the Group with Poly Finance under the New Financial Services Agreement will not exceed RMB197 million;

- For the above-mentioned No.2 to No.3 non-exempt Continuing Connected Transactions, the Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to be exempt from the requirements of announcement and independent Shareholders' approval upon its Listing of H shares. As the General Services Framework Agreement and the Commodities Sale and Purchase Framework Agreement expired in 2017, and their corresponding annual caps expired on December 31, 2016, the Company renewed the General Services Framework Agreement and the Commodities Sale and Purchase Framework Agreement with Poly Group on October 17, 2016, which shall be valid from January 1, 2017 to December 31, 2019. The New Financial Services Agreement and its annual caps from 2017 to 2019 have been approved by the Board of Directors;

- For the above-mentioned No.4 non-exempt Continuing Connected Transaction, the Company has obtained waivers from the Stock Exchange for the annual caps of such Continuing Connected Transactions to be exempt from the requirements of announcement and independent Shareholders' approval upon its Listing. As the Property Lease Framework Agreement will expire in 2034, and the corresponding annual caps expired on December 31, 2016, the Company further proposed the respective annual caps from 2017 to 2019 under the Property Lease Framework Agreement with Poly Group. The proposed annual caps from 2017 to 2019 under the Property Lease Framework Agreement have been approved by the Board of Directors;

- For the above-mentioned 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 be exempt from the requirements of announcement and independent Shareholders' approval upon its Listing of H shares. As the Cinema Box Office Income Sharing Framework Agreement expired in 2017, and the corresponding annual caps expired on December 31, 2016, the Company renewed the Cinema Box Office Income Sharing Framework Agreement with Poly Group on October 17, 2016, which shall be valid from January 1, 2017 to December 31, 2019. The renewal of Cinema Box Office Income Sharing Framework Agreement and its annual caps from 2017 to 2019 have been approved by the first 2016 extraordinary general meeting of the Company convened on December 23, 2016.

- For the above-mentioned No.6 non-exempt Continuing Connected Transaction, its annual caps from 2016 to 2023 have been approved by the 2015 annual general meeting of the Company convened on June 7, 2016.

1. Financial Services Agreement

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. The principal terms of the Financial Services Agreement are as follows:

(1) 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.

(2) 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; and

(3) The term of the Financial Services Agreement is three years from January 1, 2015 to December 31, 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.

The Company renewed the Financial Services Framework Agreement on October 23, 2017 and proposed the annual caps for 2018, 2019 and 2020. The validity will last for a term of three years commencing from January 1, 2018.

Listing Rules Implications

As Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, a subsidiary of Poly Group, Poly Group is the Controlling Shareholder and thus a Connected Person of the Company. As 94.18% equity interests of Poly Finance is held by Poly Group and its associates, Poly Finance also constitutes a Connected Person of the Company. Accordingly, the transactions contemplated under the New Financial Services Agreement constitute the Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in relation to the proposed annual caps for deposit services under the New Financial Services Agreement calculated in accordance with the Listing Rules is higher than 5%, the provision of deposit services by Poly Finance to the Group is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

In respect of credit lending services under the New Financial Services Agreement, as it constitutes financial assistance provided by a Connected Person to the Group, and the credit lending services are in the ordinary and usual course of business of the Company and on normal commercial terms, and are not secured by any assets of the Group, therefore, according to Rule 14A.90 of the Listing Rules, the credit lending services that Poly Finance proposes to provide to the Group are exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

Transaction and its Reasons

(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. The Group further expects that 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 announcements of the Company on November 5, 2014 and October 23, 2017 and the circulars of the Company dated November 27, 2014 and November 9, 2017.

2. *General Services Framework Agreement*

Parties

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

Principal Terms

The Company entered into the General Services Framework Agreement with Poly Group on February 14, 2014. The Company renewed the General Services Framework Agreement with Poly Group on October 17, 2016, pursuant to which the Company from time to time provides Poly Group and/or its associates with certain types of services, mainly including exhibition service, theatre management activity service, art appreciation activity service and general service. The principal terms of the General Services Framework Agreement are as follows:

(1) The General Services Framework Agreement is valid for a term of three years commencing on January 1, 2017 and can be renewed for another three years upon its expiry;

(2) 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

(3) 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's length negotiations.

Listing Rules Implications

As Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, a subsidiary of Poly Group, hence 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 entered into between the Company and Poly Group constitute the Continuing Connected Transactions of the Company under the Listing Rules.

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

Transaction and its Reasons

(1) Poly Group is engaged in the business of real estate development and conducts promotion activities for high-end real estate projects by hosting art appreciation activities from time to time. Poly Art Centre, a wholly-owned subsidiary of the Company, is engaged in exhibition undertakings and organization of art communication activities. While Poly Group and its subsidiaries are promoting their sales and marketing activities all over the country, Poly Art Centre's services in holding exhibitions and providing selected exhibits are needed, which will enhance the market influence of Poly Group. In the meantime, Poly Art Centre can also earn profits therefrom. Poly Group is also dedicated to the integration of real estate and culture by means of the introduction of some cultural elements, like Poly Theatre, in order to enhance the cultural content and commercial value and complement each other's benefit with Poly Culture. Thus, Poly Theatre Management, a wholly-owned subsidiary of the Company, also provides relevant theatre management service for Poly Group.

(2) The above mentioned provision of service by the Company to Poly Group has been and will be conducted in line with the market practice in order to exert the strength and advantage of both the Company and Poly Group.

For details of the above transactions, please refer to the Prospectus of the Company and the announcements of the Company published on December 17, 2014 and October 17, 2016.

3. Commodities Sale and Purchase Framework Agreement

Parties

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

Principal Terms

The Company entered into the Commodities Sale and Purchase Framework Agreement with Poly Group on February 14, 2014. The Company renewed the Commodities Sale and Purchase Framework Agreement with Poly Group on October 17, 2016, pursuant to which the Company will 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:

(1) The Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing on January 1, 2017 and can be renewed for another three years upon its expiry;

(2) 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

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

Listing Rules Implications

As Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, a subsidiary of Poly Group, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the New Commodities Sale and Purchase Framework Agreement entered into between the Company and Poly Group constitute the Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the annual cap of 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 reporting, announcement, and annual review requirements but exempted from the independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Transaction and its Reasons

(1) It is the Company's ordinary and usual course of business to sell art products and theatre tickets. There is a need for Poly Group and/or its associates to purchase theatre tickets for marketing promotion from time to time, and/or purchase art products for interior decoration of their office building from time to time.

(2) With continuing expansion of the business scale of Poly Group, the demand in art products and theatre tickets of Poly Group has exceeded the original anticipation.

(3) The above-mentioned provision of commodities sale and purchase services by the Company to Poly Group has been and will be conducted in line with the market practice and can exert the strength and advantage from both the Company and Poly Group.

For details of the above transactions, please refer to the Prospectus of the Company and the announcements of the Company published on December 17, 2014, March 24, 2016, March 31, 2016, April 1, 2016 and October 17, 2016.

4. Property Lease Framework Agreement

Parties

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

Principal Terms

The Company 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:

(1) The Property Lease Framework Agreement is valid for a term of 20 years commencing on the Listing Date;

(2) 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;

(3) 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;

(4) The property management fee shall be determined by reference to the then market price or as agreed by both parties after arm-length negotiations;

(5) 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

(6) 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.

Due to the expiry of annual cap under the Property Lease Framework Agreement on December 31, 2016, the Company published an announcement on October 17, 2016, confirming that the Company would renew the above-mentioned Property Lease Framework Agreement after December 31, 2016 and proposing the annual caps in 2017, 2018, and 2019 respectively.

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 reporting, announcement, and annual review requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

The Group has been leasing and using the above properties for its business operation for a long period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

The Directors of the Company are of the view that maintaining long-term and stable property lease is of great importance to the operation of the cinema investment and theatre management business of the Group, and 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, the Directors of the Company 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 and the announcement published on October 17, 2016.

5. Cinema Box Office Income Sharing Framework Agreement

Parties

Poly Group and the Company

Principal Terms

The Company entered into the Cinema Box Office Income Sharing Framework Agreement with Poly Group on October 17, 2016, according to which Poly Group and/or its associates will provide new film prints for the Group and the Group will then arrange movie screening in cinemas of the Group. 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. The principal terms of the Cinema Box Office Income Sharing Framework Agreement are as follows:

(1) The Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing on 1 January 2017, and can be renewed for another three years upon its expiry;

(2) 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

(3) Poly Group and/or its associates will provide new film prints to the Group and our Group will then arrange movie screening in our cinemas. The 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.

The annual caps of the Cinema Box Office Income Sharing Framework Agreement in 2017, 2018 and 2019 were approved by the first 2016 extraordinary general meeting of the Company on December 23, 2016.

Listing Rules Implications

As Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, a subsidiary of Poly Group, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps for 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 reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

According to the changes in the average sharing level of the movie screening industry in China, Poly Wanhe Cinema Circuit will adjust the sharing percentage with cinemas under the Company every three to five years, and enter into New Cinema Box Office Income Sharing Framework Agreements. Pursuant to such agreements, Poly Wanhe Cinema Circuit will provide the Group with new film prints and encryption keys, which the Group will then arrange to be screened in cinemas of the Group. After the renewal of the Cinema Box Office Income Sharing Framework Agreement, the Directors expect that, taking into consideration the long-term good business relationship between Poly Wanhe Cinema Circuit and cinemas of the Group since the date of formal commencement of business, and the fact that the sharing percentages offered by Poly Wanhe Cinema Circuit is more favourable than the average market sharing percentage, it is in the Company's long-term interest that the Company continue to maintain relationship with Poly Wanhe Cinema Circuit. Any cessation of such corporation will cause unnecessary disruption to the movie screening operation of cinemas of the Group, incurring significant business losses to the Company.

For details of the above transactions, please refer to the Prospectus of the Company and the announcements published on October 17, 2016 and December 23, 2016 and the circular published on November 4, 2016.

6. ***Finance Lease Framework Agreement***

Parties

Poly Film (as the Lessee) and Poly Leasing (as the Lessor)

Principal Terms

(1) Date

April 22, 2016

(2) Term of agreement

The Finance Lease Framework Agreement shall become effective upon the approval of the 2015 annual general meeting (June 7, 2016) and up to December 31, 2023.

(3) Lease period

Both parties will enter into a specific agreement for each finance lease service. The lease period of each specific finance lease service shall be determined with reference to the useful life of relevant film equipment, the Lessee's financial needs and the Lessor's capital position. The lease period of each specific finance lease service shall not exceed the useful life of the film equipment and the term of the Finance Lease Framework Agreement, and shall not exceed 96 months.

(4) Lease object

Film equipment of Poly Film and its subsidiaries, including but not limited to, projecting screens, seats, audios and electronic screens, etc. (the "Film Equipment").

(5) Form of lease

Poly Film and Poly Leasing will enter into specific individual implementation agreement(s) from time to time. The terms of each implementation agreement will be in line with the terms of the Finance Lease Framework Agreement, and each implementation agreement shall be subject to and conditional upon the Finance Lease Framework Agreement's (or its renewal agreement's) continuing to be in force. Pursuant to the specific individual implementation agreement(s) entered into with Poly Film from time to time, Poly Leasing will procure Film Equipment and lease it to Poly Film and/or its subsidiaries according to the requirements including film equipment's name, quality, specification, quantity and price provided by Poly Film. Poly Film shall lease such equipment and agree to pay the principal and interests equally on a monthly basis to Poly Leasing on the basis of the terms, conditions and interest rates as stipulated under the specific agreement(s) entered into from time to time.

(6) Guarantees

Poly Film provides full amount guarantees for the finance leases of Poly Film's subsidiary under the Finance Lease Framework Agreement.

(7) History figures

No historical figures of Poly Film are available for the transactions under the Finance Lease Framework Agreement.

(8) End of the lease period

Once the equipment principal and interest expenses of each of the finance lease agreements are fully paid, the ownership of such film equipment will be attributable to Poly Film and its subsidiaries without paying for the consideration.

Listing Rules Implications

Since Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, a subsidiary of Poly Group, Poly Group is a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. As Poly Leasing is the subsidiary of Poly Group, Poly Leasing is a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. In addition, as Poly Film is a wholly-owned subsidiary of the Company, the proposed transactions under the Finance Lease Framework Agreement constitute Continuing Connected Transactions of the Company.

As the highest applicable percentage ratio of the applicable percentage ratios calculated in accordance with the Listing Rules is higher than 5%, the transaction is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

In recent years, with the fast increase of box office in China and the demand of market development, the construction of new cineplex of Poly Film is also faster than the previous years. The current owned funds of the Company are difficult to meet the fund demand for the construction of new cineplex. Financing cost of bank loan is also relatively high and the current interest rate set by the The People's Bank of China for one to five-year term loans is 4.75%. Through the Finance Lease Framework Agreement, Poly Film adopted finance lease for equipment and obtained a more favourable lease interest rate of finance lease from Poly Leasing, which was lower than the interest rate of bank loans. It could convert the one-time capital expenditure in the project's preliminary stage to the annual cost expenditure after cineplex go into operation. It improves the initial cash flow of the project and lowers the fund stress of the Company so as to reduce financing cost effectively and provide effective support for Poly Film to expand the cineplex investment and construction scale quickly in the short term.

For details of the above transactions, please refer to the announcements published on April 22, 2016 and June 7, 2016 and the circular published on May 9, 2016.

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 Company's Shareholders 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 Board 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 2017.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with relevant parties deemed as the “related party” in accordance with the applicable accounting standards. Details of material related party transactions entered into by the Group during the Reporting Period are set out in Note 30 to financial statements. Other than disclosed in the paragraph headed “Connected Transactions” in this report, related party transactions disclosed in Note 30 do not constitute Connected Transactions as defined in Chapter 14A of the Listing Rules and are not exempt from the reporting, announcement and shareholders’ approval requirements under the Listing Rules. During the Reporting Period, the Company has complied with the provisions in Chapter 14A of the Listing Rules.

THE RIGHTS AND INTERESTS OF THE DIRECTOR IN THE COMPETITIVE BUSINESS

In the Reporting Period, no Directors and their associates have any competitive interests in any business that constitutes or may constitute competition directly or indirectly with the business of the Group (except for the disclosure in this report.)

NON-COMPETING UNDERTAKING

Poly Group, the Controlling Shareholder of the Company, signed a non-competition undertaking on February 14, 2014. Pursuant to which, 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.

During the Reporting Period, the Controlling Shareholder of the Company has complied with the non-competition undertaking.

PRE-EMPTIVE RIGHT, SHARE OPTION ARRANGEMENTS

During the year ended December 31, 2017, 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, 2017, no contracts of significance in respect of provision of services or otherwise was 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.

MAIN RISKS AND UNCERTAINTIES

For details of analysis of main risks and uncertainties, please refer to the section headed "Management Discussion and Analysis – Risk Factors" of this report.

FUTURE DEVELOPMENT OF THE GROUP

For details of analysis of future development of the Group, please refer to the section headed "Management Discussion and Analysis – Outlooks" of this report.

SUBSEQUENT EVENT

The Board recommends to distribute a final dividend of RMB0.207 per share (tax inclusive) in cash to the Shareholders for the year ended December 31, 2017. The dividend mentioned above will be distributed before August 10, 2017 upon approval of Shareholders at the annual general meeting of the Company.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2017. So far as the Directors are aware, there is no material litigation or claim which are pending or threatened against the Company.

AUDIT OF ANNUAL RESULTS

The Consolidated Financial Statements of the Group for the year ended December 31, 2017, including the accounting principles and practices adopted, have been reviewed by the Audit Committee together with the external auditors of the Company.

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

Report from the Board of Supervisors

In 2017, 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 compliance with laws including PRC Company Law, regulations, rules and normative documents, the Articles, the Rules of Procedure for Meetings of the Board of Supervisors of Poly Culture Group Corporation Limited and the Listing Rules. Following is a report on the principal work during the Reporting Period:

I. MEETINGS OF THE BOARD OF SUPERVISORS

1. On March 30, 2017, the third session of the Board of Supervisors convened its second meeting and deliberated and approved Proposal on Work Report 2016 of the Board of Supervisors of the Company, Proposal on 2016 Annual Results Announcement of the Company, Proposal on the 2016 Annual Report of the Company, Proposal on the Financial Report of the Company for the year 2016, Proposal on the Dividend Distribution Plan of the Company for the year 2016 and Proposal on the Financial Budget of the Company for the year 2017.

2. On August 29, 2017, the third session of the Board of Supervisors convened its third meeting and deliberated and approved Proposal on 2017 Interim Result Announcement of the Company and Proposal on 2017 Interim Report of the Company.

II. WORK OF THE BOARD OF SUPERVISORS

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 members. The Board of Supervisors opines that the decisions on major issues were made legally and that all Directors and senior management members 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 the 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 its subsidiaries and audit reports of the Company and its subsidiaries provided by auditors. The Board of Supervisors opines that accounts and financial accounting of the Company and its subsidiaries comply with the Accounting Law of the People's Republic of China, the PRC Accounting Standards for Business Enterprises and the IFRSs, 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 work of the construction of internal control system of the company, cooperate with other departments, actively sort, tidy up and improve various systems, documents, rectify the defects, and participate in the successful completion of the inspection work of regulatory agencies such as Poly Group and SASAC.

Chen Yuwen
Chairman of the Board of Supervisors

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 adopted the Corporate Governance Code in Appendix 14 to the Listing Rules as its own corporate governance practices and complied with all the code provisionsand 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

As at the date of this report, the Board of Directors comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The members of the Board of the Company are listed out as follows:

Name	Position
Xu Niansha	Chairman and executive Director
Zhang Xi	Vice chairman and executive Director
Jiang Yingchun	Chief executive officer and executive Director
Hu Jiaquan	Executive Director
Wang Lin	Non-executive Director
Wang Keling	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 Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming, who are the independent non-executive directors of the Company will last for a period of three years with effect from 23 December 2016. The term of Mr. Wang Lin and Mr. Wang Keling, who are the non-executive directors of the Company will last for a period of three years with effect from 23 December 2016.

The profiles of the Directors are set out in pages 66 to 68 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 holds Board meetings on a regular basis: at least four meetings per year and essentially 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, 2017, the Board of Directors held eight meetings in total, with details of the attendance of Directors as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Xu Niansha	Chairman and executive Director	8/8	100%
Zhang Xi	Vice chairman and executive Director	8/8	100%
Jiang Yingchun	Chief executive officer and executive Director	8/8	100%
Hu Jiaquan	Executive Director	8/8	100%
Wang Lin[(1)]	Non-executive Director	6/8	75%
Wang Keling	Non-executive Director	8/8	100%
Li Boqian[(2)]	Independent non-executive Director	7/8	87.5%
Li Xiaohui	Independent non-executive Director	8/8	100%
Yip Wai Ming[(3)]	Independent non-executive Director	6/8	75%

Notes:

1. Mr. Wang Lin was not able to attend the second meeting of the third session of the Board of Directors on March 31, 2017 and the third meeting of the third session of the Board of Directors on April 5, 2017 due to other work commitment, and appointed Mr. Zhang Xi as his proxy to represent him and vote on his behalf.

2. Mr. Li Boqian was not able to attend the fourth meeting of the third session of the Board of Directors on August 29, 2017 due to other work commitment, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf.

3. Mr. Yip Wai Ming was not able to attend the second meeting of the third session of the Board of Directors on March 31, 2017 and the third meeting of the third session of the Board of Directors on April 5, 2017 due to other work commitment, 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 the general manager'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 review and monitor the training and continuous professional development for Directors and senior management;

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

e) to review the Company's compliance with Corporate Governance Code and disclosure in the corporate governance report.

1.4 Chairman and General Manager

Positions of the chairman and the general manager (chief executive 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 the chairman of the Board of Directors and Mr. Jiang Yingchun serves as the general manager. The Articles define duties of the chairman and the general manager.

1.5 Directors' Appointment and Re-election

According to the Articles, Directors (including non-executive 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 their recommendations to the Board of Directors, subject to the approval by the general meeting.

1.6 Board Diversity Policy

The Company has adopted the "Board Diversity Policy of Poly Culture Group Corporation Limited" (the "**Policy**"), which has been approved by the Board of Directors, as summarized below:

The Policy specifies that in designing the composition of 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 the Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the 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 criteria including 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.

During the year ended December 31, 2017, the emoluments of the senior management of the Group (not include the Directors of the Company) are within the following bands:

Bands of the emoluments	Number
HKD0 to HKD1,000,000	2
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	4

1.8 Training for Directors

The Company submits "Monthly Management Reports" to the Directors, to keep them acknowledged with the latest information of the Company, the industry status and developments. The Company also collects the latest amendments to the securities laws, regulations and regulatory rules which come to its attention and submits them to the Directors, Supervisors and senior management of the Company. In addition, during the Reporting Period, all Directors (including Mr. Xu Niansha, Mr. Zhang Xi, Mr. Jiang Yingchun, Mr. Hu Jiaquan, Mr. Wang Lin, Mr. Wang Keling, Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming) have participated in the trainings of Hong Kong listed companies information disclosure, connected transactions, the responsibilities of the Directors, Supervisors and Senior Management and the recent new regulatory requirements, to ensure that they continue to have comprehensive information and contribute to the Board of Directors when necessary.

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. Wang Keling (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 to propose appointment or replacement of the external auditors; to oversee the Company's internal audit system and its implementation; to coordinate internal and external auditors; to review the Company's financial information and its disclosure; to examine the Company's internal monitoring and the risk management system, to audit material connected transactions; to nominate the person in charge of the internal audit department of the Company; to examine the authenticity and impartiality of the interim and annual financial statements of the company, to discuss the nature and scope of the audit with the external auditor before starting the audit, and to discuss its conclusions and suggestions with the auditor after the audit process and the completion of the audit; and other matters as authorised by the Board of Directors of the Company. The Audit Committee has an annual assessment of the internal control and financial monitoring system, the risk management system, the scope of the work of the external auditor and the important matters employed by the external auditor, and the effectiveness of the arrangement of the employees' attention to possible misconduct, so that the board can inspect the overall financial situation of the group and protect its assets. After each meeting, the chairman of the Audit Committee summarizes the work of the committee, with focusing on the concerns and recommending recommendations to the board of directors.

During the year ended December 31, 2017, the Audit Committee held four meetings, attendance of which is as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Li Xiaohui	Independent non-executive Director	4/4	100%
Yip Wai Ming[(1)]	Independent non-executive Director	2/4	50%
Wang Keling	Non-executive Director	4/4	100%

Note:

1. Mr. Yip Wai Ming was not able to attend the second Audit Committee meeting of the third session of the Board of Directors on March 22, 2017 and the third Audit Committee meeting of the third session of the Board of Directors on August 29, 2017 due to other work commitment, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf.

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 2016 of the Company, and submitted the above proposals to the Board of Directors for their consideration. The Audit Committee of the Company also confirmed the Connected Transactions of the Company in 2016.

The Audit Committee of the Company has reviewed the Company's Annual Results for 2017, and the Financial Statements for the year ended December 31, 2017 in accordance with the IFRSs.

2.2 Nomination Committee

The Nomination Committee of the Company consists of three Directors: Mr. Li Boqian (independent non-executive Director), Ms. Li Xiaohui (independent non-executive Director) and Mr.Wang Keling (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 conducting a wide search for the qualified candidates for the Directors.

When assessing the composition of the Board of Directors, the Nomination Committee takes into account a number of categories described in the board's diversification policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and get the measurement of board diversification, if necessary, recommend it to the board of directors.

The Nomination Committee will take into account the character, qualifications, experience, independence and other cooperation strategies of the board before making recommendations to the board of directors, and the necessary conditions for the diversification of the board of directors (if appropriate).

During the year ended December 31, 2017, the Nomination Committee held one meeting on March 30, 2017, attendance of which is as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Li Boqian	Independent non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Wang Keling	Non-executive Director	1/1	100%

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. Zhang Xi (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 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 scope, responsibilities of the Directors and senior management and the importance of their positions as well as the remuneration benchmarks for the relevant positions in other similar 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 Directors' and senior management's performance of duties 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, 2017, the Remuneration and Assessment Committee held one meeting on March 30, 2017, attendance of which is as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Yip Wai Ming	Independent non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Zhang Xi	Executive Director	1/1	100%

2.4 Art Committee

The Art Committee of the Company consists of three Directors: Mr. Zhang Xi (executive Director), Mr. Jiang Yingchun (executive Director) and Mr. Li Boqian (independent non-executive Director). Mr. Zhang Xi 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 considers 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, 2017.

2.5 Strategy Committee

The Strategy Committee of the Company consists of five Directors: Mr. Xu Niansha (executive Director), Mr. Zhang Xi (executive Director), Mr. Wang Lin (non-executive Director), Mr. Jiang Yingchun (executive Director) and Li Xiaohui (Independent non-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; 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; 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, 2017.

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, 2017.

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 have 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 state of the Company for examination and approval.

The Company does not face any significant uncertainty of being 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

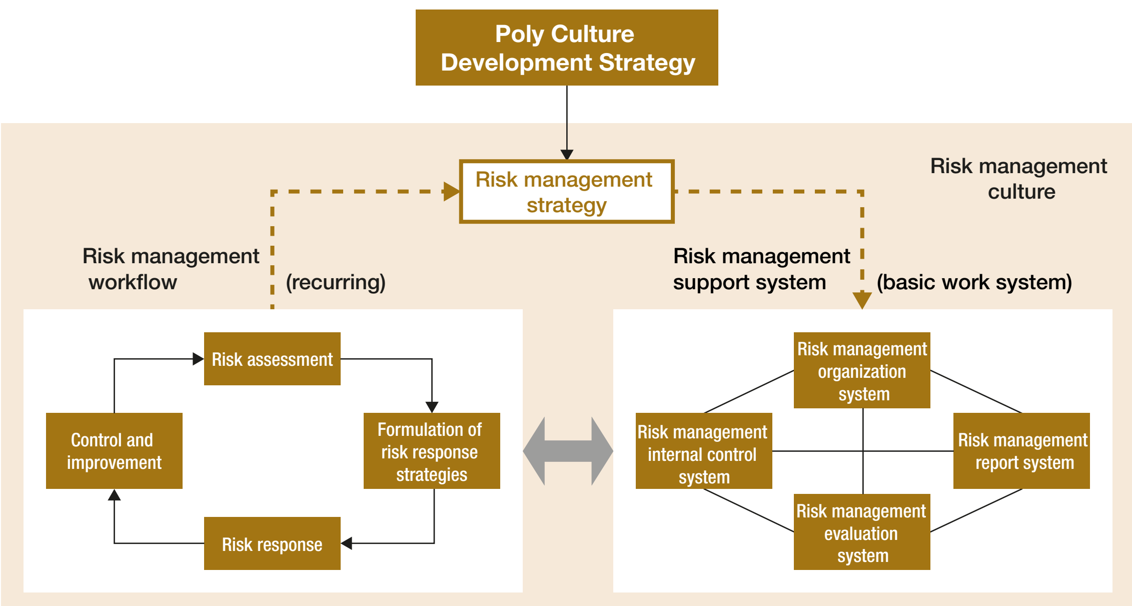
Due to work adjustment, Mr. Chen Peng resigned from his position as the joint company secretary of the Company on January 6, 2017. On the same day, the Board of Directors approved to appoint Ms. Wang Wei as the joint company secretary of the Company. In 2017, Ms. Wang Wei was responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures as well as compliance with relevant laws and regulations. In order to maintain good corporate governance practices and to ensure compliance with the Listing Rules and applicable laws, the Company has also appointed Ms. Mok Ming Wai. the director of TMF Hong Kong Limited (達盟香港有限公司), a company secretarial services provider, as the joint company secretary of the Company to assist Ms. Wang Wei in the performance of her duties as the company secretary. Ms. Wang Wei is the primary corporate contact person of the Company.

Ms. Wang Wei and Ms. Mok Ming Wai participated in not less than 15 hours of relevant professional trainings in 2017 in accordance with Rule 3.29 of the Listing Rules. The joint company secretary is intend to participate in relevant trainings in 2018, to ensure the compliance with Rule 3.29 of the Listing Rules.

6. INTERNAL CONTROL AND RISK MANAGEMENT

The Company has prepared the "Comprehensive Risk Management Manual" which was considered and approved by the third meeting of the second session of the Board. It aims to enhance the risk management level of the Company through the establishment and operation of the systematic risk management mechanism (i.e., the comprehensive risk management system), in order to effectively prevent, resolve, and reasonably undertake or exploit the risks faced by the Company and to promote sustained, healthy and stable development for the Company.

The Company's comprehensive risk management mechanism mainly comprises four main components: risk management strategies, risk management assurance system, risk management workflow and risk management culture (see below). The four main components are interdependent, interactive and interrelated. They ensure the operation of the Company's comprehensive risk management functions.

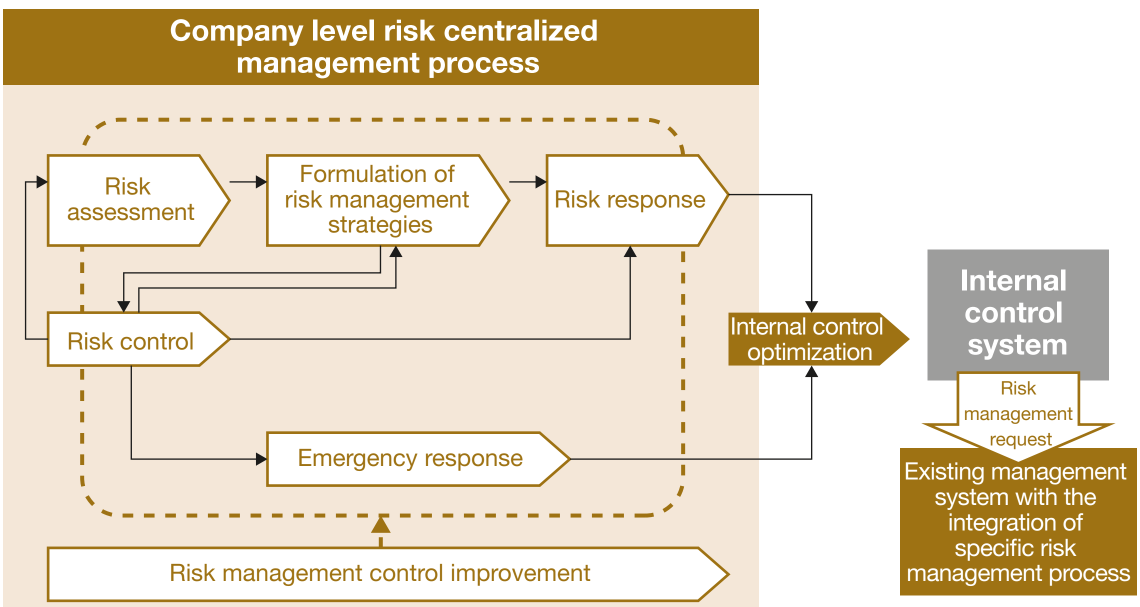


The Company's comprehensive risk management organization is divided into four-tiers, namely risk management decision-making body, comprehensive risk management leading group, risk management executive body and risk management supervisory body, where the risk management executive body is further divided into risk centralized management function department and specific risk management department.

The Board of Directors of the Company is the ultimate decision-making body of Poly Culture in respect of risk management. Comprehensive risk management team shall be responsible for the management and decision-making of the Company's risk management matters and the provision of guidance and coordination to risk centralized management function department, specific risk management department under the authorization of the Board of Directors of the Company. The enterprise development department is the risk centralized management function department of Poly Culture, it carries out risk centralized management functions, and is responsible for the centralized management of risk, the organization and arrangement of the Company's cross-divisional and other risk management activities. Specific risk management departments are established under the Company and its subsidiaries to, on one hand, participate in cross-divisional and other relevant risk management activities at subsidiary level under the organization and coordination by the risk centralized management function department and, on the other hand, carry out corresponding specific risk management assessments and follow-up measures during the department's operations and management activities.

The audit and supervision department is the risk management supervisory body of Poly Culture, which is responsible for the supervision and inspection of the general operation of the comprehensive risk management of Poly Culture.

The Company refines its risk management process framework by dividing it into risk centralized management process and specific risk management process. (as below)



Framework of Risk Management Process of the Company

The risk centralized management process contains six links, namely risk assessment, formulation of risk management strategies, risk response, risk supervision and control, risk contingency and risk management supervision and improvement. Specific risk management process shall always be integrated into the existing management mechanism, with the relevant management systems and procedural documents of each functional department as the main vehicle for implementation.

The Company has established a risk assessment mechanism (see below) to carry out a comprehensive risk assessment for the risks faced by the Company on an annual basis. The Company will formulate risk management strategies and organize and implement risk responses for significant risks identified during the annual risk assessment, which should be prioritized.

1.0 Risk assessment process - annual risk assessment

The Company has established a comprehensive risk management evaluation mechanism to continuously monitor and evaluate the efficiency and effectiveness of risk management. The Company organizes a comprehensive risk management evaluation on an annual basis, to evaluate the implementation and completion of risk management tasks of the subsidiaries and to improve and enhance the comprehensive risk management of the Company according to the evaluation results.

Based on the overall operation of the comprehensive risk management mechanism, the Company conducts risk management supervision and evaluation on a regular basis and compiles risk management supervision and evaluation report. The Company commences risk management enhancement pursuant to the advice on improving risk management stated in the report. The audit and supervision department keeps track of the progress of the improvement in risk management and makes adjustments to the plans as needed in a timely manner.

The Company prepares Annual Report on Comprehensive Risk Management on an annual basis. On the basis of in-depth investigation and distribution of risk assessment surveys, the Company identified the potential risks of the whole year item by item, and sort them in order of their importance, and dig deeper into the causes of risks and estimate the impact of the risks for the formulation of corresponding solutions and responses to ensure smooth and stable business operations throughout the year, and to avoid to the maximum the adverse effects brought by the potential risks. Based on the results of the report, the Company will actively formulate responses and pay close attention to the implementation of the plans to ensure that all potential risks are under control and no major losses will be incurred due to the potential risks throughout the year.

The Directors of the Company understand that the Board is responsible for maintaining a sufficient internal control system to safeguard the investments by the Shareholders and the assets of the Company as well as to review the effectiveness of the system on an annual basis. The risk control functions assumed by the Board of Directors are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee assisted the Board of Directors in reviewing the internal control system of our Company's and its subsidiaries financial monitoring, operation monitoring, compliance monitoring and risk management and other internal control systems during the Reporting Period, and found no major problems or major errors in the Company's internal control. The Board believes that the Company's current monitoring system is effective and that the internal control and risk management system is effective and sufficient.

- The Company is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbors set out in the SFO;

- The Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively; and

- The Company has established and implemented procedures for responding to external enquiries about the Company's affairs. Senior management of the Company are appointed and authorized to act as the Company's spokespeople and to respond to enquiries in particular areas.

7. AUDITOR'S REMUNERATION

For the year ended December 31, 2017, the remuneration of external auditors in respect of their annual audit services was RMB4.2 million, and non-audit services was RMB0.72 million.

8. GENERAL MEETINGS

During the year ended December 31, 2017, the Company convened four general meetings, as detailed below:

Date	Venue	Meetings
June 29, 2017	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	Annual General Meeting of 2016
June 29, 2017	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	The First Class Meeting of H Shareholders in 2017
June 29, 2017	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	The First Class Meeting of Domestic Shareholders in 2017
December 11, 2017	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	The First Extraordinary General Meeting of 2017

Attendance by Directors:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Xu Niansha[(1)]	Chairman and executive Director	0/4	0%
Zhang Xi	Vice chairman and executive Director	4/4	100%
Jiang Yingchun	Chief Executive Officer and executive Director	4/4	100%
Hu Jiaquan	Executive Director	4/4	100%
Wang Lin	Non-executive Director	4/4	100%
Wang Keling	Non-executive Director	4/4	100%
Li Boqian[(2)]	Independent non-executive Director	0/4	0%
Li Xiaohui	Independent non-executive Director	4/4	100%
Yip Wai Ming[(3)]	Independent non-executive Director	0/4	0%

Notes:

1. Mr. Xu Niansha was not able to attend the Annual General Meeting of 2016 on June 29, 2017, The First Class Meeting of H Shareholders in 2017, The First Class Meeting of H Shareholders in 2017 and the First Extraordinary General Meeting of 2016 on December 11, 2017 due to other work arrangements.

2. Mr. Li Boqian was not able to attend the Annual General Meeting of 2016 on June 29, 2017, The First Class Meeting of H Shareholders in 2017, The First Class Meeting of H Shareholders in 2017 and the First Extraordinary General Meeting of 2016 on December 11, 2017 due to other work arrangements.

3. Mr. Yip Wai Ming was not able to attend the Annual General Meeting of 2016 on June 29, 2017, The First Class Meeting of H Shareholders in 2017, The First Class Meeting of H Shareholders in 2017 and the First Extraordinary General Meeting of 2016 on December 11, 2017 due to other work arrangements.

9. COMMUNICATIONS WITH SHAREHOLDERS

The Company continuously attaches great importance to maintaining and developing the 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 5 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 such 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.

According to the Articles, Shareholders who individually or jointly hold more than 3% of the Shares may submit a proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board.

9.2 Inquiry and Communication of Shareholders

The Company publishes 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 concerns 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 procedures and resolutions voted on are set out in the 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.

11. ARTICLES OF ASSOCIATION AND AMENDMENTS

The Articles took effect on the Listing Date. During the year ended December 31, 2017, according to the general requirements of the State-owned Assets Supervision and Administration Commission and the Central Committee of the Communist Party of China on the incorporation of Party building work into the articles of association of the Communist Party of China, the Board of Directors has revised the Articles accordingly. The revised Articles took effect by the extraordinary general meeting of 2017, which was held on December 11, 2017. For details, please refer to the announcement and circular published on August 29, 2017 and November 10, 2017, which were published on the websites of the Stock Exchange and the Company. The latest Articles is available on the websites of the Stock Exchange and the Company.

DIRECTORS

Executive Directors

Mr. Xu Niansha, aged 61, joined the Company in December 2014 and has been the chairman of the Company since then. Mr. Xu has been the chairman of Poly Group since May 2013. Mr. Xu has also been a member of the 12th, 13th national committee of the Chinese People's Political Consultative Conference and an executive of Straco Corporation Limited (新加坡星雅集團). 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), the vice chairman of CITIC Offshore Helicopter Co., Ltd. (中信海洋直升機股份有限公司) and other positions. Mr. Xu obtained a doctoral degree in law and a doctoral degree in economics. Mr. Xu was granted the qualification of senior engineer in professor level.

Mr. Zhang Xi, aged 55, joined the Company in December 2014 and has been an executive Director of the Company since then. Mr. Zhang has been the vice chairman of the Company since December 2016. Mr. Zhang has been the vice general manager of Poly Group since September 2014. Mr. Zhang has also been the vice general manager and the deputy director of the Management Committee of China Silk corporation, the chairman of Beijing New Poly Plaza Real Estate Development Co., Ltd. (新保利大廈房地產開發公司), an director of Poly Permanent Union Holding Group Limited (保利久聯控股集團有限責任公司), an director of Guizhou Jiulian Industrial Explosive Materials Development Co., Ltd. (貴州久聯民爆器材發展股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002037) and the curator of Poly Art Museum (保利藝術博物館). 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 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 and the chairman of Poly Energy Holdings Co., Ltd. (保利能源控股有限公司). Mr. Zhang served as the vice general manager and the chief accountant of Poly Real Estate Group Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600048). Mr. Zhang obtained a bachelor's degree in economics and was granted the qualification of senior accountant.

Mr. Jiang Yingchun, aged 49, joined the Company in December 2001, and is an executive Director and the general manager of the Company. 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 has been the general manager and an executive Director since December 2010. Mr. Jiang is currently the chairman of Poly Auction Beijing, Poly Auction Hong Kong, Poly Art Centre and Poly Film, and a director of North America Company. Mr. Jiang holds a bachelor's degree in History majoring in archaeology and qualification of editor.

Mr. Hu Jiaquan, aged 56, joined the Company in May 2016 and has been the deputy secretary of the party committee and the secretary of the Discipline and Inspection Commission of the Company. Mr. Hu served as the chief accountant and deputy manager of Poly Construction Development Company (保利建設開發總公司), the chief accountant and the vice general manager of Beijing New Poly Plaza Real Estate Development Co., Ltd. (新保利大廈房地產開發公司), the executive vice general manager of Poly (Beijing) Real Estate Development Co., Ltd. (保利（北京）房地產開發有限公司), the general manager of Poly (Baotou) Real Estate Development Co., Ltd. (保利（包頭）房地產開發有限公司) and other positions. Mr. Hu holds a bachelor's degree in economics.

Non-executive Directors

Mr. Wang Lin, aged 54, joined the Company in March 2013 and has been a non-executive Director since then. Mr. Wang also served as the vice general manager of Poly Group, a director and the general manager of Poly International Co., Ltd., 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's degree in literature and qualification as a lecturer.

Mr. Wang Keling, aged 53, joined the Company in December 2016 and has been the non-executive Director since then. Mr. Wang also serves as a director of the Human Resource Management Centre and the director of the human resources department of Poly Group. Mr. Wang served as the vice general manager of Poly Energy Holdings Limited, the deputy director of the administrative affairs office of the Poly Group, the director of the human resources department and other positions. Mr. Wang holds a master's degree in military science and was granted the qualification of engineer.

Independent non-executive Directors

Mr. Li Boqian, aged 81, 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's degree in Archaeology.

Ms. Li Xiaohui, aged 50, 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 Bank of Beijing Co., Ltd. (北京銀行股份有限公司), China U-Ton Holdings Limited (中國優通控股有限公司) and Fangda Carbon New Material Technology Co., Ltd. (方大炭素新材料科技股份有限公司). Ms. Li holds a doctoral degree in Economics.

Mr. Yip Wai Ming, aged 53, 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 Ju Teng International Holdings Limited (巨騰國際控股有限公司), Pax Global Technology Limited (百富環球科技有限公司), Far East Horizon Limited (遠東宏信有限公司) and Yida China Holdings Limited (億達中國控股有限公司). Mr. Yip is a member of the Association of Chartered Certified Accountants, a member 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's degree in social sciences and a bachelor's degree in law.

SUPERVISORS

Mr. Chen Yuwen, aged 53, joined the Company in December 2016 and has been the chairman of the Board of Supervisors since then. Mr. Chen also serves as a director of the Discipline and Supervision Office and the director of the Inspection Office of Poly Group, a supervisor of Poly International Holdings Co., Ltd. and other positions. Mr. Chen served as the audit officer of Poly Group, the deputy director and the director of the audit and supervision department of Poly Group and other positions. Mr. Chen holds a bachelor's degree in economics and was granted the qualification of accountant.

Mr. Huang Geming, aged 50, joined the Company in December 2016 and has been the supervisor since then. Mr. Huang also serves as the assistant to the general manager of Poly Group, the vice general manager of Poly International Holdings Co., Ltd., the vice general manager of Poly Investment Holdings Co., Ltd. (保利投資控股有限公司), and the chairman of Poly Automobile Co., Ltd. (保利汽車有限公司) and other positions. Mr. Huang served as the vice general manager, the director, the general manager of Poly Energy Holdings Limited and other positions. Mr. Huang holds a bachelor's degree in engineering and a bachelor's degree in economics.

Mr. Wang Fuqiang, aged 48, joined the Company in January 2011 as an audit officer of the Company. He has been the employee representative supervisor since December 2016. Mr. Wang holds a college degree in accounting. He was granted the qualification of certified accountant and he holds the title of accountant.

SENIOR MANAGEMENT

Mr. Ren Wei, aged 58, joined the Company in August 2000 and has been the vice general manager of the Company from July 2009 up to March 2018. Mr. Ren served as the chairman of the North American Company and a director of Poly Theatre Management, Poly Auction Beijing and Poly Auction Hong Kong. Mr. Ren holds a master's equivalent degree in enterprise management.

Mr. Zhou You, aged 57, joined the Company in 2003 and has been the vice general manager of the Company since January 2003. Mr. Zhou also serves as a director of Poly Theatre Management and Beijing Poly Music Art. Mr. Zhou holds a bachelor's degree in literary editing and qualification as an editor.

Mr. Liu Debin, aged 45, joined the Company in March 2011 and has been the vice general manager since March 2013. Mr. Liu also serves as a director and general manager of Poly Film and a director of North American Company. Mr. Liu holds a bachelor's degree in Industrial accounting and qualification as a senior economist.

Ms. Wang Wei, aged 50, joined the Company in June 2010 and has been the chief accountant since March 2013. She has been the vice general manager of the Company since March 2016, and has been the joint Company secretary and the secretary to the Board of Directors since January 2017. Ms. Wang also serves as the chairman of Poly Auction Guangdong, Poly Culture Industrial Fund and Poly Ronghe Financial Leasing, a director of Poly Theatre Management, a director of Poly Auction Beijing, a director of Poly Auction Hong Kong, Poly Art Investment and a director of the North American Company. Ms. Wang holds a bachelor's degree in Engineering and qualification as a senior accountant.

Mr. Guo Wenpeng, aged 48, joined the Company in 2003 and has served as the vice general manager since August 2015. Mr. Guo also serves as the director and general manager of Poly Theatre Management and a director of Beijing Poly Music Art. Mr. Guo has obtained a master's degree in economics.

Mr. Liu Shibin, aged 44, joined the Company in 2012 and has served as the chief accountant since March 2017. Mr. Liu Shibin also serves as the chairman of Poly Art Investment, a director of Beijing Poly Auction, a director of Poly Auction Hong Kong, a director of Poly Auction Guangdong, a director of Poly Art Center, and the general manager and a director of Poly Culture Industrial Fund. Mr. Liu obtains a master's degree in economics and holds qualification as a senior accountant.

Mr. Chen Peng, aged 38, joined the Company in September 2002 and has been the secretary to the Board of Directors from December 2010 up to January 2017. Mr. Chen is also a director and deputy general manager of Poly Film. Mr. Chen holds a bachelor's degree in chrematistics and qualification as an accountant.

APPOINTMENT OR DISMISSAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On March 26, 2018, the Board of Directors of the company approved Mr. Ren Wei's resignation as deputy general manager of the Company.

On January 6, 2017, the Board of Directors of the Company approved to appoint Ms. Wang Wei as the joint company secretary of the Company. Before that, Mr. Chen Peng has resigned from his position as the joint company secretary of the Company due to re-allocation of work. The resignation came into effect when the new joint company secretary started to serve. The Company was granted a new waiver from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules and in relation to the eligibility of Ms. Wang Wei to act as the joint company secretary of the Company by the Stock Exchange for a period from January 6, 2017 to January 5, 2020.

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Principles of reporting

This Environmental, Social and Governance Report (also referred as "ESG Report") is prepared in accordance with the Environmental, Social, and Governance Reporting Guide published in December 2015 by the Stock Exchange of Hong Kong Limited.

Reporting period

From January 1, 2017 to December 31, 2017

Reporting scope

Including Poly Culture and its subsidiaries

Data sources

The ESG Report authentically reflects our environmental, social and governance activities. The report adopts the information and data in the official documents and statistics reports of the Company, and statistics and summaries of its subsidiaries.

Communication and exchange with stakeholders

Communication and engagement with stakeholders is the foundation of corporate sustainability. We identified the principal stakeholders of the Group in accordance with the features of the industry and our operations, including shareholders, customers, employees, suppliers and partners. And we have established a good and stable communication model with stakeholders through various channels.

Key Issues Identification

The ESG Report discloses information which is in compliance with the materiality principle for the preparation of ESG report in the Environmental, Social, and Governance Reporting Guide to ensure the content disclosed can both reflect the strategic priorities of the Company and the concerns of key stakeholders (shareholders, customers, staffs, suppliers and partners, etc.). We conducted a specific survey on the key stakeholders of the Group and identified the main concerns of the internal and external stakeholders, including work safety, use of resources, development and training, etc.

ENVIRONMENT

The Company has learnt to promote and strictly complied with relevant laws and regulations regarding environmental protection, energy conservation and emission reduction(including but not limited to The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》),The Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), insisted on the concept of scientific and green development, effectively saved resources, and simplified processes, so as to create values for the enterprise.

Waste Emission

In view of its business nature, the main non-hazardous wastes of the Company include used daily office supplies and daily necessities. We try to recycle the wastes and deliver the non-recyclable wastes to Municipal Sanitation Department to dispose in the way of landfill or incineration, and thus cannot count the amount. During the reporting period, the Company is not aware of any significant hazards caused by any hazardous wastes and packaging materials used in any manufactured products and there is also no significant emission of waste gas or waste water.

In order to ensure maximum control of wastes and proper disposal of them, and to reduce waste pollution to the Company and its' surroundings, we implement the following measures:

Actively propose economical, green and low-carbon production and office mode, promote paperless office, establish and use OA office system, advocate to reuse of office paper, collect waste paper for recycling. The wastes in the office area and the business premises are handled by the departments themselves who are responsible for centralize storage and handling, and the cleaning is carried out by the cleaners.

Advocate staffs to change bad consumption pattern and living habits to put an end to waste. The wastes in the canteen area should be managed uniformly and handled rationally by the canteen.

The responsible department of Company organizes regular safety training to enhance the staff's work skills and safety awareness.

Greenhouse gas emission

Our carbon emissions mainly come from energy consumption. During the Reporting Period, the energy consumed by us was mainly purchased electricity and water. Pursuant to the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change under the National Development and Reform Commission of the PRC, the indirect greenhouse gas emission in the financial year 2017 amounted to 69.5 thousand tons of carbon dioxide.

Use of Resources

The main energy consumption of the Company is electricity and water. During the Reporting Period, the energy consumption of the Company was as follows:

Energy consumption	Unit	Quantity
Electricity	kwh/year	68,989,843
Area of operating buildings	square meter (m^2)	2,937,431.52
Energy intensity of operating buildings	kwh/m^2/year	23.48
Water	m^3/year	169,152.33

Note: Some of the Group's theaters and offices are located in an integrated commercial complex and the energy consumption cannot be individually calculated.

To reduce energy consumption and increase energy efficiency, we implement the following measures:

The Company's lighting facilities use energy-saving equipment as much as possible to adjust and control the air-conditioning operating temperature in each office area, and strictly manage power-consuming equipment to reduce the waste of power resources.

The Company puts up slogans such as saving electricity and saving water in the office area to improve the awareness of energy conservation among employees and customers.

The Company suggests that our employees go out on foot or by public transportation and encourages our employees to travel in economy class to reduce carbon emissions.

All of the Company's business premises implemented the environmental and fire protection inspection policies strictly in compliance with national requirements in order to prevent the occurrence of environmental and safety issues at the source.

Through the above measures, we effectively manage the use of resources such as water and electricity in our operations, fully reuse recyclable waste, and reduce the amount of paper used for printing, to further save resources and protect the environment, and reduce the greenhouse effect.

Environment and natural resources

Most of our offices are located in the business areas of cities, which are not belong to forest resource area, thus without material impact to the environment and natural resources. The Company uses water from the urban water supply system mainly for normal office use, which does not involve production process, thus no substantial impact on rivers, lakes, groundwater and glaciers will be exerted.

STAFF POLICY

The Company has established good staff training system to facilitate their career development and improve their work-life balance, and will explore and construct a mid-and-long term incentive mechanism, striving to create a good environment for innovative development and results sharing.

The Group strictly complies with the laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, and has formulated the "Regulation on the Management of Labour Contract for Poly Culture Group Corporation Limited" and the "Code of Conduct for Poly Culture Group Corporation Limited" in accordance with the laws and the practical conditions of the Company, covering various aspects such as recruitment and employment, labour relations management, work time attendance and leave management, reward and punishment management, and remuneration and welfare. The Group respects the protection of the legitimate rights and interests of employees, constantly improves the employment management system and establishes a good supervision and protection system on the rights and interests of employees.

We strive to build a comfortable and healthy working and living environment to promote employees' physical and mental health. Strictly abiding by the Labour Law of the People's Republic of China, the Prevention and Control of Occupational Diseases Law of the People's Republic of China and relevant local regulations, the Company and the domestic entities in the Reporting Period constantly improve the employees' health management and organize health checkups for employees. Its subsidiaries also formulate the corresponding requirements and measures for implementation to ensure employees' physical and mental well-being. We strictly prohibit child labor and any form of forced labor. We also respect the rights of all employees to freely join in associations or labor unions. We have not been involved in any hiring child labor, forced labor and discrimination cases in the financial year 2017.

Staff grouping

As of December 31, 2017, the Group has 7,408 employees in total.

By employment type	
Full-time	6,986 Headcounts
Part-time	422 Headcounts
By gender	
Male	3,906 Headcounts
Female	3,502 Headcounts
By age	
Below 30	4,194 Headcounts
30-50	2,784 Headcounts
50 or above	430 Headcounts
By region	
Beijing	816 Headcounts
Other regions of the Mainland China	6,500 Headcounts
Hong Kong, Macau, and Taiwan regions	77 Headcounts
Other regions	15 Headcounts

Number of employee turnover

For the year ended December 31, 2017, the number of loss in the Group's employees was 2,725, representing a turnover ratio of 36.78%. The mobility of the services and security personnel employed by theaters and studios is relatively high mainly due to the nature of the Group's business.

By gender	
Male	1,426 Headcounts
Female	1,299 Headcounts
By age	
Below 30	2,203 Headcounts
30-50	486 Headcounts
50 or above	36 Headcounts
By region	
Beijing	220 Headcounts
Other regions of the Mainland China	2,489 Headcounts
Hong Kong, Macau, and Taiwan regions	14 Headcounts
Other regions	2 Headcounts

Number of newly hired employees

For the year ended December 31, 2017, the number of the Group's newly hired employees was 3,324.

By gender		
Male	1,646	Headcounts
Female	1,678	Headcounts
By age		
Below 30	2,647	Headcounts
30-50	637	Headcounts
50 or above	40	Headcounts
By region		
Beijing	305	Headcounts
Other regions of the Mainland China	3,001	Headcounts
Hong Kong, Macau, and Taiwan regions	14	Headcounts
Other regions	4	Headcounts

Staff training

For the year ended December 31, 2017, a number of 6,263 employees in total participated in the training.

By gender		
Male	3,309	Headcounts
Female	2,954	Headcounts
By duty		
Senior management officers	143	Headcounts
Mid-level management officers	457	Headcounts
Other	5,663	Headcounts

For the year ended December 31, 2017, categorized by gender and duty, the average hours of each employee's training completed:

By gender		
Male	28	Average hours
Female	25	Average hours
By duty		
Senior management officers	23	Average hours
Mid-level management officers	20	Average hours
Other	30	Average hours

Occupational health and safety

On one hand, the Company has arranged annual health check and health and safety education courses for staffs to minimize their health risks. On the other hand, the company has strived to create a safe and protected work environment for all its staffs, strictly carried out the regulatory authority's decisions and arrangements on strengthening the work safety, actively implemented various measures of work safety. The Company recorded no safety production accident throughout the year.

	Number of person	Percentage
Injury at work		
Lost days due to work injury	0	N/A
Number of death caused by work	0	N/A

SUPPLY CHAIN MANAGEMENT AND PRODUCT LIABILITIES

The Company's main products and services suppliers include domestic and foreign performing groups, cinema circuit companies, artworks owners, the decoration and construction parties, printers, and others. The Company strives to establish good and long-term cooperative relationships with suppliers and usually selects suppliers with higher reputation. The Company's audit department also regularly reviews relevant procurement prices (including social responsibilities of the suppliers).

WORK SAFETY

The cinemas and theatres operated by the Company are crowded locations under higher pressure of work safety. The Company has strictly standardized management, strengthened awareness of work safety, and adopted measures, such as establishing safety committees at various levels, building up rules and systems, and conducting safety spot checks and fire drills, to ensure operating safety.

For the year ended 31 December 2017, the Company has set up 131 safety committees, deployed over 812 full-time and part-time safety management staff, established safety management systems and over 70 emergency plans, and amended and perfected various types of systems and over 60 plans. Throughout the year, the Company carried out 1,520 trainings for production safety, organized 670 emergency drills and 1,935 safety check. The Company has managed to promote the sustainable and safe development of the enterprises with the systems as the basis and implementation as a method of protection. No accident in relation to work safety was recorded during the year.

ANTI-CORRUPTION

During the year ended December 31, 2017, the Group was not involved in any case of corruption. The Company values the staff training on company management system and anti-corruption training and takes a series of disciplinary actions, including warning, penalty, demotion, or dismissal, in light of any non-compliance with the management system.

SOCIAL RESPONSIBILITIES

Awards

In March 2017, Poly Auction Beijing and the projects undertaken by it and its staff were awarded three honors, i.e. "2016 Auction Enterprise with Brand Influence", "2016 Special Auction for Academic Value" and "2016 Men of Auction" in the "2017 Art Market Value List and 2016 Beijing Auction Season Annual Industry Summit".

From November to December 2017, the original drama "Yinding Bridge (《銀錠橋》)" by Poly Theatre Management was awarded as the best play in the "Academy Award" of the 7th Annual International Drama, and its drama "Break Gold (《斷金》)" was selected as the culture brand item in the "Blue Book of China's Cultural Enterprise Brands (2017) (《中國文化企業品牌藍皮書（2017）》)" by the Ministry of Culture.

In December 2017, Poly Culture won the award for best social participation in "the 4th CSR Chinese Culture in 2017 (2017年第四屆CSR中國文化獎)" sponsored by "National Cultural History (《國家人文歷史》)" Periodical Office under the People's Daily. It was listed in the "Brand Value TOP50 among Chinese Cultural Enterprises in 2017 (2017中國文化企業品牌價值TOP50)" jointly issued by the Key Laboratory of the Ministry of Technology and Culture for Culture Brand Evaluation and the China Creative Industry Technology Institute of Renmin University of China.

Youth Development

In April 2017, Poly Culture cooperated with organizations such as Beijing Film Academy in holding the first session of Poly Animation Technology Carnival. The Carnival presented the cutting-edge of animation manifestation technology and the most advanced animation technology, leading the visitors to "feel the future". Visitors are able to experience animation technologies such as the animation inertial capture equipment, express animation, stop-motion Animation, "mixed reality" wearable system, VR television works and VR painting software.

In July 2017, Poly WeDo Chambers Orchestra, as the first Chinese youth orchestra invited to perform in Cologne Cathedral, played Chinese melodies in the "Symphony Orchestra – Sino-German Friendly Concert (合樂弦音－中德友好音樂會)" in Cologne Cathedral, Germany. The concert not only exhibited the charm of Chinese music to German audience, but also brought German overseas Chinese a sense of national honor from their motherland.

In July 2017, Children's Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團) participated in "the 8th World Peace Choral Festival in 2017 (2017第八屆世界和平合唱節)" in Vienna, Austria. In the event, Children's Choir of Shanghai Poly Grand Theater played three songs, Ave Verum Corpus, Plum Blossoms in the Snow (《踏雪尋梅》) and Panis Angelicus (《天賜神糧》) with children's voice, and won the Silver Prize with good performance among over 30 excellent choirs in the world. This is the second time Children's Choir of Shanghai Poly Grand Theater participated in international competition and achieved good results after it won the Bronze Prize in the "13th China International Chorus Festival (第十三屆中國國際合唱節)" held in Beijing in 2016.

Public Welfare

From March 31 to April 13, 2017, Poly Culture held the "Series Exhibition of Literature on the History of Chinese and Western Cultural Exchange – Atlas of Chinese Birds Drawn by a French Missionary in the 19th Century" in joint cooperation with China Biodiversity Conservation and Green Development Foundation. Mr. Xu Niansha (the Chairman of Poly Culture), Mr. Hu Deping (the President of China Biodiversity Conservation and Green Development Foundation) and Mr. Gu Shan (the French ambassador to China) attended and addressed on the opening ceremony. The exhibition term covers the 36th "Bird-Loving Week in Beijing", so as to respond to the call for "vigorously promoting the construction of ecological civilization, and striving to build a beautiful Chinese".

On May 28, 2017, Guangzhou Poly International Cinema and Guangzhou Federation of Social Organizations jointly established the "Guangzhou Public Benefit Film Base", and held the "June 1" of Children's Day public benefit film viewing activity titled " Love Through Film Viewing – Public Benefit (影像承載愛 • 公益)". As the first public benefit film base in Guangzhou, Guangzhou Poly International Cinema will regularly show public benefit films and provide concessionary fares to public benefit organizations or warm-hearted citizens, and held various public benefit film events.

Cultural Exchange

In March 2017, "An American in Paris" (《一個美國人在巴黎》), the first foreign opera-musical invested by Poly Theatre Management was performed in the United Kingdom. This is the first time that Chinese theater company is included in the production list of Broadway musicals as co-producers, and the overseas influence of Poly Culture is greatly improved.

From May to August 2017, Poly Culture sponsored the "Selected Bronze Censers of the Ming and Qing Dynasties (金玉茗香 — 明清銅爐特展)" together with North American Company in Vancouver Poly Art Museum, in which 50 bronze censers of the Ming and Qing Dynasties were exhibited to show the elegant taste of burning incense and tasting tea by refined scholars in the Ming and Qing Dynasties. It was the first exhibition in the world in which a large number of high-quality bronze censers of the Ming and Qing Dynasties were exhibited abroad, helping to expand the international influence of bronze censers of the Ming and Qing Dynasties. At the same time, by giving full consideration to the culture demands in North American, the exhibition focused on presenting the color aesthetics of "Xuande Censer in the most wonderful color" among bronze censers of the Ming and Qing Dynasties, the fascinating stories recorded on the wall, and various models of bronze censers formed due to aesthetic changes for the hundreds of years, and fully presented the splendid features of bronze censers of the Ming and Qing Dynasties with unique curator language.

In August 2017, the Hidden Sword (《刀背藏身》) invested by Poly Film received the award for "Best Artistic Contribution" in the Main Competition of the 41st Montreal Film International Festival. The Hidden Sword was the only film winning award in the Main Competition of the Montreal Film International Festival, and the only Chinese martial arts film being included and winning award in the Main Competition of the Montreal Film International Festival so far. In October 2017, The Hidden Sword had four in the 54th Taiwan Golden Horse Movie nominations, the Best Action Design, Best Adapted Screenplay the Best Original Film Music, and the Best New Actor.

In September 2017, the original English opera "A Dream of the Red Mansions (《紅樓夢》)" introduced and co-produced by Beijing Poly Theatre Management Corporation Limited together with San Francisco Opera and Armstrong Music Art Management Co., Ltd., was firstly performed in Beijing Poly Theatre, and 16 ambassadors (including those from United States, Germany and Canada) and Mr. Ed Lee (the Mayor of San Francisco) were invited to attend the premiere ceremony. The tour version of "A Dream of Red Mansions" was a true English opera representing China's story with the world language, which not only had extremely strong artistic ornamental value, but also had profound significance on the going-out of Chinese culture and the blend of Chinese and foreign cultures.

KPMG

TO THE SHAREHOLDERS OF

Poly Culture Group Corporation Limited

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

OPINION

We have audited the consolidated financial statements of Poly Culture Group Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 87 to 183, which comprise the consolidated statement of financial position as at December 31, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ASSESSING THE NET REALISABLE VALUE OF ART INVENTORIES

Refer to note 18 to the consolidated financial statements and the accounting policies on page 105.

The Key Audit Matter	How the matter was addressed in our audit
Art inventories comprise antiquities, works of art, Chinese calligraphy, paintings and sculptures. As at December 31, 2017, the balance of art inventories was RMB1.88 billion, which represented 96% of the total inventories of the Group as at that date. Art inventories are measured at the lower of cost and net realisable value. The art market and domestic art sales have fluctuated in recent years. Accordingly, there is a greater risk that the cost of art inventories held by the Group at the reporting date may be greater than the corresponding net realisable value. Due to the uniqueness and special nature of art inventories, management engages external art experts to assess and evaluate the market value of art inventories to determine their net realisable values at the reporting date. We identified the assessment of the net realisable value of art inventories as a key audit matter because the judgement exercised by management in determining an appropriate level of inventory provisions involves the estimation of the market value of art inventories, which can be inherently uncertain, and because the impact on the consolidated financial statements could be material.	Our audit procedures to assess the net realisable value of art inventories included the following: • obtaining an understanding of recent market trends for art inventories by inspecting recent auction prices and other publicly available information and making enquiries of sales representatives in the auction division. We applied the information obtained from the procedures above to evaluate the assumptions made by management in the determination of provisions for art inventories; • assessing, on a sample basis, whether the external art experts engaged by the Group followed the requirements and procedures as instructed by the Group and whether their appointment had been properly approved; • assessing the external art experts' experience, qualifications and credentials by inspecting the Group's records and information in the public domain; • making inquiries of the external art experts, on a sample basis, about the factors they considered in their valuations and assessing the valuations by considering market trends, the key factors considered by the external art experts and recent market prices for similar art inventories; • obtaining the valuation reports for art inventories issued by the external art experts as at December 31, 2017, comparing the item number, artist's name (where relevant) and initial cost of all items in the valuation reports with the Group's inventory records and comparing the valuation amount for all art inventories with the respective carrying values to assess whether provisions had been made when required; • assessing, on a sample basis, whether there were any losses or damage to art inventories by attending the inventory count at the year end with the assistance of the external art experts; and • comparing the prices achieved from the sales of art inventories during 2017 with their recorded carrying values as at December 31, 2016 and the prices achieved from the sales of art inventories after December 31, 2017 (where available) to assess the accuracy of management's process for making provisions for art inventories.

PROVISION FOR IMPAIRMENT OF PREPAYMENTS FOR AUCTIONED WORKS OF ART, CONSIGNOR ADVANCES AND LOANS GRANTED UNDER FINANCING ARRANGEMENTS

Refer to notes 17, 20 and 21 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2017, the total balance of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements was RMB3.94 billion, which represented 39% of the total assets of the Group as at that date. Prepayments for auctioned works of art Prepayments for auctioned works of art represent the amounts advanced to sellers of works of art who have a good credit record or have a long-term business relationship with the Group. Amounts may be advanced to sellers prior to receiving full payment of the auction purchase prices from the relevant buyers using the related auctioned works of art as collateral. The prepayments granted generally represent 40% to 60% of the collateral's auction price.	Our audit procedures to assess the provision for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls over the approval, monitoring and collection of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements; • assessing, on a sample basis, whether the collateral held was in good condition by attending the physical count of collateral at the year end; • discussing with management their assessment of doubtful receivables and assessing whether the receivables had been included in the appropriate ageing category in the ageing report by comparing the details of individual receivables, on a sample basis, with contracts and relevant bank transfer documentation;

PROVISION FOR IMPAIRMENT OF PREPAYMENTS FOR AUCTIONED WORKS OF ART, CONSIGNOR ADVANCES AND LOANS GRANTED UNDER FINANCING ARRANGEMENTS *(Continued)*

Refer to notes 17, 20 and 21 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter

Consignor advances

The Group provides certain qualified collectors and art dealers with advances secured by works of art which are held by the Group as collateral. If the work of art is sold in auction, the proceeds received from the buyer, after deducting commission, advances, interest and relevant taxes will be paid to the consignor. If the secured work of art remains unsold, the consignor will be required to repay the advance together with interest before the work of art is returned to the consignor. The advances granted generally do not exceed 30% of the collateral's estimated value.

At the year end, management conducted an impairment assessment of prepayments for auctioned works of art and consignor advances (collectively "the receivables" hereinafter), to access the recoverability of the receivables. Management reviewed long aged receivables and those individually greater than RMB5 million for potential impairment.

Management assessed potential impairment of receivables by engaging external art experts to assess and evaluate the market value of the collateral held to determine if any impairment was required as at the reporting date.

How the matter was addressed in our audit

- assessing the categorisation of loans granted under financing arrangements in the loans ageing report by comparing details of a sample of loans with the underlying loan agreements;

- obtaining the valuation reports for works of art held as collateral at the year end, which were prepared by external art experts, for long aged receivables and overdue loans and comparing the collateral item number and the artist's name (where relevant) in the valuation reports with the collateral list maintained by the Group;

- assessing the qualifications, experience and reputation of the external art experts engaged by management to value the collateral by reading their credentials, which were provided by management or extracted from publicly available domain;

- inquiring of the external art experts about the factors they considered in their valuations and assessing the valuations by considering market trends, the key factors considered by the external art experts and recent market prices for similar antiquities or works of art;

PROVISION FOR IMPAIRMENT OF PREPAYMENTS FOR AUCTIONED WORKS OF ART, CONSIGNOR ADVANCES AND LOANS GRANTED UNDER FINANCING ARRANGEMENTS *(Continued)*

Refer to notes 17, 20 and 21 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter	How the matter was addressed in our audit
Loans granted under financing arrangements The Group also grants term loans secured by works of art. The recoverability of these loans is reviewed by management with reference to the credit-worthiness and financial strength of the borrowers and the latest market value of the related works of art held as collateral. Loans granted generally represent 50% to 80% of the collateral's estimated value. As at the year end, management conducted an impairment assessment of overdue loans. This was performed by engaging external art experts to assess and evaluate the market value of the collateral held to determine if any impairment was required as at the reporting date. We identified provision for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements as a key audit matter because of its significance to the consolidated financial statements and because the judgement exercised by management in determining an appropriate level of impairment provisions for receivables and loans involves the estimation of the market value of art collateral, which can be inherently uncertain.	• evaluating the provision for impairment made by management for individual balances of the receivables and loans with reference to the value of collateral held, historical and post year-end payment records and through inspection of correspondence with debtors to identify any disputes and repayment arrangements agreed with debtors; • comparing actual losses and new provisions made during the current year with receivable and loan balances as at December 31, 2016 to assess the reliability of management's impairment assessment process; and • comparing, on a sample basis, the subsequent settlement of the receivable and loan balances as at December 31, 2017 with bank statements and relevant underlying documentation.

RECOGNITION OF GOODWILL AND INTANGIBLE ASSETS ARISING FROM THE ACQUISITION OF XINGX ENTERTAINMENT

Refer to notes 13, 14 and 31 to the consolidated financial statements and the accounting policies on page 99 and page 100.

The Key Audit Matter	How the matter was addressed in our audit
The Group acquired 100% equity interest in XingX Entertainment from XingX Group and XingX Holdings with a total cash consideration of RMB680 million. The acquisition was completed on March 29, 2017. Management relied on an external appraiser to value significant tangible and intangible assets acquired in business combination. The intangible assets mainly comprised right to use the brands. In determining the fair value of the acquired intangible assets, valuation models, which included discounted cash flow forecasts, were prepared by the external appraiser with reference to financial information compiled by management. The preparation of discounted cash flow forecasts involves the exercise of significant judgement and estimation, in particular in determining the key inputs, which included revenue growth rate and market trend of cinema business in Mainland China, profit margins and the discount rates applied.	Our audit procedures to assess the recognition of goodwill and intangible assets arising from the acquisition of XingX Entertainment included the following: • inspecting the acquisition agreement, the board resolution in connection with the acquisition and other relevant documents to identify the key transaction terms and conditions, including the purchase consideration and the completion date, which are relevant in considering the accounting treatment for the acquisition; • comparing details of the consideration transferred with bank statements, bank remittance slips and other relevant documentation; • Access reasonableness of fair value of assets acquired at the acquisition date by sending confirmation and performing physical inspection on the sample basis, reviewing the key accounting policy and key estimation;

RECOGNITION OF GOODWILL AND INTANGIBLE ASSETS ARISING FROM THE ACQUISITION OF XINGX ENTERTAINMENT *(Continued)*

Refer to notes 13, 14 and 31 to the consolidated financial statements and the accounting policies on page 99 and page 100.

The Key Audit Matter	How the matter was addressed in our audit
The Group recognised the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired as goodwill in the consolidated financial statements. As at March 29, 2017, the carrying values of the related goodwill and intangible assets were RMB165 million and RMB28 million, respectively. We identified assessing the recognition of goodwill and intangible assets arising from the acquisition of XingX Entertainment as a key audit matter because of their significance to the consolidated financial statements and because estimating the fair value of goodwill and identifiable intangible assets arising from the acquisition is highly subjective as significant judgement and estimation is required to be exercised.	• evaluating the competence, capabilities and objectivity of the external appraiser appointed by management to assess the fair value of the intangible assets acquired; • engaging our internal valuation specialists to assist us in evaluating the valuation methodologies and the key assumptions adopted in the valuation models, with reference to the requirements of International Financial Reporting Standards; • challenging the key assumptions and critical judgements adopted in the valuation models by comparing key inputs, which included, revenue growth rate and profit margins with historical performance, financial forecasts approved by the Board of Directors, recent business pipeline reports, industry research reports and industry statistics; • evaluating the discount rates applied in the discounted cash flow forecasts by comparing the discount rates in the purchase price allocation report with discount rates we calculated based on market data for similar companies in the same industry; • re-performing the mathematical calculation of goodwill prepared by management and evaluating whether goodwill and intangible assets arising from the acquisition were recognised with reference to the requirements of International Accounting Standards; and • Checking the disclosures in connection with goodwill and intangible assets arising from the acquisition of XingX Entertainment in the consolidated financial statements with reference to the requirements of IFRS.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

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

March 26, 2018

Consolidated Statement of Profit or Loss

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**3,480,415**	2,682,301
Cost of sales		**(2,251,160)**	(1,687,045)
Gross profit		**1,229,255**	995,256
Other revenue	6	**77,175**	55,563
Other net (losses)/income	6	**(18,946)**	99,388
Selling and distribution expenses		**(361,164)**	(319,187)
Administrative expenses		**(441,989)**	(347,174)
Profit from operations		**484,331**	483,846
Finance income		**62,313**	81,698
Finance costs	7(a)	**(14,747)**	(10,703)
Share of profits less losses of associates		**(637)**	(2,616)
Share of profits less losses of joint ventures		**6,314**	(2,114)
Profit before taxation	7	**537,574**	550,111
Income tax	8	**(133,652)**	(125,675)
Profit for the year		**403,922**	424,436
Attributable to:			
Equity shareholders of the Company		**256,171**	310,607
Non-controlling interests		**147,751**	113,829
Profit for the year		**403,922**	424,436
Earnings per share			
Basic and diluted earnings per share (RMB)	11(a)	**1.04**	1.26

The notes on pages 95 to 183 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Profit for the year		**403,922**	424,436
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the PRC		**(22,172)**	20,344
Total comprehensive income for the year		**381,750**	444,780
Attributable to:			
Equity shareholders of the Company		**244,049**	323,531
Non-controlling interests		**137,701**	121,249
Total comprehensive income for the year		**381,750**	444,780

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**819,305**	665,005
Intangible assets	13	**31,251**	–
Goodwill	14	**173,380**	–
Long-term prepayments		**3,053**	3,278
Interest in associates		**17,307**	10,096
Interest in joint ventures	16	**508,053**	34,710
Other financial assets	17	**763,688**	493,147
Deferred tax assets	25(b)	**34,121**	20,096
		2,350,158	1,226,332
Current assets			
Inventories	18	**1,965,855**	1,739,166
Trade receivables	19	**187,949**	119,296
Consignor advances	20	**883,727**	790,511
Deposits, prepayments and other receivables	21	**1,080,039**	840,404
Restricted cash		**139,494**	146,055
Deposits with original maturities over three months		**86,255**	75,313
Other financial assets	17	**1,708,113**	626,003
Current tax assets		**22,497**	14,735
Cash and cash equivalents	22	**1,719,504**	1,371,586
		7,793,433	5,723,069
Current liabilities			
Interest-bearing borrowings	23	**2,217,733**	400,618
Trade and other payables	24	**2,697,213**	1,823,672
Current taxation	25(a)	**94,434**	56,209
		5,009,380	2,280,499
Net current assets		**2,784,053**	3,442,570
Total assets less current liabilities		**5,134,211**	4,668,902

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Interest-bearing borrowings	23	**300,000**	174,119
Deferred revenue		**4,331**	14,531
Deferred tax liabilities	25(b)	**6,821**	–
Trade and other payables	24	**31,562**	26,391
		342,714	215,041
NET ASSETS		**4,791,497**	4,453,861
CAPITAL AND RESERVES			
Share capital	26(c)	**246,316**	246,316
Reserves		**3,842,388**	3,665,628
Total equity attributable to equity shareholders of the Company		**4,088,704**	3,911,944
Non-controlling interests		**702,793**	541,917
TOTAL EQUITY		**4,791,497**	4,453,861

Approved and authorised for issue by the board of directors on March 26, 2018.

Jiang Yingchun
Director

Liu Shibin
Authorised non-director

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 26(c)	Share premium RMB'000 note 26(d)(ii)	Capital reserve RMB'000 note 26(d)(i)	PRC statutory reserve RMB'000 note 26(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 26(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2016	246,316	1,982,448	(4,472)	101,590	1,324,327	3,231	3,653,440	385,383	4,038,823
Changes in equity for 2016:									
Profit for the year	–	–	–	–	310,607	–	310,607	113,829	424,436
Other comprehensive income	–	–	–	–	–	12,924	12,924	7,420	20,344
Total comprehensive income	–	–	–	–	310,607	12,924	323,531	121,249	444,780
Appropriation of reserve	–	–	–	25,049	(25,049)	–	–	–	–
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	111,350	111,350
Dividends approved in respect of the previous year	–	–	–	–	(65,027)	–	(65,027)	–	(65,027)
Dividends declared by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(76,065)	(76,065)
Balance at December 31, 2016	246,316	1,982,448	(4,472)	126,639	1,544,858	16,155	3,911,944	541,917	4,453,861

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 26(c)	Share premium RMB'000 note 26(d)(ii)	Capital reserve RMB'000 note 26(d)(i)	PRC statutory reserve RMB'000 note 26(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 26(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2017	246,316	1,982,448	(4,472)	126,639	1,544,858	16,155	3,911,944	541,917	4,453,861
Changes in equity for 2017:									
Profit for the year	-	-	-	-	256,171	-	256,171	147,751	403,922
Other comprehensive income	-	-	-	-	-	(12,122)	(12,122)	(10,050)	(22,172)
Total comprehensive income	-	-	-	-	256,171	(12,122)	244,049	137,701	381,750
Appropriation of reserve	-	-	-	1,068	(1,068)	-	-	-	-
Capital contributions from non-controlling equity owners	-	-	202	-	-	-	202	25,638	25,840
Business combination	-	-	-	-	-	-	-	12,736	12,736
Dividends approved in respect of the previous year	-	-	-	-	(67,491)	-	(67,491)	-	(67,491)
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(15,199)	(15,199)
Balance at December 31, 2017	246,316	1,982,448	(4,270)	127,707	1,732,470	4,033	4,088,704	702,793	4,791,497

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash used in from operations	22(b)	**(568,356)**	(363,036)
Tax paid	25(a)		
– PRC income tax paid		**(89,094)**	(125,311)
– Other regions tax paid		**(21,454)**	(15,163)
Net cash used in from operating activities		**(678,904)**	(503,510)
Investing activities			
Payment for the purchase of property, plant and equipment		**(132,148)**	(178,897)
(Payment)/repayment for consignor advances		**(93,216)**	236,853
Gain on disposal of interest in a joint venture	6	**–**	80,000
Addition of deposit with maturity over three months		**(10,942)**	(5,201)
Investments in joint ventures, associates and available-for-sale equity securities		**(15,000)**	(128,383)
Cash consideration paid for acquisition of subsidiaries, net of cash acquired	31	**(604,672)**	–
Proceeds from disposal of property, plant and equipment		**743**	68
Dividends received from associates		**9,649**	–
Dividends received from available-for-sale equity securities		**2,219**	–
Interest received		**47,640**	71,191
Net cash (used in)/generated from investing activities		**(795,727)**	75,631

The notes on pages 95 to 183 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Capital contributions from non-controlling equity owners of subsidiaries		**25,840**	111,350
Proceeds from bank loans	22(c)	**2,120,911**	1,048,283
Repayment of bank loans	22(c)	**(919,087)**	(591,391)
Proceeds from issue of bond	22(c)	**300,000**	–
Proceeds from issue of debentures	22(c)	**300,000**	–
Proceeds from borrowings from related party	22(c)	**100,000**	–
Dividends paid by subsidiaries to non-controlling equity owners		**(13,739)**	(110,850)
Dividends paid to equity shareholders of the Company	26(b)	**(67,491)**	(65,027)
Borrowing costs paid	22(c)	**(25,284)**	(10,249)
Net cash generated from financing activities		**1,821,150**	382,116
Net increase/(decrease) in cash and cash equivalents		**346,519**	(45,763)
Cash and cash equivalents at January 1	22	**1,371,586**	1,415,268
Effect of foreign exchange rate changes		**1,399**	2,081
Cash and cash equivalents at December 31	22	**1,719,504**	1,371,586

The notes on pages 95 to 183 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 issued 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. Significant accounting policies adopted by the Group are disclosed 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, 2017 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(h)).

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 recognised 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 several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 22(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency.

(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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised 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(p) or (q) depending on the nature of the liability.

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

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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) 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(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates and joint ventures *(Continued)*

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(g) and note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised 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 recognised 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.

Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised 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 recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)), 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) Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquire; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generatingunits, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

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

(h) 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 it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in securities which do not fall into the investments in securitires held for trading or held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the "investment revaluation reserve" in statement of changes in equity. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note 2(v) Others (ii) and (iii), respectively.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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 are 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.

(j) Intangible assets (Other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (Other than goodwill) *(Continued)*

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years
– Right to use the brands	5 – 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

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

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease and

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) 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 recognised 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 amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost 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 reorganisation;

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

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

If any such evidence exists, any impairment loss is determined and recognised 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(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

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

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

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, 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 recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade 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 recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– prepayments;

– intangible assets;

– goodwill; 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. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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 recognised 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 recognised 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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– 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 recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on HKSE, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) 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 realisable 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 recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Consignor advances

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

(p) Interest-bearing borrowings

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

(q) Trade and other payables

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

(r) Cash and cash equivalents

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

(s) Employee benefits

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

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year 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 recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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.

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation 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 utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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

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 realise 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the 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 recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised 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 recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Other provisions and contingent liabilities

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

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

(v) Revenue recognition

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

Art business and auction

(i) Revenue from auction service

Auction service revenue is generally recognised 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 loans granted under financial arrangement is recognised as it accrues using the effective interest method.

(ii) Revenue from art business

Revenue from art business is recognised 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 recognised when services have been rendered.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

Performance and theatre management

(i) Revenue from show performance

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

(ii) Rendering of theatre management service

Revenue from theatre management is recognised 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 recognised 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 recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

(iv) Rental income – theatre rental

Rental income receivable under operating leases is recognised 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 recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised 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 recognised when the services have been rendered to the audiences.

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

Others

(i) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised 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 recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

Others *(Continued)*

(ii) Dividends

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

(iii) Interest income

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

(w) 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 recognised 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 recognised 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 recognised.

(x) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial 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 realisable 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 realisable value, if the artwork market deteriorates and the overall economic condition were to deteriorate, actual write-offs would be higher than estimated.

For the work of art held as collateral not included in inventory, if the artwork market were to deteriorate, actual impairment losses on prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements would be higher than estimated.

(b) Impairment losses for bad and doubtful debts

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

(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.

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

(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 recognised and measured based on the expected manner of realisation 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 recognised and hence the net profit in future years.

(e) Income tax

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

(f) Contingent liabilities

Management judgment is required in the area of contingent liabilities particularly in assessing the outcome of possible obligations arising from the transactions as detailed in note 29(b). 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 recognised 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 recognised during the year is as follows:

	2017	2016
	RMB'000	RMB'000
Revenue from art business and auction	**1,301,530**	878,846
Revenue from performance and theatre management	**1,372,824**	1,162,412
Revenue from cinema investment and management	**786,486**	631,010
Revenue from other services	**19,575**	10,033
	3,480,415	2,682,301

5 SEGMENT REPORTING

The Group manages its businesses by subsidiaries, which are organised 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, earns interest income and revenue from consignor advances and loans granted under financial arrangements.

– 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 associates and joint ventures, available-for-sale equity securities, 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.

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 (losses)/income, share of profits less losses of associates, share of profits less losses of joint ventures, depreciation and amortisation, 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.

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, 2017 and 2016 is set out below:

5 SEGMENT REPORTING *(Continued)*

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

	Year ended December 31, 2017			
	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	**1,301,530**	**1,372,824**	**786,486**	**3,460,840**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**1,301,530**	**1,372,824**	**786,486**	**3,460,840**
Reportable segment profit	**496,471**	**56,389**	**146,935**	**699,795**
Depreciation and amortisation	**(12,872)**	**(7,289)**	**(114,045)**	**(134,206)**
Finance income	**57,082**	**10,783**	**950**	**68,815**
Finance costs	**(68,020)**	**–**	**(27,381)**	**(95,401)**
Reportable segment assets	**7,492,024**	**733,653**	**1,302,238**	**9,527,915**
Reportable segment liabilities	**5,592,974**	**417,159**	**1,384,521**	**7,394,654**

	Year ended December 31, 2016			
	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	878,846	1,162,412	631,010	2,672,268
Inter-segment revenue	13,059	–	–	13,059
Reportable segment revenue	891,905	1,162,412	631,010	2,685,327
Reportable segment profit	318,177	46,923	129,146	494,246
Depreciation and amortisation	(9,928)	(6,995)	(89,103)	(106,026)
Finance income	77,290	9,720	1,276	88,286
Finance costs	(87,491)	–	(6,364)	(93,855)
Reportable segment assets	5,258,012	611,757	899,422	6,769,191
Reportable segment liabilities	3,741,301	351,405	617,200	4,709,906

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the years ended December 31, 2017 and 2016. Further details of concentration of credit risk arising from the Group's customers are set out in note 27(a).

5 SEGMENT REPORTING *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	**3,460,840**	2,685,327
Elimination of inter-segment revenue	**–**	(13,059)
Revenue from other services	**19,575**	10,033
Consolidated revenue	**3,480,415**	2,682,301
Profit		
Reportable segment profit	**699,795**	494,246
Revenue from other services	**19,575**	10,033
Unallocated head office and corporate other revenue and other net (losses)/income	**(42,595)**	48,966
Share of profits less losses of associates	**(637)**	(2,616)
Share of profits less losses of joint ventures	**6,314**	(2,114)
Gain on disposal of interest in a joint venture	**–**	80,000
Depreciation and amortisation	**(135,200)**	(108,144)
Finance income	**62,313**	81,698
Finance costs	**(14,747)**	(10,703)
Unallocated head office and corporate expenses	**(57,244)**	(41,255)
Consolidated profit before taxation	**537,574**	550,111

5 SEGMENT REPORTING *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Assets		
Reportable segment assets	**9,527,915**	6,769,191
Elimination of inter-segment receivables	**(2,824,401)**	(2,320,495)
Available-for-sale equity securities	**111,835**	109,883
Interests in associates	**17,307**	10,096
Interests in joint ventures	**508,053**	34,710
Deferred tax assets	**34,121**	20,096
Unallocated head office and corporate assets	**2,768,761**	2,325,920
Consolidated total assets	**10,143,591**	6,949,401
Liabilities		
Reportable segment liabilities	**7,394,654**	4,709,906
Elimination of inter-segment payables	**(2,824,401)**	(2,320,495)
Current taxation	**94,434**	56,209
Deferred tax liabilities	**6,821**	–
Unallocated head office and corporate liabilities	**680,586**	49,920
Consolidated total liabilities	**5,352,094**	2,495,540

(c) Geographic information

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

Information about the Group's revenue from its operations from external customers is presented based on the company's operation 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	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Mainland China	**3,120,097**	2,420,282	**2,305,648**	878,647
Others	**360,318**	262,019	**10,389**	327,589
	3,480,415	2,682,301	**2,316,037**	1,206,236

6 OTHER REVENUE AND OTHER NET (LOSSES)/INCOME

	2017 RMB'000	2016 RMB'000
Other revenue		
Government grants	**59,117**	47,142
Dividend income from available-for-sale equity securities	**2,219**	–
Others	**15,839**	8,421
	77,175	55,563
Other net (losses)/income		
Net foreign exchange (loss)/gain	**(18,435)**	19,595
Gain on disposal of interest in a joint venture (note)	**–**	80,000
Net loss on disposal of property, plant and equipment	**(511)**	(207)
	(18,946)	99,388

Note:

In November 2016, the Company sold its 50% equity interest held in Beijing Poly Huayi Media and Culture Co., Ltd. (hereinafter referred to as "Poly Huayi"), which is a joint venture of the Group. The Group holds the investment in Poly Huayi since November 2003. As Poly Huayi had continued to sustain operating losses, the Group has fully provided impairment losses on this investment since the end of 2007. As a result, the Group recognised the gain of RMB80 million relating to the disposal of the interest in Poly Huayi in 2016 upon the disposal.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2017 RMB'000	2016 RMB'000
Interest expenses	**15,328**	11,357
Less: interest expense capitalised into property, plant and equipment	**581**	654
	14,747	10,703

The borrowing costs have been capitalised at a rate of 4.19% per annum (2016: 3.92%).

7 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**581,870**	495,734
Contributions to defined contribution retirement plans (note)	**63,406**	50,764
	645,276	546,498

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") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 13% to 20% of average basic salaries of the employees in the cities where the Group operates. The local government authorities are responsible for the entire pension obligations payable to retired employees.

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.

(c) Other items

	2017 RMB'000	2016 RMB'000
Depreciation (note 12)	**133,676**	108,144
Amortisation (note 13)	**1,524**	–
Impairment (recovery)/losses		
– trade receivables (note 19(b))	**(2,234)**	(14,721)
– deposits, prepayments and other receivables (note 21)	**(4,279)**	731
– interest in a joint venture	**–**	5,709
Auditors' remuneration		
– audit and audit-related services	**4,200**	4,678
– non-audit services	**720**	500
Operating lease charges: minimum lease payments	**201,291**	163,797

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017 RMB'000	2016 RMB'000
Current tax – PRC corporate income tax		
Provision for the year	**114,828**	108,101
Under-provision in respect of prior years	**370**	1,648
	115,198	109,749
Current tax – Other regions		
Provision for the year	**33,648**	23,945
Over-provision in respect of prior years	**(73)**	–
	33,575	23,945
Deferred tax		
Origination and reversal of temporary differences	**(15,121)**	(8,019)
	133,652	125,675

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**537,574**	550,111
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned (note)	**123,237**	128,502
Tax effect of non-deductible expenses	**2,935**	3,947
Tax effect of non-taxable income	**(1,974)**	(14,505)
Tax effect of unused tax losses not recognised	**14,962**	8,119
Tax effect of temporary differences not recognised	**(324)**	(602)
Tax effect of use of tax losses in prior years	**(5,481)**	(1,434)
Under-provision in respect of prior years	**297**	1,648
Actual tax expense	**133,652**	125,675

Note:

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2016: 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. Three subsidiaries of the Group are incorporated and carried out business in Hong Kong and are subject to Hong Kong Profits Tax at 16.5%. One subsidiary of the Group is incorporated and carried out business in Macau and is subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2017				
	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. Xu Niansha	–	–	–	–	–
Mr. Zhang Xi	–	–	–	–	–
Mr. Jiang Yingchun	–	503	1,056	103	1,662
Mr. Hu Jiaquan (note (ii))	–	491	362	96	949
Non-executive directors	–	–	–	–	–
Mr. Wang Lin	–	–	–	–	–
Mr. Wang Keling (note (iv))	–	–	–	–	–
Independent non-executive directors					
Mr. Li Boqian	121	–	–	–	121
Mr. Yip Wai Ming	121	–	–	–	121
Ms. Li Xiaohui	121	–	–	–	121
Supervisor					
Mr. Wang Fuqiang (note (v))	–	293	320	77	690
Mr. Chen Yuwen (note (v))	–	–	–	–	–
Mr. Huang Geming (note (v))	–	–	–	–	–
	363	1,287	1,738	276	3,664

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

	Year ended December 31, 2016				
	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. Xu Niansha	–	–	–	–	–
Mr. Zhang Xi	–	–	–	–	–
Mr. Jiang Yingchun	–	498	383	100	981
Mr. Li Nan (note (i))	–	450	362	94	906
Mr. Hu Jiaquan (note (ii))	–	–	–	–	–
Non-executive directors					
Mr. Wang Lin	–	–	–	–	–
Mr. Zhao Zigao (note (iii))	–	–	–	–	–
Mr. Wang Keling (note (iv))	–	–	–	–	–
Independent non-executive directors					
Mr. Li Boqian	134	–	–	–	134
Mr. Yip Wai Ming	134	–	–	–	134
Ms. Li Xiaohui	134	–	–	–	134
Supervisor					
Mr. Guo Jianwei (note (v))	–	576	400	79	1,055
Mr. Liu Juncai (note (v))	–	–	–	–	–
Mr. Liu Jianmin (note (v))	–	–	–	–	–
	402	1,524	1,145	273	3,344

Notes:

(i) Mr. Li Nan tendered his resignation as the executive director of the Company with effect from December 23, 2016.

(ii) Mr. Hu Jiaquan was appointed as the executive director of the Company with effect from December 23, 2016.

(iii) Mr. Zhao Zigao tendered his resignation as the non-executive director of the Company with effect from December 23, 2016.

(iv) Mr Wang Keling was appointed as the non-executive director of the Company with effect from December 23, 2016.

(v) Mr. Wang Fuqiang, Mr. Chen Yuwen and Mr. Huang Geming were appointed as the supervisor on December 23, 2016, when the term of office of the supervisor Mr. Guo Jianwei, Mr. Liu Juncai and Mr. Liu jianmin expired.

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

No emoluments were paid by the Group to the directors during the year in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

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, 2017 and 2016 are set forth below:

	2017 Number of individuals	2016 Number of individuals
Non-directors	**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:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	**6,438**	4,168
Discretionary bonuses	**7,123**	6,544
Contributions to defined contribution retirement plans	**372**	273
	13,933	10,985

(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:

	2017 Number of Individuals	2016 Number of individuals
HKD1,500,001 to HKD2,000,000	–	2
HKD2,000,001 to HKD2,500,000	1	2
HKD2,500,001 to HKD3,000,000	1	–
HKD3,000,001 to HKD3,500,000	1	–
HKD4,000,001 to HKD4,500,000	2	1

For the years ended December 31, 2017 and 2016, 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 RMB256,171,000 for the year ended December 31, 2017 (2016: RMB310,607,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017 No. of shares	2016 No. of shares
Ordinary shares issued at January 1	246,316,000	246,316,000
Effect of issuance of shares	–	–
Weighted average number of ordinary shares at December 31	246,316,000	246,316,000

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the years of 2017 and 2016. 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, 2016	438,653	44,016	226,769	39,271	46,863	53,425	848,997
Additions	19,318	–	8,478	4,174	5,202	139,688	176,860
Transfer from construction in progress	66,812	–	35,748	–	5,745	(108,305)	–
Disposals	(249)	–	(1,278)	(909)	(1,084)	–	(3,520)
At December 31, 2016	524,534	44,016	269,717	42,536	56,726	84,808	1,022,337
Additions	26,927	–	2,693	6,715	4,505	142,537	183,377
Business combination	86,075	–	26,576	–	4,162	16,392	133,205
Transfer from construction in progress	72,275	–	40,095	–	2,698	(115,068)	–
Disposals	–	–	(2,237)	(2,573)	(441)	–	(5,251)
At December 31, 2017	709,811	44,016	336,844	46,678	67,650	128,669	1,333,668
Accumulated depreciation:							
At January 1, 2016	(112,691)	(12,308)	(84,172)	(18,412)	(24,850)	–	(252,433)
Charge for the year	(56,476)	(1,392)	(39,332)	(3,786)	(7,158)	–	(108,144)
Written back on disposals	108	–	1,252	833	1,052	–	3,245
At December 31, 2016	(169,059)	(13,700)	(122,252)	(21,365)	(30,956)	–	(357,332)
Charge for the year	(72,579)	(1,394)	(48,314)	(4,017)	(7,372)	–	(133,676)
Business combination	(14,274)	–	(11,743)	–	(2,293)	–	(28,310)
Written back on disposals	–	–	2,226	2,316	413	–	4,955
At December 31, 2017	(255,912)	(15,094)	(180,083)	(23,066)	(40,208)	–	(514,363)
Net book value:							
At December 31, 2017	453,899	28,922	156,761	23,612	27,442	128,669	819,305
At December 31, 2016	355,475	30,316	147,465	21,171	25,770	84,808	665,005

Construction in progress mainly 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, 2016	4,005	3,373	4,339	11,717
Additions	–	–	209	209
Disposals	–	–	(39)	(39)
At December 31, 2016	4,005	3,373	4,509	11,887
Additions	24	–	130	154
Disposals	–	–	(28)	(28)
At December 31, 2017	4,029	3,373	4,611	12,013
Accumulated depreciation:				
At January 1, 2016	(3,310)	(1,902)	(3,303)	(8,515)
Charge for the year	(554)	(257)	(183)	(994)
Written back on disposals	–	–	37	37
At December 31, 2016	(3,864)	(2,159)	(3,449)	(9,472)
Charge for the year	(165)	(257)	(171)	(593)
Written back on disposals	–	–	26	26
At December 31, 2017	(4,029)	(2,416)	(3,594)	(10,039)
Net book value:				
At December 31, 2017	–	957	1,017	1,974
At December 31, 2016	141	1,214	1060	2,415

13 INTANGIBLE ASSETS

	Software RMB'000	Right to use the brands RMB'000	Total RMB'000
Cost:			
At January 1, 2016, December 31, 2016 and January 1, 2017	–	–	–
Additions	4,000	–	4,000
Business Combination	–	28,775	28,775
At 31 December 2017	4,000	28,775	32,775
Accumulated amortisation:			
At January 1, 2016, December 31, 2016 and January 1, 2017	–	–	–
Charge for the year	(33)	(1,491)	(1,524)
At 31 December 2017	(33)	(1,491)	(1,524)
Net book value:			
At 31 December 2017	3,967	27,284	31,251
At 31 December 2016	–	–	–

The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

14 GOODWILL

	2017 **RMB'000**
Cost:	
At January 1, 2016, December 31, 2016 and January 1, 2017	**–**
Business Combination (note 31)	
– XingX Entertainment	**173,380**
	173,380
Less: impairment loss	**–**
Carrying amount	**173,380**

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the cash-generating units ("CGUs") of the related segments as follows:

	2017 **RMB'000**
XingX Entertainment	**173,380**

The recoverable amounts of these CGUs have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%, The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using discount rates ranging from 14.7% to 16.7%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. No impairment loss was recognised during the year ended December 31, 2017.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 **RMB'000**	2016 RMB'000
Unlisted shares, at cost	**885,220**	785,220
Less: impairment loss	**–**	–
	885,220	785,220

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

As at December 31, 2017, the subsidiaries of the Company are listed as follows:

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	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	RMB100,000,000	100%	100%	–	Theatre operation management
Beijing Poly Performing Arts Corporation Limited 北京保利演出有限公司	The PRC April 24, 2008	RMB25,000,000	100%	–	100%	Theatre performance and agent services
Beijing Poly Forbidden City Theatre Management Corporation Limited 北京保利紫禁城劇院管理有限公司	The PRC May 10, 2004	RMB2,000,000	51%	–	51%	Theatre operation management
Shanghai Oriental Art Center Management Corporation Limited 上海東方藝術中心管理有限公司	The PRC March 31, 2004	RMB15,000,000	51%	–	51%	Art center operation management
Dongguan Poly Yulan Grand Theatre Management Corporation Limited 東莞市保利玉蘭大劇院管理有限公司	The PRC November 24, 2005	RMB2,000,000	100%	–	100%	Theatre operation management
Wuhan Qintai Grand Theatre Management Corporation Limited 武漢琴台大劇院管理有限公司	The PRC June 22, 2007	RMB3,000,000	51%	–	51%	Theatre operation management
Shenzhen Poly Theatre Performance Corporation Limited (note (i)) 深圳市保利劇院演出經營有限公司	The PRC August 15, 2007	RMB2,000,000	49%	–	49%	Theatre operation management
Henan Poly Art Center Management Corporation Limited 河南保利藝術中心管理有限公司	The PRC September 12, 2008	RMB3,000,000	100%	–	100%	Art center operation management
Yantai Poly Grand Theatre Management Corporation Limited 煙台市保利大劇院管理有限公司	The PRC May 19, 2009	RMB3,000,000	100%	–	100%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Huizhou Poly Culture and Arts Center Management Corporation Limited 惠州市保利文化藝術中心管理有限公司	The PRC May 20, 2009	RMB2,000,000	100%	–	100%	Art center operation management
Changzhou Poly Grand Theatre Management Corporation Limited 常州市保利大劇院管理有限公司	The PRC May 26, 2009	RMB2,000,000	51%	–	51%	Theatre operation management
Chongqing Poly Theatre Management Corporation Limited 重慶市保利劇院管理有限公司	The PRC July 20, 2009	RMB6,000,000	66.67%	–	66.67%	Theatre operation management
Taizhou Poly Grand Theatre Management Corporation Limited 泰州市保利大劇院管理有限公司	The PRC July 31, 2009	RMB2,000,000	51%	–	51%	Theatre operation management
Wenzhou Poly Grand Theatre Management Corporation Limited 温州保利大劇院管理有限公司	The PRC September 9, 2009	RMB2,000,000	100%	–	100%	Theatre operation management
Hefei Poly Grand Theatre Management Corporation Limited 合肥保利大劇院管理有限公司	The PRC September 28, 2009	RMB2,000,000	100%	–	100%	Theatre operation management
Poly (Beijing) Theatre Construction Engineering Consulting Corporation Limited 保利(北京)劇院建設工程諮詢有限公司	The PRC October 28, 2002	RMB3,000,000	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	RMB3,921,600	51%	–	51%	Theatre operation management
Lishui Poly Grand Theatre Management Corporation Limited 麗水保利大劇院管理有限公司	The PRC December 29, 2010	RMB2,000,000	100%	–	100%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Qingdao Grand Theatre Management Corporation Limited 青島大劇院管理有限公司	The PRC August 27, 2010	RMB10,000,000	51%	–	51%	Theatre operation management
Hohhot Poly Theatre Management Corporation Limited 呼和浩特保利劇院管理有限公司	The PRC March 14, 2011	RMB3,000,000	100%	–	100%	Theatre operation management
Poly Advertisement Corporation Limited 保利廣告有限公司	The PRC May 16, 2001	RMB1,000,000	100%	–	100%	Advertisement agency
Zhangjiagang Poly Grand Theatre Management Corporation Limited 張家港市保利大劇院管理有限公司	The PRC October 8, 2011	RMB3,000,000	51%	–	51%	Theatre operation management
Yichun Poly Grand Theatre Management Corporation Limited 宜春市保利大劇院管理有限公司	The PRC December 22, 2011	RMB3,000,000	100%	–	100%	Theatre operation management
Wuxi Grand Theatre Poly Management Corporation Limited 無錫大劇院保利管理有限公司	The PRC January 17, 2012	RMB5,000,000	60%	–	60%	Theatre operation management
Yingkou Bayuquan Poly Grand Theatre Management Corporation Limited 營口市鲅魚圈區保利大劇院管理有限公司	The PRC May 16, 2012	RMB3,000,000	100%	–	100%	Theatre operation management
Dongguan Poly Culture Performing Group Corporation Limited 東莞保利文化演藝團有限公司	The PRC April 20, 2012	RMB2,000,000	100%	–	100%	Performance and brokerage
Kunshan Poly Grand Theatre Management Corporation Limited 昆山市保利大劇院管理有限公司	The PRC July 19, 2012	RMB3,000,000	51%	–	51%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ji'an Poly Grand Theatre Management Corporation Limited 吉安市保利大劇院管理有限公司	The PRC August 3, 2012	RMB2,000,000	100%	–	100%	Theatre operation management
Changshu Poly Grand Theatre Management Corporation Limited 常熟市保利大劇院管理有限公司	The PRC November 19, 2012	RMB2,000,000	100%	–	100%	Theatre operation management
Ningbo Culture Square Poly Grand Theatre Management Corporation Limited 寧波文化廣場保利大劇院管理有限公司	The PRC January 14, 2013	RMB3,000,000	51%	–	51%	Theatre operation management
Handan Poly Grand Theatre Management Corporation Limited 邯鄲市保利大劇院管理有限公司	The PRC January 14, 2013	RMB3,000,000	51%	–	51%	Theatre operation management
Dalian Poly Theatre Management Corporation Limited 大連保利劇院管理有限公司	The PRC February16, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Shanxi Poly Grand Theatre Management Corporation Limited 山西保利大劇院管理有限公司	The PRC May 31, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Shanghai Poly Grand Theatre Management Corporation Limited 上海保利大劇院管理有限公司	The PRC August 8, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Weifang Poly Grand Theatre Management Corporation Limited 濰坊市保利大劇院管理有限公司	The PRC August 30, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Zhoushan Putuo Poly Grand Theatre Management Corporation Limited 舟山市普陀區保利大劇院管理有限公司	The PRC November 21, 2013	RMB3,000,000	100%	–	100%	Theatre operation management

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of company	**Place and date of incorporation and operation**	**Paid up capital/ registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Weihai Poly Grand Theatre Management Corporation Limited 威海市保利大劇院管理有限公司	The PRC December 2, 2013	RMB3,000,000	100%	–	100%	Theatre operation management
Nanjing Poly Grand Theatre Management Corporation Limited 南京保利大劇院管理有限公司	The PRC March 26, 2014	RMB3,000,000	100%	–	100%	Theatre operation management
Yi Xing Poly Grand Theatre Management Corporation Limited 宜興市保利大劇院管理有限公司	The PRC April 17, 2014	RMB3,000,000	100%	–	100%	Theatre operation management
Xiamen Poly Theatre Management Corporation Limited 廈門保利劇院管理有限公司	The PRC June 20, 2014	RMB3,000,000	100%	–	100%	Theatre operation management
Shenyang Poly Grand Theatre Management Corporation Limited 瀋陽保利大劇院管理有限公司	The PRC October 27, 2014	RMB5,000,000	100%	–	100%	Theatre operation management
Huanggang Poly Grand Theatre Management Corporation Limited 黃崗保利大劇院管理有限公司	The PRC March 06, 2015	RMB3,000,000	100%	–	100%	Theatre operation management
Chongqing Nan'an Poly Theatre Management Corporation Limited 重慶市南岸區保利劇院管理有限公司	The PRC March 27, 2015	RMB3,000,000	100%	–	100%	Theatre operation management
Changsha Poly concert hall Management Corporation Limited 長沙保利音樂廳管理有限公司	The PRC August 27, 2015	RMB3,000,000	100%	–	100%	Theatre operation management
Zhuhai Chengjian Poly Grand Theatre Management Corporation Limited 珠海城建保利大劇院管理有限公司	The PRC November 27, 2015	RMB5,000,000	51%	–	51%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tangshan Poly Grand Theatre Management Corporation Limited 唐山市保利大劇院管理有限公司	The PRC April 4, 2016	RMB3,000,000	100%	–	100%	Theatre operation management
Huaian Poly Grand Theatre Management Corporation Limited 淮安市保利大劇院管理有限公司	The PRC April 27, 2016	RMB3,000,000	100%	–	100%	Theatre operation management
Zhuzhou Poly Grand Theatre Management Corporation Limited 株洲保利大劇院管理有限公司	The PRC September 2, 2016	RMB3,000,000	100%	–	100%	Theatre operation management
Beijing Poly Ticket Development Corporation Limited. 北京保利票務發展有限公司	The PRC November 23, 2016	RMB19,100,000	51%	–	51%	Ticket agency
Suzhou Poly Grand Theatre Management Corporation Limited 蘇州保利大劇院管理有限公司	The PRC January 11, 2017	RMB3,000,000	100%	–	100%	Theatre operation management
Zhuji Poly Grand Theatre Management Corporation Limited 諸暨保利大劇院管理有限公司	The PRC January 13, 2017	RMB3,000,000	100%	–	100%	Theatre operation management
Changsha meixihu Poly Grand Theatre Management Corporation Limited 長沙梅溪湖保利大劇院管理有限公司	The PRC April 17, 2017	RMB3,000,000	60%	–	60%	Theatre operation management
Qianjiang Poly Grand Theatre Management Corporation Limited 潛江保利大劇院管理有限公司	The PRC February 13, 2017	RMB3,000,000	100%	–	100%	Theatre operation management
Liaocheng Poly Grand Theatre Management Corporation Limited 聊城市保利大劇院管理有限公司	The PRC June 5, 2017	RMB2,000,000	100%	–	100%	Theatre operation management
Guangxi Poly Theatre Management Corporation Limited 廣西保利劇院管理有限公司	The PRC May 3, 2017	RMB3,000,000	100%	–	100%	Theatre operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tianjin Poly Theatre Management Corporation Limited 天津保利劇院管理有限公司	The PRC November 14, 2017	RMB8,000,000	100%	–	100%	Theatre operation management
Poly Shangyuewan (Shanghai) Theatre Management Corporation Limited 保利尚悦灣(上海)劇院管理有限公司	The PRC November 7, 2017	RMB15,000,000	51%	–	51%	Theatre operation management
Cixi Poly Grand Theatre Management Corporation Limited 慈溪保利大劇院管理有限公司	The PRC October 20, 2017	RMB3,000,000	100%	–	100%	Theatre operation management
Beijing Poly International Auction Corporation Limited 北京保利國際拍賣有限公司	The PRC July 14, 2005	RMB10,000,000	55%	55%	–	Auction Business
Xiamen Poly International Auction Corporation Limited 保利(廈門)國際拍賣有限公司	The PRC July 31, 2014	RMB10,000,000	28.05%	–	51%	Auction Business
Shandong Poly International Auction Corporation Limited 保利(山東)國際拍賣有限公司	The PRC January 6, 2015	RMB10,000,000	28.05%	–	51%	Auction Business
Kangoo overseas Ltd. 康高有限責任公司	British Virgin Islands February 22, 2002	USD1	55%	–	100%	Auction agency of overseas art collection
Shanghai Huayi Poly International Auction Corporation Limited ("Shanghai Huayi") (note (ii)) 保利華誼(上海)國際拍賣有限公司	The PRC January 1, 2017	RMB10,000,000	22%	–	40%	Auction Business
Poly Auction Guangdong Corporation Limited 廣東保利拍賣有限公司	The PRC November 20, 2003	RMB30,000,000	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	RMB10,000,000	62.05%	–	100%	Asset management, acquisition, disposition, restructuring and related consulting business services (except for financial trust and management)

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of company	**Place and date of incorporation and operation**	**Paid up capital/ registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Beijing Poly Art Centre Corporation Limited ("Poly Art Centre") 北京保利藝術中心有限公司	The PRC March 16, 2007	RMB300,000,000	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	RMB10,000,000	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	RMB2,000,000	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	USD50,000	100%	–	100%	Art consulting
Poly Art Center North America Limited 保利藝術中心北美公司	Canada Vancouver October 27, 2016	CAD1,200,000/ CAD2,000,000	80%	–	80%	Art Exhibition
Hong Kong Poly Art Centre Corporation Limited 香港保利藝術中心有限公司	Hong Kong December 30, 2014	USD50,000	100%	–	100%	Sale of cultural relics and artworks (except for auction)
Beijing Poly Art Investment Management Corporation Limited 北京保利藝術投資管理有限公司	The PRC July 29, 2010	RMB10,000,000	80%	80%	–	Art investment management and consulting
Poly Auction (Hong Kong) Limited 保利香港拍賣有限公司	Hong Kong October 30, 2012	HKD70,000,000	55%	38.50%	30%	Auction business
Poly Auction Macau Limited 保利澳門拍賣有限公司	Macau December 18, 2015	MOP0/ MOP20,000,000	28.05%	–	51%	Auction business
Poly Film Investment Corporation Limited ("Poly Film") 保利影業投資有限公司	The PRC August 19, 2002	RMB300,000,000	100%	100%	–	Entertainment content production, promotion, and distrbution; film screening, snacks retailing (limited to branches of business)
Beijing Poly Wanyuan Cinema Corporation Limited 北京保利萬源影城有限公司	The PRC November 11, 2008	RMB1,500,000	86.67%	–	86.67%	Cinema operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Poly Boyi Culture Media (Beijing) Corporation Limited 保利博藝文化傳媒(北京)有限公司	The PRC December 15, 1984	RMB960,000	100%	–	100%	Photography related services
Guangzhou Poly International Cinema Corporation Limited 廣州保利國際影城有限公司	The PRC December 9, 2011	RMB2,000,000	100%	–	100%	Cinema operation management
Shanghai Poly Cinema Corporation Limited 上海保利影城有限公司	The PRC August 24, 2012	RMB2,000,000	100%	–	100%	Cinema operation management
Wuxi Poly Cinema Corporation Limited 無錫保利影院有限公司	The PRC August 1, 2012	RMB500,000	100%	–	100%	Organisation, planning and Organising cultural and art exchange activities; cinema operation management
Rizhao Poly Cinema Corporation Limited 日照市保利影城有限公司	The PRC November 16, 2012	RMB500,000	100%	–	100%	Cinema operation management
Shenzhen Poly International Cinema Corporation Limited 深圳市保利國際影城有限公司	The PRC May 17, 2013	RMB500,000	100%	–	100%	Cinema operation management
Shanghai Pudong Poly Cinema Corporation Limited 上海浦東保利影城有限公司	The PRC December 6, 2013	RMB1,000,000	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	RMB1,000,000	100%	–	100%	Cinema operation management
Nanjing Poly Cinema Corporation Limited 南京保利影城有限公司	The PRC April 10, 2014	RMB1,000,000	100%	–	100%	Cinema operation management
Shanghai Jiangchuan Poly Cinema Corporation Limited 上海江川保利影城有限公司	The PRC June 5, 2014	RMB1,000,000	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	RMB1,000,000	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	RMB1,000,000	100%	–	100%	Cinema operation management

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Kunming Poly Cinema Corporation Limited 昆明保利影城有限公司	The PRC April 24, 2014	RMB1,000,000	100%	–	100%	Cinema operation management
Suzhou Poly Cinema Corporation Limited 蘇州保利影城有限公司	The PRC January 7, 2015	RMB1,000,000	100%	–	100%	Cinema operation management
Hefei Poly Cinema Corporation Limited 合肥保利影城有限公司	The PRC July 6, 2015	RMB1,000,000	100%	–	100%	Cinema operation management
Yixing Poly International Cinema Corporation Limited 宜興保利國際影城有限公司	The PRC November 16, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Beijing Yongxing Poly Cinema Corporation Limited 北京保利永興影城有限公司	The PRC February 3, 2016	RMB70,000,000	60%	–	60%	Cinema operation management
Yangzhou Poly Cinema Corporation Limited 揚州保利影城有限公司	The PRC April 27, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Hangzhou Poly Cinema Corporation Limited 杭州保利影城有限公司	The PRC January 25, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Yangjiang Jiangcheng Poly Cinema Corporation Limited 陽江市江城區保利影城有限公司	The PRC July 4, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Xuzhou Poly Cinema Corporation Limited 徐州保利影城有限公司	The PRC June 27, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Nanning Poly Cinema Corporation Limited 南寧保利影城有限公司	The PRC June 20, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Kunshan Poly Cinema Corporation Limited 昆山保利影城有限公司	The PRC January 3, 2017	RMB1,000,000	100%	–	100%	Cinema operation management
Foshan XingX Entertainment Corporation Limited 佛山市星星文化傳播有限公司	The PRC December 24, 2008	RMB30,000,000	100%	–	100%	Cinema operation management
Hubei XingX Hongji Cinema Corporation Limited ("Hubei XingX") (note (iii)) 湖北星星宏基影城有限公司	The PRC September 11 2012	RMB10,000,000	55%	–	55%	Cinema operation management

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Dongguan XingX Cinema Corporation Limited 東莞星星影城有限公司	The PRC August 5, 2013	RMB22,800,000/ RMB30,000,000	100%	–	100%	Cinema operation management
Yueyang XingX Happy Cinema Management Corporation Limited 岳陽星星歡樂影城管理諮詢有限公司	The PRC August 30, 2012	RMB6,000,000	100%	–	100%	Cinema operation management
Nanning XingX Cinema Investment & Management Corporation Limited 南寧星星影城投資管理有限公司	The PRC January 27, 2014	RMB15,000,000	100%	–	100%	Cinema operation management
Taizhou XingX Cinema Corporation Limited 台州星星影城有限公司	The PRC February 3, 2015	RMB2,000,000	100%	–	100%	Cinema operation management
Fushun XingX Cinema Corporation Limited 撫順星星影城有限公司	The PRC September 21 2015	RMB1,000,000	100%	–	100%	Cinema operation management
Shijiazhuang XingX Cinema Corporation Limited 石家莊星星影城有限公司	The PRC October 16, 2015	RMB3,000,000	100%	–	100%	Cinema operation management
Xuzhou XingX Cinema Corporation Limited 徐州星星影城有限公司	The PRC August 6, 2015	RMB2,000,000	100%	–	100%	Cinema operation management
Xinyu XingX Cinema Corporation Limited 新余星星影城有限公司	The PRC October 16, 2015	RMB1,000,000	100%	–	100%	Cinema operation management
Tangshan XingX Cinema Corporation Limited 唐山星星影城有限公司	The PRC February 29, 2016	RMB3,000,000	100%	–	100%	Cinema operation management
Baise XingX Cinema Corporation Limited 百色星星影城有限公司	The PRC January 25, 2016	RMB1,000,000	100%	–	100%	Cinema operation management
Taiyuan Poly Cinema Corporation Limited 太原保利影城有限公司	The PRC June 21, 2017	RMB1,000,000	100%	–	100%	Cinema operation management
Changsha Poly Cinema Corporation Limited 長沙保利影城有限公司	The PRC August 23, 2017	RMB1,000,000	100%	–	100%	Cinema operation management
Poly Culture Hong Kong Corporation Limited 保利文化香港有限公司	Hong Kong May 12, 2015	HKD70,000	100%	100%	–	Art business and cultural related activities

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of company	**Place and date of incorporation and operation**	**Paid up capital/ registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Poly Culture North America Investment Corporation Limited ("Poly North America") 保利文化北美投資有限公司	Canada May 1, 2015	CAD100	100%	–	100%	Art business and cultural related activities
Shenzhen Poly Art Plaza Management Corporation Limited 深圳保利藝術廣場運營管理有限公司	The PRC August 20, 2015	RMB2,000,000	65%	65%	–	Consulting and business operation management
Shenzhen Poly Culture Development Corporation Limited 深圳保利文化發展有限公司	The PRC October 12, 2015	RMB2,000,000	65%	65%	–	Consulting and business operation management
Beijing Poly Music Art Development Corporation Limited 北京保利音樂藝術發展有限公司	The PRC August 7, 2015	RMB12,000,000	60%	40%	20%	Organising cultural exchange activities; music and dance training; musical instruments and stationery sales; performance brokerage
Poly Ronghe Financial Leasing Corporation Limited ("Poly Ronghe") 保利融禾融資租賃有限公司	The PRC May 26, 2016	RMB200,000,000	60%	60%	–	Financing and leasing business

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.

Notes:

(i) The Company agreed with the shareholder who held in total 45% of ownership and voting power of Shenzhen Poly Theatre Performance Corporation Limited, that shareholder would follow the vote of the Company on all key decision making including but not limited to financial and operational decisions. Hence, the Company had control over Shenzhen Poly Theatre Performance Corporation Limited and classified its investment in Shenzhen Poly Theatre Performance Corporation Limited as investments in subsidiaries.

(ii) The Company agreed with the shareholder who held in total 60% of ownership and voting power of Shanghai Huayi, that shareholder would follow the vote of the Company on all key decision making including but not limited to financial and operational decisions. Hence, the Company had control over Shanghai Huayi classified its investment in Shanghai Huayi as investments in subsidiaries.

(iii) The Company agreed with the shareholder who held in total 45% of ownership and voting power of Hubei XingX, that shareholder would follow the vote of the Company on all key decision making including but not limited to financial and operational decisions. Hence, the Company had control over Hubei XingX, and classified its investment in Hubei XingX, as investments in subsidiaries.

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

	2017 **RMB'000**	2016 RMB'000
NCI percentage	**45%**	45%
Current assets	**2,459,667**	1,756,878
Non-current assets	**81,055**	80,153
Current liabilities	**(1,937,777)**	(1,335,233)
Net assets	**602,945**	501,798
Carrying amount of NCI	**271,325**	225,809
Revenue	**410,821**	484,323
Profit for the year	**111,976**	124,118
Total comprehensive income	**111,976**	124,118
Profit allocated to NCI	**50,389**	55,853
Dividend paid to NCI	**–**	67,500
Cash flows generated from operating activities	**157,850**	91,921
Cash flows (used in)/generated from investing activities	**(286,489)**	302,881
Cash flows generated from/(used in) financing activities	**223,506**	(480,807)

16 INTEREST IN JOINT VENTURES

	Group		**Company**	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
Unlisted shares, at cost	**529,926**	50,000	**35,000**	35,000
Share of net assets	**(21,873)**	(15,290)	**(8,756)**	(8,291)
Total	**508,053**	34,710	**26,244**	26,709

(Expressed in RMB unless otherwise indicated)

16 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:

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Shenzhen Hua Xi culture Plaza Investment Development Corporation Limited 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	50%	Investment holding
Guilin Poly Culture Investment Development Corporation Limited 桂林保利文化投資發展有限公司	Incorporated	The PRC	50%	50%	Culture investment and consulting services
Anyang Bao Xin Property Corporation Limited 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Beijing Eastern Poly Culture and Art Corporation Limited ("Eastern Poly") (note(i)) 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Wuhan Xijie XingX TianDi Cinema Corporation Limited (note(ii)) 武漢希杰星星天地影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Tianjin) International Cinema Corporation Limited (note(ii)) 希杰星星(天津)國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Beijing Xijie XingX International Cinema Corporation Limited (note(ii)) 北京希杰星星國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Fushun) Cinema Corporation Limited (note(ii)) 希杰星星(撫順)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Shanghai) Cinema Corporation Limited (note(ii)) 希杰星星(上海)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Zhongshan Xijie XingX Cinema Corporation Limited (note(ii)) 中山希杰星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Changsha Xijie XingX Cinema Corporation Limited (note(ii)) 長沙希杰星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Nanjing XingX Rongsheng Cinema Corporation Limited (note(ii)) 南京星星榮盛影城有限公司	Incorporated	The PRC	60%	–	Cinema operation management
Foshan XingX Xijie Cinema Corporation Limited (note(ii)) 佛山星星希杰影城有限公司	Incorporated	The PRC	80%	–	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.

16 INTEREST IN JOINT VENTURES *(Continued)*

Notes:

i On March 28, 2017, Poly Art Centre, wholly-owned subsidiary of the Group, entered into an equity transfer agreement, pursuant to which Poly Art Centre acquired 30% interest in Eastern Poly from Beijing Eastern Pacific Investment Management Corporation Limited and Beijing Taihedafang Investment and Development Corporation Limited at the consideration of RMB3.4 million. Upon completion of the above transaction, Poly Art Centre hold 64% equity interest in Eastern Poly. Pursuant to the articles of incorporation, Poly Art Centre exercise joint control over Eastern Poly.

ii In accordance with agreements between the investors, the investors exercise joint control over the entities.

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

	2017 RMB'000	2016 RMB'000
Income/(losses) for the year	**15,793**	(4,645)
Total comprehensive income/(losses) for the year	**15,793**	(4,645)

17 OTHER FINANCIAL ASSETS

Group

	2017 RMB'000	2016 RMB'000
Available-for-sale equity securities:		
– Unlisted	**111,835**	109,883
Loans granted under financing arrangements (note (ii))		
– Within 1 year or on demand	**1,699,113**	626,003
– After 1 year but within 2 years	**651,853**	383,264
Loans to an associate (note (iii))	**9,000**	–
	2,471,801	1,119,150

17 OTHER FINANCIAL ASSETS *(Continued)*

Company

	2017	2016
	RMB'000	RMB'000
Available-for-sale equity securities:		
– Unlisted (note (i))	**109,883**	109,883

Notes:

(i) In 2016, The Company entered into a Capital Increase Agreement with Poly Finance Company Limited ("Poly Finance"), a related party, to acquire 5% of Poly Finance equity interest by cash injection.

(ii) Poly North America and Poly Ronghe granted term loans to third parties secured by works of art which bear interest from 8% to 15% per annum.

(iii) Poly Art Centre granted entrusted loans to Eastern Poly with term of one year, which bear interest 4.35% per annum.

18 INVENTORIES

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

	2017	2016
	RMB'000	RMB'000
Antiques, works of art	**1,430,111**	1,242,053
Chinese calligraphy and painting	**418,614**	428,759
Oil painting and sculptures	**31,319**	29,161
Small value items for resale	**9,450**	9,841
Low value materials	**565**	490
Drama rights	**8,796**	1,048
Film production	**67,000**	27,814
	1,965,855	1,739,166

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

	2017	2016
	RMB'000	RMB'000
Carrying amount of inventories sold	**329,878**	91,067

19 TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	**2,949**	3,401
– third parties	**189,220**	122,306
	192,169	125,707
Less: allowance for doubtful debts	**4,220**	6,411
	187,949	119,296

All trade 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 receivables of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**85,525**	43,709
1 to 3 months	**26,294**	18,606
3 to 6 months	**4,825**	2,259
6 to 12 months	**26,054**	8,453
Over 1 year	**45,251**	46,269
	187,949	119,296

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 27(a).

19 TRADE RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 receivables directly (see note 2(l)(i)).

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

	2017 RMB'000	2016 RMB'000
At January 1	**6,411**	21,965
Impairment loss recognised	**1,790**	1,887
Reversal of impairment loss	**(4,024)**	(16,608)
Business combination	**43**	–
Write-off of uncollectible receivables	**–**	(833)
At December 31	**4,220**	6,411

(c) Trade receivables that are not impaired

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**78,808**	27,197
1 to 3 months past due	**7,008**	1,831
3 to 12 months past due	**–**	1,592
More than 12 months past due	**29,459**	29,829
Amounts past due	**36,467**	33,252
	115,275	60,449

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.

20 CONSIGNOR ADVANCES

Consignor advances are provided by the Group to certain collectors and art dealers with interest. Advance is generally provided based on a percentage of auction reserve price.

As at December 31, 2017, 19.9% of the consignor advances was due from the largest debtor related to art business and auction (2016: 17.7%).

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

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Group

	2017 RMB'000	2016 RMB'000
Prepayments for auctioned artwork	**704,704**	459,275
Receivables for auctioned artwork	**23,574**	5,574
Prepayments for purchase of inventories	**26,394**	56,280
Prepayments for performance	**25,724**	27,186
Rental deposits	**23,666**	17,523
Guarantee deposits	**54,580**	47,891
Interest receivables from consignor advances on auction artwork	**76,319**	70,741
Advances to staff for business related activities	**15,915**	16,109
Investment deposit	**30,000**	30,000
Prepayments for film production	**21,100**	46,134
Others	**79,668**	66,624
	1,081,644	843,337
Less: allowance for doubtful debts	**1,605**	2,933
	1,080,039	840,404

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

Company

	2017 RMB'000	2016 RMB'000
Amounts due from subsidiaries	**2,676,999**	2,144,553
Amounts due from other related parties	**32,984**	32,525
Others	**1,831**	1,544
	2,711,814	2,178,622
Less: allowance for doubtful debts	**5,304**	5,304
	2,706,510	2,173,318

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(l)).

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

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
At January 1	**2,933**	2,202	**5,304**	5,304
Impairment loss recognised	**263**	751	**–**	–
Business Combination	**2,951**	–	**–**	–
Reversal of impairment loss	**(4,542)**	(20)	**–**	–
At December 31	**1,605**	2,933	**5,304**	5,304

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

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

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**1,719,504**	1,371,586	**57,702**	90,492

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	**2017** **RMB'000**	2016 RMB'000
Profit before taxation		**537,574**	550,111
Adjustments for:			
Depreciation and amortisation	7(c)	**135,200**	108,144
Net loss on disposal of property, plant and equipment	6	**511**	207
Impairment recovery on trade receivables	7(c)	**(2,234)**	(14,721)
Impairment (recovery)/losses on deposits, prepayments and other receivables	7(c)	**(4,279)**	731
Impairment loss on interest in a joint venture	7(c)	**–**	5,709
Gain on disposal of interest in a joint venture	6	**–**	(80,000)
Interest earned from consignor advances		**(53,218)**	(75,299)
Net foreign exchange gain		**(675)**	(2,284)
Finance costs	7(a)	**14,747**	10,703
Amortisation of deferred revenue		**(37,151)**	(27,228)
Share of profits less losses of associates		**637**	2,616
Share of profits less losses of joint ventures		**(6,314)**	2,114
Dividend income from available-for-sale equity securities	6	**(2,219)**	–
Changes in working capital:			
Increase in inventories		**(149,849)**	(77,823)
(Increase)/decrease in trade receivables		**(25,059)**	43,531
Increase in loans granted under financing arrangements		**(1,399,555)**	(914,638)
Increase in deposits, prepayments and other receivables		**(289,936)**	(176,582)
Decrease in long-term prepayments		**226**	226
Decrease/(increase) in restricted cash		**6,561**	(145,055)
Increase in trade and other payables		**706,677**	426,502
Cash used in operations		**(568,356)**	(363,036)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (note 23)	Borrowings from joint ventures RMB'000 (note 23)	Bonds RMB'000 (note 23)	Debentures RMB'000 (note 23)	Borrowings from related party RMB'000 (note 23)	Interest payable RMB'000 (note 24)	Total RMB'000
At 1 January 2017	574,737	–	–	–	–	8,951	583,688
Changes from financing cash flows:							
Proceeds from bank loans	2,120,911	–	–	–	–	–	2,120,911
Repayment of bank loans	(919,087)	–	–	–	–	–	(919,087)
Proceeds from issue of bond	–	–	300,000	–	–	–	300,000
Proceeds from issue of debentures	–	–	–	300,000	–	–	300,000
Proceeds from borrowings from related party	–	–	–	–	100,000	–	100,000
Borrowing costs paid	–	–	–	–	–	(25,284)	(25,284)
Total changes from financing cash flows	1,201,824	–	300,000	300,000	100,000	(25,284)	1,876,540
Other changes:							
Effect of foreign exchange rate changes	(20,028)	–	–	–	–	–	(20,028)
Business combination	–	61,200	–	–	–	2,159	63,359
Cost of sales	–	–	–	–	–	23,371	23,371
Interest expenses (note 7(a))	–	–	–	–	–	15,328	15,328
Capitalised borrowing costs (note 7(a))	–	–	–	–	–	581	581
Total other changes	(20,028)	61,200	–	–	–	41,439	82,611
At 31 December 2017	1,756,533	61,200	300,000	300,000	100,000	25,106	2,542,839

23 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings of the Group is as follows:

Group

	2017 RMB'000	2016 RMB'000
Current Interest-bearing borrowings		
Bank loans		
– Unsecured	**1,756,533**	400,618
Borrowings from joint ventures (note (i))	**61,200**	–
Debentures (note (ii))	**300,000**	–
Borrowings from related party (note (iii))	**100,000**	–
	2,217,733	400,618
Non-current Interest-bearing borrowings		
Bonds (note (iv))	**300,000**	–
Bank loans		
– Unsecured	**–**	174,119
	300,000	174,119
	2,517,733	574,737

Company

	2017 RMB'000	2016 RMB'000
Current Interest-bearing borrowings		
Debentures (note (ii))	**300,000**	–
Non-current Interest-bearing borrowings		
Bonds (note (iv))	**300,000**	–
	600,000	–

All of the interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

23 INTEREST-BEARING BORROWINGS *(Continued)*

Notes:

(i) The borrowings from joint ventures bear interest at 2.40% and 3.20% per annum, are unsecured and repayable in 2018.

(ii) On September 15, 2017, the Company issued short-term debentures with an aggregate principal amount of RMB300 million with a term of 365 days (the maturity date being 15 September 2018), nominal value per unit of RMB100 and coupon rate of 4.84% per annum.

(iii) On December 27, 2017, the Group entered into a receivables factoring agreement with Poly Financial Leasing Co., Ltd. ("Poly Leasing") and transferred certain receivables to Poly Leasing. The Group retained substantially all risks and rewards of the transferred receivables, and accordingly, it continues to recognise the full carrying amounts of transferred receivables and the associated liabilities which were the borrowings from related party. As at December 31, 2017, the carrying amounts of the transferred receivables not derecognised and the borrowings from related party were RMB112,166,667 and RMB100,000,000 respectively. The term of borrowings from related party is 10 months, bearing interest at 6% per annum.

(iv) On March 15, 2017, the Company issued corporate bonds with an aggregate principal amount of RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.80% per annum.

(b) The interest rates per annum on interest-bearing borrowings are as follows:

	2017	2016
	%	%
Fixed-rate borrowings		
– Bank loans	**3.92 – 4.79**	3.92
– Borrowings from joint ventures	**2.40-3.20**	–
– Bonds	**4.80**	–
– Debentures	**4.84**	–
– Borrowings from related party	**6.00**	–
Variable-rate borrowings		
– Bank loans	**3-month USD LIBOR+1.10% – one-year benchmark lending rate**	1-month HIBOR +0.62% – 3-month USD LIBOR+1.50%

(c) At 31 December 2017, the Interest-bearing Borrowings were repayable as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year or on demand	**2,217,733**	400,618
After 1 year but within 2 years	**–**	174,119
After 2 years but within 3 years	**300,000**	–
	2,517,733	574,737

24 TRADE AND OTHER PAYABLES

Group

	2017 RMB'000	2016 RMB'000
Current		
Trade payables to		
– related parties	**76,427**	70,147
– third parties	**219,499**	162,658
	295,926	232,805
Interest payables		
– related parties	**8,815**	8,497
– third parties	**16,291**	454
Payables for staff related costs	**37,351**	41,654
Payables for other taxes and surcharges (note)	**41,723**	39,165
Dividends payable	**–**	65
Other accruals and payables		
– related parties	**7,178**	17,097
– third parties	**1,707,344**	1,026,372
Financial liabilities measured at amortised cost	**2,114,628**	1,366,109
Receipts in advance		
– related parties	**21,664**	1,179
– third parties	**560,921**	456,384
	582,585	457,563
	2,697,213	1,823,672
Non-current		
Payable for purchase of equipment		
– related parties	**2,693**	441
– third parties	**28,869**	25,950
	31,562	26,391

24 TRADE AND OTHER PAYABLES *(Continued)*

Company

	2017 RMB'000	2016 RMB'000
Interest payables		
– related parties	**24,533**	8,497
Payables for staff related costs	**949**	5,075
Payables for other taxes and surcharges	**2,483**	1,617
Other accruals and payables		
– related parties	**20,077**	943
– third parties	**22,917**	22,494
	70,959	38,626

As at December 31, 2017, all current trade and other payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

Note:

Based on taxable revenue before May 1, 2016. According to Caishui [2016] No.36, jointly issued by MOF and State Administration of Taxation, all taxpayers subject to business tax in China are included in the scope of the VAT pilot scheme. Effective from May 1, 2016, those taxpayers are required to pay VAT in lieu of business tax.

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

Group

	2017 RMB'000	2016 RMB'000
Tax payable at January 1	**56,209**	62,989
Provision for the year (note 8(a))	**148,476**	132,046
Under-provision in respect of prior years (note 8(a))	**297**	1,648
Income tax paid	**(110,548)**	(140,474)
Tax payable at December 31	**94,434**	56,209

Company

	2017 RMB'000	2016 RMB'000
Tax payable at January 1	**16,684**	19,959
Provision for the year	**–**	29,883
Under-provision in respect of prior years	**5**	1,846
Income tax paid	**(16,689)**	(35,004)
Tax payable at December 31	**–**	16,684

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (liabilities)/assets recognised 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	Accrued expense RMB'000	Others RMB'000	Depreciation allowance in excess of the related depreciation RMB'000	Business combination RMB'000	Exchange difference on translation of financial statements RMB'000	Total RMB'000
At January 1, 2016	5,024	4,259	145	2,645	(187)	–	(12)	11,874
(Charged)/credited to profit or loss	(3,256)	5,655	262	5,171	187	–	–	8,019
Credited to reserves	–	–	–	–	–	–	203	203
At December 31, 2016	1,768	9,914	407	7,816	–	–	191	20,096
(Charged)/credited to profit or loss	(551)	3,629	(302)	11,972	–	373	–	15,121
Changed to reserves	–	–	–	–	–	–	(723)	(723)
Business combination	–	–	–	–	–	(7,194)	–	(7,194)
At December 31, 2017	1,217	13,543	105	19,788	–	(6,821)	(532)	27,300

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

(ii) **Reconciliation to the statement of consolidated financial position**

	2017 RMB'000	2016 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**34,121**	20,096
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,821)**	–
	27,300	20,096

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB149,706,000 as at December 31, 2017 (2016: RMB40,514,000), as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. As of December 31, 2017, the unused tax losses of RMB5,136,000, RMB24,710,000, RMB55,546,000, RMB25,005,000 and RMB39,309,000 will expire at the end of the year 2018, 2019, 2020, 2021 and 2022, respectively.

26 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, 2016		246,316	1,982,448	101,590	680,649	3,011,003
Changes in equity for 2016:						
Total comprehensive income for the year		–	–	–	250,489	250,489
Appropriation of reserve		–	–	25,049	(25,049)	–
Dividends approved in respect of the previous year	26(b)	–	–	–	(65,027)	(65,027)
Balance at December 31, 2016 and January 1, 2017		246,316	1,982,448	126,639	841,062	3,196,465
Changes in equity for 2017:						
Total comprehensive income for the year		**–**	**–**	**–**	**10,680**	**10,680**
Appropriation of reserve		**–**	**–**	**1,068**	**(1,068)**	**–**
Dividends approved in respect of the previous year	26(b)	**–**	**–**	**–**	**(67,491)**	**(67,491)**
Balance at December 31, 2017		**246,316**	**1,982,448**	**127,707**	**783,183**	**3,139,654**

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

	2017 RMB'000	2016 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.207 per ordinary share (2016: RMB0.274 per ordinary share)	**50,987**	67,491

The final dividend proposed after the end of the reporting period has not been recognised 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:

	2017 RMB'000	2016 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year, of RMB0.274 per ordinary share (2016: RMB0.264 per ordinary share)	**67,491**	65,027

(c) Share capital

Issued share capital

	2017		2016	
	No, of shares '000	**RMB'000**	No, of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1/ At December 31	**246,316**	**246,316**	246,316	246,316

(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.

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) PRC statutory reserve

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

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 2(w).

(e) Distributability of reserves

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

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

(ii) Allocations to the statutory reserve as set out in note 26(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, 2017 was 52.77% (2016: 35.91%).

There were no changes in the Group's approach to capital management during the years ended December 31, 2017 and 2016. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 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 on hand, trade receivables, consignor advances, deposits, prepayments and other receivables and loans granted under financing arrangements. 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 receivables, consignor advances, deposits, prepayments and other receivables and loans granted under financing arrangements, 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 and loans granted under financing arrangements, 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 and loans. 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 or loans granted under financing arrangements from the five largest debtors at December 31, 2017 represented 23% of the total trade receivables, other receivables and loans granted under financing arrangements (December 31, 2016: 22%), while 7% of the total trade receivables, other receivables and loans granted under financing arrangements were due from the largest single debtor (December 31, 2016: 9%).

Except for the financial guarantees given by the Company as set out in note 29(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 29(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, consignor advances, deposits, prepayments, other receivables and loans granted under financing arrangements are set out in notes 19, 20 and 21, respectively.

27 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 can be required to pay:

	2017 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 23)	**1,781,430**	**-**	**-**	**-**	**1,781,430**	**1,756,533**
Borrowings from joint ventures (note 23)	**62,275**	**-**	**-**	**-**	**62,275**	**61,200**
Bonds (note 23)	**-**	**-**	**343,200**	**-**	**343,200**	**300,000**
Debentures (note 23)	**310,263**	**-**	**-**	**-**	**310,263**	**300,000**
Borrowings from related party (note 23)	**105,934**	**-**	**-**	**-**	**105,934**	**100,000**
Trade and other payables measured at amortised costs (note 24)	**2,114,628**	**12,672**	**18,890**	**-**	**2,146,190**	**2,146,190**
	4,374,530	**12,672**	**362,090**	**-**	**4,749,292**	**4,663,923**

	2016 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 23)	401,204	175,002	–	–	576,206	574,737
Trade and other payables measured at amortised costs (note 24)	1,366,109	12,060	14,331	–	1,392,500	1,392,500
	1,767,313	187,062	14,331	–	1,968,706	1,967,237

27 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.

(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 borrowings are disclosed in note 23.

Group

	2017 RMB'000	2016 RMB'000
Floating rate financial assets:		
Other financial assets	**313,129**	394,299
Fixed rate borrowings:		
Bank loans	**(688,000)**	(141,368)
Borrowings from joint ventures	**(61,200)**	–
Bonds	**(300,000)**	–
Debentures	**(300,000)**	–
Borrowings from related party	**(100,000)**	–
Floating rate borrowings:		
Bank loans	**(1,068,533)**	(433,369)
Total borrowings	**(2,517,733)**	(574,737)
Net borrowings	**(2,204,604)**	(180,438)
Fixed rate borrowings as a percentage of total borrowings	**57.56%**	24.60%

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At December 31, 2017, 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 RMB5,936,000 (2016: RMB333,000). 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.

(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 United States Dollars ("USD"), Hong Kong dollars ("HKD") and Canada Dollars ("CAD").

(i) Recognised 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.

(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 recognised 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.

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk (Continued)

Group

	Exposure to foreign currencies (expressed in RMB)	
	2017	2016
	RMB'000	RMB'000
Other financial assets		
– in USD	**337,818**	397,768
Cash and cash equivalents		
– in USD	**16,915**	11,989
– in HKD	**5,997**	59,397
– in CAD	**412**	–
Trade and other Receivables		
– in USD	**–**	69
– in HKD	**87,747**	94,793
– in CAD	**1,654**	2,444
Trade and other payables		
– in HKD	**(36,157)**	(1,256)
– in USD	**(1,307)**	(1,561)
– in CAD	**(35,002)**	–
Bank loans		
– in USD	**(297,306)**	(384,618)
Net exposure	**80,771**	179,025

(iii) Sensitivity analysis

The followings are the related foreign currency exchange rates to RMB during the years ended December 31, 2017 and 2016:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
HKD	**0.8652**	0.8662	**0.8359**	0.8945
USD	**6.7356**	6.7153	**6.5342**	6.937
CAD	**5.1708**	4.9110	**5.2009**	5.1406

A 5% strengthening of RMB against the following currency as at December 31, 2017 would have decreased/(increased) the profit after tax (and retained profits) by the amounts shown below. Other components of equity would not be affected by the strengthening of RMB against foreign currency.

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis *(Continued)*

Group

	2017 **RMB'000**	2016 RMB'000
HKD	**2,160**	5,735
USD	**2,088**	875
CAD	**(1,233)**	92

A 5% weakening of RMB against the above currency as at December 31, 2017 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.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside the PRC into the group's presentation currency. The analysis is performed on the same basis for 2016.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at December 31, 2017.

(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.

28 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, 2017 not provided for in the financial statements were as follows:

Group

	2017 **RMB'000**	2016 RMB'000
Contracted for	**120,401**	133,874
Authorised but not contracted for	**938,933**	1,060,734
	1,059,334	1,194,608

(b) At December 31, 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Group

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**181,358**	130,099
After 1 year but within 5 years	**497,247**	401,972
After 5 years	**898,711**	806,922
	1,577,316	1,338,993

The Group leases certain buildings through non-cancellable operating leases. Typically, leases are negotiated and rentals are fixed for lease term.

29 CONTINGENT ASSETS AND LIABILITIES

(a) Financial guarantees issued

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

Company

	2017	2016
	RMB'000	RMB'000
Financial guarantees to banks and other financial institutions for subsidiaries	**1,723,222**	474,737

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 trust plan for certain subsidiaries, the Group is obliged to fund the difference if the expected proceeds from the sale of trust assets 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

	2017	2016
	RMB'000	RMB'000
Trust related	**328,108**	163,059

(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 December 31, 2017. After consulting the legal professional advice, the Group's management believes that such litigation will not have a significant financial impact on the Group.

30 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, 2017 and 2016:

(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:

	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**8,947**	6,082
Post-employment benefits	**786**	734
	9,733	6,816

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

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Name and relationship with related parties

During the years ended December 31, 2017 and 2016, 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
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited ("Shengjing Poly") 瀋陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Beijing Eastern Poly Culture and Art Corporation Limited ("Eastern Poly") 北京東方保利文化藝術有限公司	Joint venture of the Group
Beijing Xijie XingX International Cinema Corporation Limited ("Joint ventures") 北京希杰星星國際影城有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited ("Joint ventures") 希杰星星(天津)國際影城有限公司	Joint venture of the Group
Xijie XingX (Fushun) Cinema Corporation Limited ("Joint ventures") 希杰星星(撫順)影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited ("Joint ventures") 希杰星星(上海)影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited ("Joint ventures") 中山希杰星星影城有限公司	Joint venture of the Group
Wuhan Xijie XingX Tiandi Cinema Corporation Limited ("Joint ventures") 武漢希杰星星天地影城有限公司	Joint venture of the Group

30 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:

	2017 **RMB'000**	2016 RMB'000
Sales to Poly Group and its affiliates	**5,595**	7,134
Service provided to Poly Group and its affiliates	**930**	920
Receiving Service from (note (iii)) Poly Group and its affiliates	**223,632**	206,510
Rental from Poly Group and its affiliates	**29,581**	29,564
Interest income from Poly Group and its affiliates	**4,481**	3,663
Property management services (note (iv)) Poly Group and its affiliates	**8,378**	8,464
Borrowing from (note (v)) Poly Group and its affiliates	**250,000**	–
Borrowings from Shengjing Poly	**–**	7,000
Borrowings from (note (vi)) Joint ventures	**61,200**	–
Borrowing costs to Poly Group and its affiliates	**3,925**	–
Borrowing costs to Joint ventures	**1,434**	–
Borrowing costs to Shengjing Poly	**218**	109
Repayment of loans (note (vii)) Shengjing Poly	**7,000**	–
Loans to (note (viii)) Eastern Poly	**7,000**	2,000
Interest expenses (note (ix)) Poly Group and its affiliates	**37**	7

30 MATERIAL RELATED PARTY TRANSACTIONS *(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 Chongqing Poly Wanhe Cinema Circuit Corporation Limited ("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) Property management services are for the purpose of office premises, cinema operation, theatre operation, auction business operation and ancillary service.

(v) Borrowings from Poly Group and its affiliates refers to the loans, which was recognised in interest-bearing borrowings, of RMB100 million from Poly Finance and RMB100 million from Poly Leasing.

(vi) Borrowings from Joint ventures refers to the loans, which was recognised in interest-bearing borrowings.

(vii) Repayment of loans to Shengjing Poly refers to the entrusted loan, which was recognised in trade and other payables.

(viii) Loans to Eastern Poly refers to the entrusted loan, which was recognised in current other financial assets.

(ix) Interest expenses refers to the finance lease interests which is paid by Poly Film to Poly Financial Leasing Corporation Limited.

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2017 **RMB'000**	2016 RMB'000
Cash and cash equivalents (note)		
Poly Group and its affiliates	**73,962**	381,310
Deposits with original maturities over three months (note)		
Poly Group and its affiliates	**56,108**	53,800
Trade receivables		
Poly Group and its affiliates	**2,949**	3,401
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**50,009**	50,119
Trade and other payables		
Poly Group and its affiliates	**116,777**	97,361
Interest-bearing borrowings		
Poly Group and its affiliates	**250,000**	–
Interest-bearing borrowings		
Joint ventures	**61,200**	–

Note:

The Board announces that on November 5, 2014, the Company and Poly Finance entered into the Financial Services Agreement, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services to the Group pursuant to the terms and conditions under the Financial Services Agreement. The maximum daily deposit balance for deposit services is RMB1 billion and the maximum daily lending balance for credit lending services is RMB0.5 billion. The interest rates of Poly Finance are ranged from 1.035% to 4.06% according to the period of bank deposits.

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

The related party transactions in respect of note 30(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.

31 BUSINESS COMBINATION

(a) XingX Entertainment

On March 7, 2017, Poly Film entered into an Equity Transfer Agreement with XingX Group and XingX Holdings, pursuant to which Poly Film agree to acquire 100% equity interest in XingX Entertainment from XingX Group and XingX Holdings with a total cash consideration of RMB680 million. The acquisition was completed on March 29, 2017. As a result, XingX Entertainment became a wholly-owned subsidiary of Poly Film. The acquisition of XingX Entertainment expands the Group's cinema investment business.

On August 22, 2017, XingX Entertainment acquired control over Hubei XingX which was previously a joint venture of XingX Entertainment (see note 31(b)).

The following summarises the consideration transferred, and the provisional fair value of assets acquired and liabilities assumed at the acquisition date:

	Recognised values on acquisition RMB'000
Property, plant and equipment	98,548
Intangible assets	27,682
Interest in joint ventures	490,604
Other financial assets	1,953
Cash and cash equivalents	4,694
Trade and other receivables	22,237
Prepayments	2,860
Trade and other payables	(66,118)
Interest-bearing borrowings	(61,200)
Deferred tax liability	(6,920)
Others	323
Net identifiable assets and liabilities	514,663
Add: Goodwill arising from the acquisition (note 14)	165,337
Total consideration	680,000
Satisfied by:	
Consideration payable	30,846
Cash paid	649,154
Total consideration	680,000
Cash flow in respect of the acquisition:	
Cash paid by the Group	649,154
Less: Cash acquired	4,694
Net cash outflow in respect of the acquisition	644,460

31 BUSINESS COMBINATION *(Continued)*

(a) XingX Entertainment *(Continued)*

The Goodwill of approximately RMB165,337 thousand arose in the acquisition of XingX Entertainment because the purchase consideration included amounts in relation to the benefit of expected synergies, which cannot be recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, the XingX Entertainment contributed RMB61,898 thousand to the Group's revenue and profit of RMB4,708 thousand to the consolidated profit for the twelve month ended December, 2017.

Had the acquisition been completed on January 1, 2017, the Group's pro forma combined revenue and pro forma combined profits for the twelve month ended December 31, 2017 would have been RMB3,510,057 thousand and RMB400,152 thousand respectively. These pro forma combined figures are for inclusion in these financial statements and for illustrative purpose only. Because of their nature, these pro forma combined figures may not give a true picture of the financial position or results of the combined Group that would have occurred had the acquisition actually been completed at the commencement of the reporting period, nor is intended to be a projection of the future prospects of the combined Group.

Acquisition-related costs

The Group incurred transaction costs of RMB18,955 thousand for the acquisition. These transaction costs have been expensed and also included in administrative expenses in the consolidated statement of profit or loss.

Fair values measured on a provisional basis

The following amounts have been measured on a provisional basis.

The fair value of intangible assets (right to use the brands) has been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

31 BUSINESS COMBINATION *(Continued)*

(b) Hubei XingX

Hubei XingX was previously a joint venture of XingX Entertainment (see note 31(a)). In 2017, XingX Entertainment agreed with the shareholder who held in total 45% of ownership and voting power of Hubei XingX, that shareholder would follow the vote of XingX Entertainment on all key decision making including but not limited to financial and operational decisions effective from August 22, 2017. Hence, XingX Entertainment had control over Hubei XingX and classified its investment Hubei XingX as investments in subsidiaries.

The identifiable assets and liabilities of Hubei XingX as at the acquisition date are as follows:

	Fair value
	RMB'000
Property, plant and equipment	6,347
Intangible assets	1,093
Cash and cash equivalents	2,062
Trade and other receivables	11,464
Prepayments	11
Trade and other payables	(4,964)
Deferred tax liability	(274)
Others	(21)
Net identifiable assets and liabilities	15,718
Add: Goodwill arising from the acquisition (note 14)	8,043
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities	6,705
Fair value of pre-existing interest in Hubei XingX	17,056
Cash flow in respect of the acquisition:	
Cash paid by the Group	–
Less: Cash acquired	2,062
Net cash inflow in respect of the acquisition	(2,062)

Since the acquisition, the Hubei XingX contributed RMB2,083 thousand to the Group's revenue and loss of RMB290 thousand to the consolidated profit for the twelve month ended December, 2017.

31 BUSINESS COMBINATION *(Continued)*

(c) Shanghai Huayi

Shanghai Huayi was previously an associate of Beijing Auction. In 2017, Beijing Auction agreed with the shareholder who held in total 60% of ownership and voting power of Shanghai Huayi, that shareholder would follow the vote of Beijing Auction on all key decision making including but not limited to financial and operational decisions effective from January 1, 2017. Hence, Beijing Auction had control over Shanghai Huayi and classified its investment in Shanghai Huayi as investments in subsidiaries.

The identifiable assets and liabilities of Shanghai Huayi as at the acquisition date are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	37,726
Trade and other receivables	3,394
Trade and other payables	(30,855)
Others	(213)
Net identifiable assets and liabilities	10,052
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities	6,031
Fair value of pre-existing interest in Shanghai Huayi	4,021
Cash flow in respect of the acquisition:	
Cash paid by the Group	–
Less: Cash acquired	37,726
Net cash inflow in respect of the acquisition	(37,726)

Since the acquisition, the Shanghai Huayi contributed RMB51,234 thousand to the Group's revenue and profit of RMB8,931 thousand to the consolidated profit for the twelve month ended December, 2017.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017

(Expressed in RMB)

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**1,974**	2,415
Investments in subsidiaries	15	**885,220**	785,220
Interest in associates		**15,352**	3,738
Interest in joint ventures	16	**26,244**	26,709
Other financial assets	17	**109,883**	109,883
		1,038,673	927,965
Current assets			
Trade receivables		**3,587**	–
Deposits, prepayments and other receivables	21	**2,706,510**	2,173,318
Cash and cash equivalents	22	**57,702**	90,492
Restricted cash		**–**	61,000
Current tax assets		**4,141**	–
		2,771,940	2,324,810
Current liabilities			
Interest-bearing borrowings	23(a)	**300,000**	–
Trade and other payables	24	**70,959**	38,626
Current taxation	25(a)	**–**	16,684
		370,959	55,310

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017 *(Continued)*

(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Net current assets		**2,400,981**	2,269,500
Total assets less current liabilities		**3,439,654**	3,197,465
Non-current liabilities			
Deferred revenue		**–**	1,000
Interest-bearing borrowings	23(a)	**300,000**	–
		300,000	1,000
NET ASSETS		**3,139,654**	3,196,465
CAPITAL AND RESERVES	26		
Share capital		**246,316**	246,316
Reserves		**2,893,338**	2,950,149
TOTAL EQUITY		**3,139,654**	3,196,465

Approved and authorised for issue by the board of directors on March 26, 2018.

Jiang Yingchun
Director

Liu Shibin
Authorised non-director

(Expressed in RMB unless otherwise indicated)

33 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 26(b)(i).

34 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2017.

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At December 31, 2017, 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.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017 and which have not been adopted in the financial statements.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	January 1, 2018
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	January 1, 2018
Amendments to IAS 40, *Investment property: Transactions and advance consideration*	January 1, 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	January 1, 2018
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	January 1, 2019

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2017 *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending June 30 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at January 1, 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI).

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2017 *(Continued)*

IFRS 9, Financial instruments *(Continued)*

(i) Classification and measurement *(Continued)*

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group plans not to elect this designation option for any of the investments held on January 1, 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. The Company and its subsidiaries are in the process of assessing the fair value of the available-for-sale financial assets currently measured at cost less impairment and will disclose the impact to the opening balance of the Company and its subsidiaries' equity as 1 January 2018 in interim financial report for the six months ending 30 June 2018.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any material financial liabilities designated at FVTPL and therefore this new requirement will not have a significant impact on the Group upon adoption of IFRS 9.

(ii) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at December 31, 2017, there will not have a significant impact in accumulated impairment loss as compared with that recognised under IAS 39.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2017 *(Continued)*

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(i) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from revenue from the sales of art works and rendering of services is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on the results of the Group.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2017 *(Continued)*

IFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into certain leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 28(b), at December 31, 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,577,316,000 which includes payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Definitions

"Articles"	the Articles of Association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Office"	National Audit Office of the People's Republic of China
"AVICT Global"	AVICT Global Holdings Limited
"Beijing Auction Equity Transfer Agreement"	the Beijing Auction Equity Transfer Agreement entered into between the Company and the minority shareholders of Beijing Poly International Auction Co., Ltd. dated May 8, 2017.
"Board of Supervisors"	the board of supervisors of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"Bright Hero Global"	Bright Hero Global Co., Ltd. (耀雄環球有限公司)
"CCB Investment"	Jianxin (Beijing) Investment Management Co., Ltd. (建信(北京)投資基金管理有限責任公司), a limited liability company incorporated in the PRC on March 24, 2011
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "Poly Culture" or "we", "us", "our"	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
"Diamond Global"	Diamond Global 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
"Everbright Investment"	China Everbright Investment Management Co., Ltd., a limited liability company incorporated in the PRC in August 1992
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Golden Power"	Golden Power Investments Limited
"Group"	the Company and its Subsidiaries
"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
"Hong Kong Auction Equity Transfer Agreement"	the Hong Kong Auction Equity Transfer Agreement entered into between Poly Culture Hong Kong and the minority shareholders of Poly Auction (Hong Kong) Limited dated May 8, 2017.
"IFRSs"	International Financial Reporting Standards and its notes
"Latest Practicable Date"	April 20, 2018, being the latest practicable date for the inclusion of certain information in this report prior to its publication
"Listing"	listing of the H Shares on the Stock Exchange
"Listing Date"	March 6, 2014
"Listing Rules"	the Rules Governing the Listing of Securities 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
"New Financial Services Agreement"	the Financial Services Agreement entered into between the Company and Poly Finance dated October 23, 2017
"New Moon"	New Moon Investment Limited
"North American Company"	Poly Culture (North America) Investment Company

Definitions

"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)
"Poly Auction Hong Kong"	Poly Auction Hong Kong Co., Ltd. (保利香港拍賣有限公司)
"Poly Culture Hong Kong"	Poly Culture Hong Kong Corporation Limited (保利文化香港有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Poly Culture Industrial Fund"	Poly Culture Industrial Investment Fund Co., Ltd (保利文化產業基金管理有限公司)
"Poly Energy"	Poly Energy Holdings Limited (保利能源控股有限公司)
"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 International"	Poly International Holdings Co., Ltd. (保利國際控股有限公司), a limited liability company incorporated in the PRC
"Poly Investment"	Poly Investment Holdings Company Limited (保利投資控股有限公司) a limited liability company incorporated in the PRC on August 13, 2013
"Poly Leasing"	Poly Financial Leasing Corporation Limited, a subsidiary of Poly Group
"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 Real Estate"	Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司)

"Poly Ronghe"	Poly Ronghe Financial Leasing Company (保利融禾融資租賃有限公司), a non wholly-owned subsidiary of the Company, with 80% of its equity interest held by the Company and its associates and 20% of its equity interest held by an independent third party
"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 January 1, 2017 to December 31, 2017
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-Owned Assets Supervision and Administration Commission of the State Council of the PRC
"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 the Domestic Shares and the 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

Definitions

"Tianjin Ruida"	Tianjin Ruida Culture Development Partnership (General Partnership) (天津瑞達文化發展合夥企業（普通合夥）), a partnership incorporated in the PRC in February 2017
"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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