

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

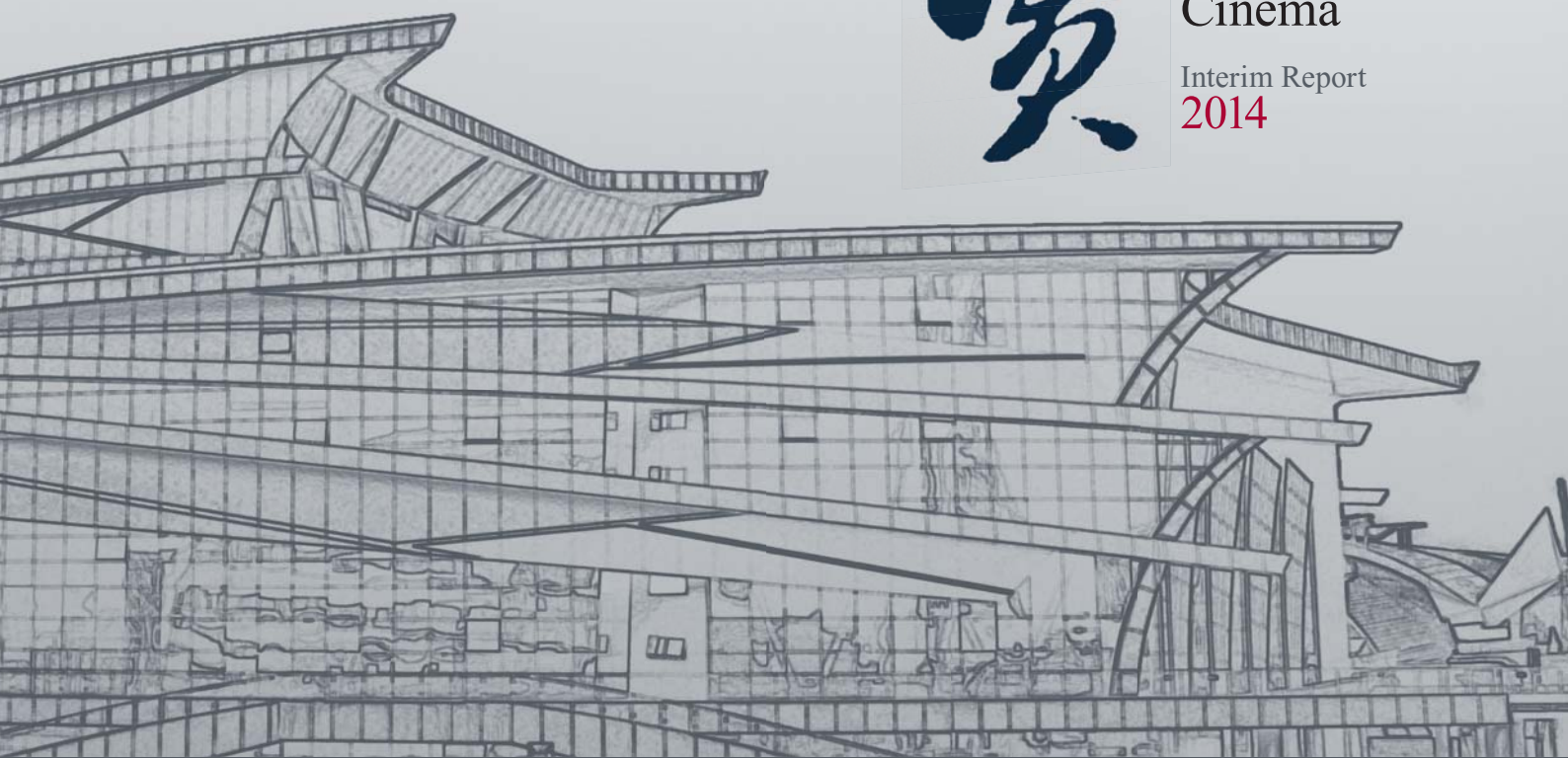
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code: 3636

影院
拍賣
藝院

Theatre,
Auction &
Cinema

Interim Report
2014



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CORPORATE PROFILE

REGISTERED NAME OF THE COMPANY

保利文化集團股份有限公司

ENGLISH 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

8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Hongsheng
Mr. Li Nan
Mr. Zhang Zhengao
Mr. Jiang Yingchun

Non-executive Directors

Mr. Wang Lin
Mr. Zhao Zigao

Independent Non-executive Directors

Mr. Li Boqian
Ms. Li Xiaohui
Mr. Yip Wai Ming

AUTHORIZED REPRESENTATIVE

Mr. Jiang Yingchun
District A, 25/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC
Ms. Yung Mei Yee
8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

JOINT COMPANY SECRETARIES

Mr. Chen Peng
Ms. Yung Mei Yee

AUDITORS

PRC Auditor

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

International Auditor

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

LEGAL ADVISORS

as to Hong Kong law

Clifford Chance
28th Floor, Jardine House, One Connaught Place, Central, Hong Kong

as to PRC law

Beijing JiaYuan Law Offices
F408, Ocean Plaza, No.158, Fuxing Men Nei Ave, Xicheng District, Beijing, PRC

COMPLIANCE ADVISOR

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

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited (Fuhua Plaza Branch)
No.8, North Street of Chaoyangmen, Dongcheng District, Beijing, PRC

Agricultural Bank of China Limited
4/F, A District, Xinyang Building, No.1 Zhushikoudong Avenue, Dongcheng District, Beijing, PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services 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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Website: www.polyculture.com.cn
E-mail: IR@polyculture.com.cn

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
Revenue	1,042,804	903,301
Profit from operations	259,480	253,069
Profit before taxation	275,795	253,706
Income tax	(66,173)	(60,429)
Profit for the period	209,622	193,277
Attributable to:		
Equity Shareholders of the Company	123,169	104,199
Non-controlling interests	86,453	89,078
Earnings per share		
Basic and diluted earnings per share (RMB)	0.57	0.63
Total comprehensive income for the period	211,293	191,721
Attributable to:		
Equity Shareholders of the Company	124,089	103,307
Non-controlling interests	87,204	88,414
Total non-current assets	478,588	417,548
Total current assets	5,126,182	2,709,354
Total assets	5,604,770	3,126,902
Total current liabilities	1,898,270	1,591,905
Total non-current liabilities	739	567
Total liabilities	1,899,009	1,592,472
Net assets	3,705,761	1,534,430
Total equity attributable to the equity shareholders of the Company	3,339,806	1,156,827
Non-controlling interests	365,955	377,603
TOTAL EQUITY	3,705,761	1,534,430

The financial information of the Group for the six months ended June 30, 2014 was extracted from page 19 to 46 to this report, which set forth details of the basis of presentation for the unaudited consolidated financial statements. The consolidated financial statements of the Group for the six months ended June 30, 2014 were unaudited.

MANAGEMENT DISCUSSION AND ANALYSIS

I. SEGMENT BUSINESS INFORMATION

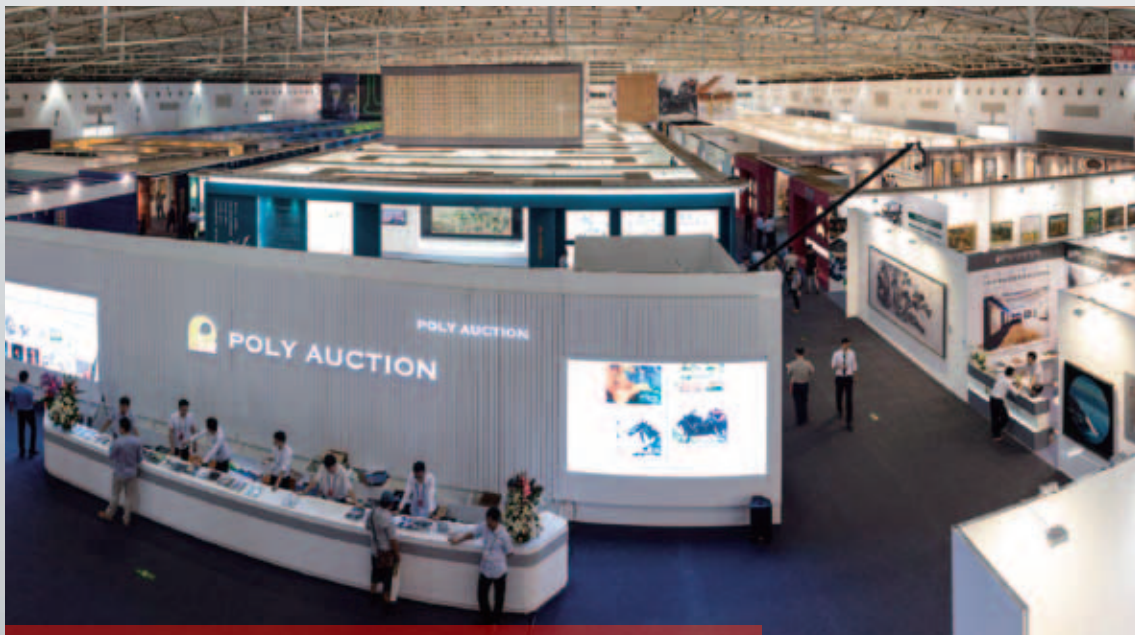
In the first half of 2014, China saw a continuous slowdown in macroeconomic growth, posting a GDP growth of 7.4% year-on-year which fell behind 7.6% in 2013. Under the government's economic guideline of growth model upgrading and structural adjustment, the domestic capital market performed stably in the first half of 2014 with a slightly tightening of overall liquidity. In this context, the Group leveraged on the opportunities from its Listing to vigorously develop the three principal businesses while seeking business innovations under the established strategy, and sound progresses were achieved. The business and financial indicators of the Group for the first half of 2014 essentially met the preset targets.

Art Business and Auction Business

Due to the impact from macro economy, Chinese artwork market still ranged at lows in the first half of 2014, with a modest yet more prudent recovery in turnover and, especially, a subdued transaction momentum for high-priced artworks. As such, the Group took initiatives to increase the supply of middle and low-priced auction items in line with market conditions. In the first half of 2014, the Group achieved total auction turnover of approximately RMB4.1 billion, maintaining the leading position in the industry.

Poly Auction Beijing recorded auction turnover of approximately RMB3.188 billion for the first half of 2014, securing its leadership in all segments with a balanced business mix. At the Spring Auction, it recorded auction turnover of RMB2.78 billion, ranking first for 12 consecutive times in the domestic large-scale artwork auctions. To proactively develop middle and low-end markets, Poly Auction Beijing also held auctions in Hainan and Zhejiang in the first half of the year while ensuring successful boutique auctions.

Poly Auction Hong Kong recorded turnover of HK\$1.136 billion at the Spring Auction, representing an increase of 76% and 15% from the Spring Auction and the Autumn Auction in 2013 respectively, and continued to rank No. 3 in Hong Kong market. It was granted the first session of "Golden Art" award for outstanding auction houses selected by China Art Assets Summit 2014, which contributed to the improvement of overall market influence and brand image of the Poly Auction.



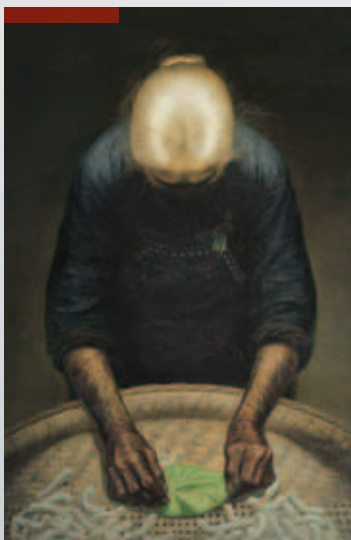
MANAGEMENT DISCUSSION AND ANALYSIS



While ensuring the success of the Spring Auction, Poly Auction Hong Kong made full use of its art gallery and other social resources to organise exhibitions, fairs and other activities in the first half of 2014. The jewellery trade fair held in Shanghai and the solo exhibitions for Rao Zongyi and Hong Ling held in art gallery all gained desirable effect.

Poly Art Centre was active in trading activities according to market dynamics, and strengthened the sourcing by acquiring certain outstanding artworks as funded by a portion of proceeds raised from the Listing. Furthermore, to expand its gallery chain business as scheduled, Poly Art Centre established Beijing Poly Contemporary Art Co., Ltd., Beijing Oriental Poly Culture Co., Ltd. and Guizhou Poly Culture Development Co., Ltd. in the first half of 2014. These subsidiaries were granted highly preferential commercial terms for acquiring land for art galleries in Beijing, Guiyang and other locations, laying a sound foundation for expansion of our self-operated art business and artist dealer business.

Poly Art Investment made active progress in innovative partnership model. In the first half of 2014, it provided consultation services for art investments of Poly Fund 15 and Poly Fund 16, two art funds with a total size of RMB220 million. In particular, Poly Fund 16 with size of RMB150 million is the first artwork investment fund in the domestic securities industry which is jointly established by Poly Art Investment and Hengtai Securities Co., Ltd. As at June 30, 2014, Poly Art Investment provided artwork investment consultation service to seven funds in operation with a total size of RMB890 million.



MANAGEMENT DISCUSSION AND ANALYSIS



Performance and Theatre Management Business

Poly Theatre Management was honoured No. 1 of “Top 10 Performance Houses of China” for 2013 and No. 1 of “Top 10 Active Integrated Theatres of China” for 2013 as selected by Daolue Performing Industry Research Centre on May 23, 2014.

In the first half of 2014, Poly Theatre Management newly took over management of Nanjing Youth Olympic Grand Theatre. As a result, our theatre chain has entered into agreements with a total of 37 theatres, 33 of which are in operation, maintaining the leading position among peers. As at June 30, 2014, our theatre chain staged 2,356 performances, including 1,027 performances of 194 tour repertoires.

The original musical “Long March” (《王二的長征》) produced by Poly Theatre Management in Dongguan Poly Original Musical Base was staged with 36 performances on our theatre chain and a total of 60 performances nationwide in the first half of 2014, with sound responses received from the public.

In the first half of 2014, Poly Theatre Management was engaged for construction consultation on five additional theatres (i.e., Jilin People’s Theatre, the Three Gorges Culture and Art Centre, Xiaogan Cultural Centre Theatre, Foshan Grand Theatre and Suqian Grand Theatre), and renewed the consultation engagement for Grand Theatre of Changsha Meixi Lake Culture and Art Centre. As at June 30, 2014, it had 18 consultation engagements in operation, providing adequate projects reserve for expansion of theatres.



MANAGEMENT DISCUSSION AND ANALYSIS

Cinema Investment and Management Business

In the backdrop of steadily growing domestic film market during the first half of 2014, Poly Film achieved a stable growth in box office income through improving regionalised management and strengthening marketing campaigns.

In the first half of 2014, China achieved accumulated cinema box office income of RMB13.4 billion, up by 23% as compared with the corresponding period of previous year. The 16 cinemas directly owned by Poly Film recorded box office income of RMB131 million, representing an increase of 57% from the same period last year.

In the first half of 2014, Shanghai Baolong Poly Cinema commenced operation, increasing the number of directly-operated cinemas to 16. The five cinema projects newly starting construction include Shanghai World Expo project, Kunming Riverside Jun Park project, Nanjing Forest Mall project, Poly Guiyang project and Chengdu Forte project.

In the first half of 2014, Poly Film initiated nine cinema projects. As at June 30, 2014, Poly Film had 25 cinema projects initiated and pending for construction, providing a sound foundation for future development.

In addition, Poly Film was proactively promoting the POLYMAX giant-screen projection technology. As at June 30, 2014, its directly-operated cinemas had six POLYMAX projection rooms either established or under construction. In the first half of 2014, Poly Film also entered into an agreement with a third party to sell two sets of POLYMAX equipment.



MANAGEMENT DISCUSSION AND ANALYSIS

II. RESULTS ANALYSIS AND DISCUSSION

Overview of Our Operating Results

Revenue

Total revenue increased by 15.4% from RMB903.3 million for the six months ended June 30, 2013 to RMB1,042.8 million for the six months ended June 30, 2014, primarily due to increase in revenue from the art business and auction segment as a result of increase in the total art auction turnover. The increase was also attributed to increases in revenue from the performance and theatre management segment, which was primarily due to the expansion of our theatre networks.

The respective segment revenue of the Group for the six months ended June 30, 2014 and June 30, 2013 is as follows:

	Six months ended June 30,		
	2014	2013	
	RMB in	RMB in	% of change
	millions	millions	
Art business and auction	520.8	418.7	24.4
Performance and theatre management	360.5	316.3	14.0
Cinema investment and management	161.5	168.3	(4.0)

Gross profit

Gross profit increased by 11.3% from RMB434.6 million for the six months ended June 30, 2013 to RMB483.9 million for the six months ended June 30, 2014 as a result of the business growth of our art business and auction segment and performance and theatre management segment. Gross profit margin remained relatively stable at 46.4% and 48.1%, respectively, for the six months ended June 30, 2014 and June 30, 2013.

Other gain

We recorded other gain of RMB15.0 million for the six months ended June 30, 2014 mainly as a result of foreign exchange gain from the net proceeds received from the initial public offering (the "IPO").

Selling and distribution expenses

Selling and distribution expenses increased by 6.3% from RMB92.7 million for the six months ended June 30, 2013 to RMB98.5 million for the six months ended June 30, 2014, primarily due to (i) an increase in selling and marketing activities as a result of our efforts to promote and expand our business; and (ii) an increase in staff costs as a result of the increase in the headcount of selling and marketing employees.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses increased by 48.0% from RMB99.4 million for the six months ended June 30, 2013 to RMB147.1 million for the six months ended June 30, 2014, primarily due to (i) an increase in staff costs as a result of an increase in the headcount of our administrative employees, which were attributed to our increased administrative activities and business scale; and (ii) an increase in Listing expense related to the IPO.

Reportable segment profit

As a result of the foregoing, reportable segment profit increased by 9.8% from RMB280.9 million for the six months ended June 30, 2013 to RMB308.5 million for the six months ended June 30, 2014, reflecting the Group's steady business growth during the year.

The respective reportable segment profit of the Group for the six months ended June 30, 2014 and June 30, 2013 is as follows:

	The period ended June 30,		
	2014	2013	
	RMB in	RMB in	% of change
	millions	millions	
Art business and auction	255.1	241.6	5.6
Performance and theatre management	31.6	17.8	77.5
Cinema investment and management	21.8	21.5	1.4

Finance income

Finance income increased from RMB9.9 million for the six months ended June 30, 2013 to RMB26.2 million for the six months ended June 30, 2014 mainly as a result of an increase in interest income of proceeds received from the IPO.

Finance costs

Finance costs increased by 5.4% from RMB9.3 million for the six months ended June 30, 2013 to RMB9.8 million for the six months ended June 30, 2014, primarily due to an increase in the amount of outstanding bank loans.

Income tax

Income tax increased by 9.6% from RMB60.4 million for the six months ended June 30, 2013 to RMB66.2 million for the six months ended June 30, 2014, primarily due to an increase in taxable income.

Profit for the period

As a result of the foregoing, profit for the period increased by 8.4% from RMB193.3 million for the six months ended June 30, 2013 to RMB209.6 million for the six months ended June 30, 2014, and net profit margin remained relatively stable at 20.1% and 21.4%, respectively, for the six months ended June 30, 2014 and June 30, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and capital resources

During the six months ended June 30, 2014, the Group maintained a strong financial position and adequate liquidity. As of June 30, 2014, the Group's cash and cash equivalent amounted to RMB2,057.8 million, compared with RMB1,004.7 million as of December 31, 2013, up by more than 100%.

The net cash outflow from operating activities amounted to RMB265.7 million for the six months ended June 30, 2014 (net cash inflow for the six months ended June 30, 2013 was RMB149.7 million). After deducting RMB882.3 million in net cash outflow from investment activities mainly arising from payment for consignor advances and addition of bank deposit with materiality over three months, and adding RMB2,189.2 million in net cash inflow from financing activities arising mainly from the net proceeds received from the IPO, there was still an increase in cash and cash equivalent of approximately RMB1,041.3 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 not limited to cinema equipment and self-owned offices. Our property, plant and equipment increased by 6.5% from RMB408.3 million as of December 31, 2013 to RMB434.7 million as of June 30, 2014 due to the continued expansion of our cinema network.

Current assets and current liabilities

Primarily due to the IPO and expansion of our business, the current assets increased by 89.2% from RMB2,709.4 million as of December 31, 2013 to RMB5,126.2 million as of June 30, 2014. Current liabilities increased by 19.2% from RMB1,591.9 million as of December 31, 2013 to RMB1,898.3 million as of June 30, 2014.

Inventories

Our inventories increased by 39.6% from RMB805.3 million as of December 31, 2013 to RMB1,124.4 million as of June 30, 2014, primarily due to an increase in our artwork collections in our art business, which is mainly because our management explored market opportunities actively and decided to expand our artwork inventories by considering the development of art market in China and the optimistic estimate towards the market prospect.

Consignor advances

The consignor advances increased by 59.1% from RMB240.9 million as of December 31, 2013 to RMB383.2 million as of June 30, 2014, primarily due to the expansion of auction business.

Deposits, Prepayments and Other Receivables

The deposits, prepayments and other receivables increased by 39.4% from RMB493.9 million as of December 31, 2013 to RMB688.7 million as of June 30, 2014, primarily due to the increase in prepayments for auctioned artwork and prepayments for purchasing artwork.

Prepayments for auctioned artwork increased from RMB305.0 million as of December 31, 2013 to RMB477.2 million as of June 30, 2014, primarily due to the increasing growth of auction business.

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

As of June 30, 2014, we incurred bank borrowings of RMB578.0 million, all of which were borrowed from reputable Chinese financial institutions and were unsecured and repayable within one year. Bank loans increased from RMB208.0 million as of December 31, 2013 to RMB578.0 million as of June 30, 2014 due to business expansion.

Under artwork financing trust plans, we are obliged to fund the difference between the total expected monetary trust property and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees) if the borrower and its guarantor fail to repay such amounts. As of June 30, 2014, our maximum exposure amounted to RMB240.0 million.

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

Capital Expenditure

Our capital expenditures during the financial statement period mainly comprised of expenditures on property and equipment, which amounted to RMB144.9 million and RMB57.4 million for the year ended December 31, 2013 and for the six months ended June 30, 2014, respectively.

Other Financial Indicators

For the six months ended June 30, 2014 and for the year ended December 31, 2013, debt-to-equity ratio was 15.6% and 13.6% respectively (debt-to-equity ratio is calculated by dividing the period-end total interest-bearing debts by the period-end total equity; interest-bearing debts represent the balance net of the advances from bills discounted with banks).

Employee Remuneration and Policy

Our Group has 4,195 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board of Directors taking into consideration of the performance, experience and operational capacity of our employees. As of June 30, 2014, there has been no material changes to our remuneration policy and training plans.

Risks Relating to Fluctuation of Interest Rates

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

MANAGEMENT DISCUSSION AND ANALYSIS

III. OUTLOOK

At present, stabilising growth has become China's primary goal for macro economy. The central government has clearly stated that a floor GDP growth at 7.5% is preset to prevent a hard-landing, and a "micro stimulus" policy package including "selectively reducing deposit reserve requirement ratio" will be introduced soon. Therefore, the second half of 2014 is expected to see a stabilising macroeconomic growth, while it is possible that a potential round of interest rate cut may be launched by the government to stimulate economy. The overall liquidity on capital market might become more accommodative.

In view of this context, the Company has set the general task for the second half of 2014, including: decisively capturing favourable factors to ensure stable progress of the three principal businesses and completion of the annual business targets; steadily pushing forward new businesses and improving business models to diversify profit sources; and speeding up the globalization paces by seeking to expand business scale and market share through mergers, acquisitions and reorganisations, in order to accelerate the evolvement towards a larger, stronger and more influential player.

1. Continue to focus on the three principal businesses and maintain stable growth in operating results

Art Business and Auction Business

Poly Auction Beijing will adopt specific strategies according to market changes and increase the sourcing scope and efforts, so as to secure its dominance and market share in leading categories. While taking efforts in improving professionalism and refined services to heighten brand influence, it will opportunistically establish branches and hold special auctions in places including Xiamen, Shanghai and Shandong to cater for local market needs. Priorities will be placed on the 27th and 28th boutique auctions as well as the 2014 Autumn Auction.

Poly Auction Hong Kong will press ahead with its boutique strategy. It will take into greater consideration the demand of collectors in Hong Kong, Macau, Taiwan, Southeast Asia, Europe and the United States to expand the portfolio of international buyers, and enhance overseas sourcing to further expand the variety of items. While focusing on contemporary art to strengthen marketing in Southeast Asia, it will vigorously expand the antique, jewellery and timepiece business in an innovative approach to ensure the success of the Autumn Auction.

Poly Art Centre will give full play to its established gallery channel advantages in Beijing and Guizhou to boost sales. A wholly-owned subsidiary will be established in Hong Kong to upgrade its international business. The priorities in the second half of 2014 include effective sales, well-paced sourcing and a reduction in debts to ensure profitability.

Poly Art Investment will devote to management of the existing projects, and proactively diversify the sourcing and selling channels to ensure smooth project operation. Meanwhile, it will strengthen development of new projects and offer more partnership options to secure business growth, aiming to provide consultation services for one or two additional artwork funds in the second half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Theatre Management Business

Poly Theatre Management will press forward its project development focusing on the theatres in Zhuhai, Nanjing, Yangzhou, Changsha and Shenyang, aiming to add one or two theatres under management as scheduled while ensuring the renewal of the expiring theatres. Strategic cooperation will be also enhanced with excellent performing troupes to ensure supply of programmes and a steadily improving market share. The well-produced fourth original musical “A Chinese Ghost Story – Nie Xiaoqian” (《倩女幽魂之聶小倩》) will be launched soon.

Cinema Investment and Management Business

Poly Film will further improve the regionalised management model, strengthening marketing campaigns to shorten the ramp-up period of newly opened cinemas, and continue to improve project development standards to seek business model innovations. In the second half of 2014, Poly Film expects to further open three cinemas (i.e., Shanghai World Expo project, Shanghai Jiangchuan project and Nanjing Forest Mall project) and develop three new projects. Poly Film will seek a diversified business model focusing on movie projection operation and supported by consumer experience services. Based on the traditional movie projection and cinema operation, experience services such as convenient food catering and children’s playground will be introduced to enhance the market competitiveness and operation flexibility.

2. Actively promote new business development to step up globalization

The Group will promote new business development in an active and prudent manner. The progress of key projects including Guilin Poly Culture Arts Centre will be stepped up for early construction, operation and profit making based on a comprehensive plan with consideration of subsequent operation. The Group will also explore an innovative model integrating culture and tourism businesses to bring its brand value and core advantages in the culture and art field into full play, and selectively invest in new projects to transform and upgrade its business model.

Moreover, the Group will accelerate its globalisation paces by developing a systematic methodology for consolidating premium business resources in the merger and acquisition industry, aiming at a breakthrough during the year.

Despite the adverse impacts in the first half of 2014, the Company managed to stabilise its operations to lay a cornerstone for its future development. Looking into the second half of 2014, the Group is confident that through joint efforts of the management and staff, it is well positioned to accomplish the tasks scheduled and deliver desirable returns to Shareholders.

CORPORATE GOVERNANCE

The Company has committed to enhancing corporate governance standard and regarded it as an indispensable part to creating values for Shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, Board of Directors, Board of Supervisors and senior management with reference to the code provisions as set out in the Corporate Governance Code. The Company has also adopted the Corporate Governance Code as our own corporate governance practices.

COMPLIANCE WITH THE REQUIREMENTS OF CORPORATE GOVERNANCE CODE

From the Listing Date to the date of this interim report, the Company had complied with all code provisions in the Corporate Governance Code, and had complied with most of the recommended best practices set out in the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of 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 from the Listing Date to the date of this interim report. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, including Mr. Li Boqian, Ms. Li Xiaohui, and Mr. Yip Wai Ming.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

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

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

On August 25, 2014, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2014, the 2014 interim report and the unaudited interim financial statements for the six months ended June 30, 2014 prepared in accordance with International Accounting Standards.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibility for preparing financial statements of the Company. During the reporting period, the Company has published the 2013 annual report in strictly compliance with related provisions.

OTHER INFORMATION

CORPORATE PROFILE AND GLOBAL OFFERING

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

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.

INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2014 were published on the websites of the Stock Exchange for information disclosure (www.hkexnews.hk) and the Company on August 25, 2014.

INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the period since the Listing Date up to the date of this report.

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

On June 30, 2014, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

On June 30, 2014, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executives of the Company) in the shares or underlying shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Shareholder	Type of Shares	Capacity	Number of Shares/underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Poly Group (Note 2)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (long position)	100.00	63.69
Poly Southern	Domestic Shares	Beneficial owner	50,197,900 (long position)	32.00	20.38
China Credit Trust Co., Ltd. (Note 3)	H Shares	Interest of controlled corporation	6,394,600 (long position)	7.15	2.60
Harvest Fund Management Co., Ltd. (Note 3)	H Shares	Investment manager	6,394,600 (long position)	7.15	2.60
ICBC Credit Suisse Asset Management (International) Company Limited	H Shares	Investment manager and beneficial owner	4,703,100 (long position)	5.26	1.91
The National Council for Social Security Fund	H Shares	Beneficial owner	4,870,400 (long position)	5.44	1.98

NOTE:

- The percentage is calculated with the number of the relevant class of Shares of the Company issued as at June 30, 2014 divided by the total number of shares.
- 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.
- Harvest Fund Management Co., Ltd. directly holds 2,763,600 H Shares of the Company. Harvest Fund Management Co., Ltd. holds all the equity interests of Harvest Global Investments Limited, and Harvest Global Investments Limited holds 3,631,000 H Shares of the Company. Accordingly Harvest Fund Management Co., Ltd. is deemed to be interested in the 3,631,000 H Shares held by Harvest Global Investments Limited under the SFO. China Credit Trust Co., Ltd. holds 40% equity interests of Harvest Fund Management Co., Ltd. Accordingly China Credit Trust Co., Ltd. is deemed to be interested in 6,394,600 H Shares held by Harvest Fund Management Co., Ltd. under the SFO.

Saved as disclosed above, as of June 30, 2014, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

CONNECTED TRANSACTIONS

During the reporting period, the Group has entered into the following continuing Connected Transactions:

The Company entered into the General Services Framework Agreement with Poly Group on February 14, 2014. Pursuant to the General Services Framework Agreement, we may from time to time provide Poly Group and/or its associates with certain types of services mainly including exhibition service, theatre management service, art appreciation activity service and general service.

The Company entered into the Commodities Sale and Purchase Framework Agreement with Poly Group on February 14, 2014, pursuant to which we may from time to time sell commodities mainly including art products and theatre tickets to Poly Group and/or its associates.

The Company entered into the Property Lease Framework Agreement with Poly Group on February 14, 2014, pursuant to which we may 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 Company entered into the Cinema Box Office Income Sharing Framework Agreement with Poly Group on February 14, 2014, pursuant to which Poly Group and/or its associates will provide new film prints to our Group and our Group will then arrange movie screening in our cinemas. 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 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.

Please refer to the Prospectus for detailed information about above Connected Transactions.

In addition, the Company and its Connected Person Guangxi Poly Property Group Co., Ltd. ("Guangxi Property") entered into a Capital Increase Agreement on April 11, 2014, pursuant to which both parties agreed to make capital contributions of RMB40 million and RMB50 million in cash, respectively, to Guilin Poly Culture Investment Development Co., Ltd., a wholly-owned subsidiary of the Company, in order to jointly launch the Arts Center Project. For details please refer to the Company's announcement on April 11, 2014 published on the website of the Stock Exchange.

The details of Connected Transactions ended at December 31, 2014 of the Company will be disclosed in the Company's next annual report.

EMPLOYEE REMUNERATION AND POLICIES

Our Group has 4,195 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board of Directors taking into consideration of the performance, experience and operational capacity of our employees. As of June 30, 2014, there has been no material changes to our remuneration policy and training plans. Details of the employee remuneration of the Company were set forth in Note 7(b) to the Financial Statements of this report.

MATERIAL LITIGATION

Save as disclosed in the Prospectus, the Company was not involved in any material litigation or arbitration during the six months ended June 30, 2014. So far as the Directors are aware, there is no litigation or claims which are pending or threatened against the Company.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From the Listing Date to the date of this interim report, the Company did not appoint or dismiss any Director, Supervisor or senior management. Meanwhile, from the disclosure date of the annual report to the date of this interim report, there is no change of information about the Directors, Supervisors or chief executive which shall be disclosed pursuant to 13.51 (2) of the Listing Rules.

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Note	Six months ended June 30,	
		2014 RMB'000	2013 RMB'000
Revenue	4	1,042,804	903,301
Cost of sales		(558,887)	(468,657)
Gross profit		483,917	434,644
Other revenue	6	6,130	5,603
Other net gain	6	15,006	4,951
Selling and distribution expenses		(98,497)	(92,695)
Administrative expenses		(147,076)	(99,434)
Profit from operations		259,480	253,069
Finance income		26,201	9,911
Finance costs	7(a)	(9,842)	(9,274)
Share of losses of joint ventures		(44)	–
Profit before taxation	7	275,795	253,706
Income tax	8	(66,173)	(60,429)
Profit for the period		209,622	193,277
Attributable to:			
Equity shareholders of the Company		123,169	104,199
Non-controlling interests		86,453	89,078
Profit for the period		209,622	193,277
Earnings per share			
Basic and diluted earnings per share (RMB)	9	0.57	0.63

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Profit for the period	209,622	193,277
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the PRC	1,671	(1,556)
Total comprehensive income for the period	211,293	191,721
Attributable to:		
Equity shareholders of the Company	124,089	103,307
Non-controlling interests	87,204	88,414
Total comprehensive income for the period	211,293	191,721

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Statement of Financial Position

At June 30, 2014 – unaudited
(Expressed in RMB)

	Note	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Non-current assets			
Property, plant and equipment	10	434,738	408,318
Long-term prepayments		4,232	4,206
Interest in joint ventures		30,057	–
Interest in associates		3,400	–
Other financial asset		100	100
Deferred tax assets		6,061	4,924
Total non-current assets		478,588	417,548
Current assets			
Inventories	11	1,124,423	805,327
Trade and bills receivables	12	171,569	139,927
Consignor advances	13	383,243	240,940
Deposits, prepayments and other receivables	14	688,710	493,901
Income tax recoverable		636	636
Banks deposits with original maturities over three months		699,806	23,900
Cash and cash equivalents	15	2,057,795	1,004,723
Total current assets		5,126,182	2,709,354
Current liabilities			
Bank loans and borrowings	16	578,000	208,000
Trade and other payables	17	1,278,952	1,314,975
Income tax payable		41,318	68,930
Total current liabilities		1,898,270	1,591,905
Net current assets		3,227,912	1,117,449
Total assets less current liabilities		3,706,500	1,534,997

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Statement of Financial Position

At June 30, 2014 – unaudited
(Expressed in RMB)

	Note	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Non-current liabilities			
Deferred tax liabilities		188	–
Deferred revenue		551	567
Total non-current liabilities		739	567
NET ASSETS			
3,705,761			
1,534,430			
CAPITAL AND RESERVES			
Share capital	18(b)	246,316	165,000
Reserves		3,093,490	991,827
Total equity attributable to the equity shareholders of the Company		3,339,806	1,156,827
Non-controlling interests		365,955	377,603
TOTAL EQUITY		3,705,761	1,534,430

The notes on pages 25 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000			
At January 1, 2013	165,000	1,104	4,874	39,013	835,050	294	1,045,335	353,199	1,398,534
Changes in equity for the six months ended June 30, 2013:									
Profit for the period	-	-	-	-	104,199	-	104,199	89,078	193,277
Other comprehensive income	-	-	-	-	-	(892)	(892)	(664)	(1,556)
Total comprehensive income for the period	-	-	-	-	104,199	(892)	103,307	88,414	191,721
Disposal of a subsidiary	-	(5,100)	-	-	-	-	(5,100)	(9,095)	(14,195)
Capital contributions from non-controlling equity owners	-	-	-	-	-	-	-	2,940	2,940
Dividends paid by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(97,250)	(97,250)
At June 30, 2013 and July 1, 2013	165,000	(3,996)	4,874	39,013	939,249	(598)	1,143,542	338,208	1,481,750
Changes in equity for the six months ended December 31, 2013:									
Profit for the period	-	-	-	-	171,010	-	171,010	85,284	256,294
Other comprehensive income	-	-	-	-	-	(975)	(975)	(798)	(1,773)
Total comprehensive income for the period	-	-	-	-	171,010	(975)	170,035	84,486	254,521
Appropriation of reserve	-	-	-	17,812	(17,812)	-	-	-	-
Dividends proposed during the year	-	-	-	-	(156,750)	-	(156,750)	-	(156,750)
Dividends paid by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(45,091)	(45,091)
At December 31, 2013 and January 1, 2014	165,000	(3,996)	4,874	56,825	935,697	(1,573)	1,156,827	377,603	1,534,430
Changes in equity for the six months ended June 30, 2014:									
Profit for the period	-	-	-	-	123,169	-	123,169	86,453	209,622
Other comprehensive income	-	-	-	-	-	920	920	751	1,671
Total comprehensive income for the period	-	-	-	-	123,169	920	124,089	87,204	211,293
Issuance of shares upon public offering, net of issuing expenses	81,316	-	1,977,574	-	-	-	2,058,890	-	2,058,890
Dividends paid by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(98,852)	(98,852)
At June 30, 2014	246,316	(3,996)	1,982,448	56,825	1,058,866	(653)	3,339,806	365,955	3,705,761

The notes on pages 25 to 46 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2014 – unaudited
(Expressed in RMB)

	Note	Six months ended June 30,	
		2014 RMB'000	2013 RMB'000
Cash (used in)/generated from operations		(170,919)	213,927
Income tax paid		(94,734)	(64,219)
Net cash (used in)/generated from operating activities		(265,653)	149,708
Net cash (used in)/generated from investing activities		(882,276)	6,643
Net cash generated from financing activities		2,189,227	25,851
Net increase in cash and cash equivalents		1,041,298	182,202
Cash and cash equivalents at January 1,	15	1,004,723	903,958
Effect of foreign exchanges rates changes		11,774	(1,739)
Cash and cash equivalents at June 30,	15	2,057,795	1,084,421

The notes on pages 25 to 46 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on December 14, 2010 as a joint stock company with limited liability as part of the reorganization (the “Reorganization”) of Poly Culture Group Co., Ltd. The Company and its subsidiaries (together 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 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 25, 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

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

(b) Amendments to IAS 32, Offsetting financial assets and financial liabilities

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

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

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended December 31, 2013.

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

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

(e) IFRIC 21, Levies

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

4 REVENUE

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

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

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Revenue from art business and auctions	520,766	418,686
Revenue from performance and theatre management	360,506	316,303
Revenue from cinema investment and management	161,532	168,312
	1,042,804	903,301

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 for the six months ended June 30, 2014:

- Art business and auction: including auction, buy and sale of Chinese antiques, Chinese modern and contemporary calligraphy and painting, Chinese ancient calligraphy and painting, Chinese oil painting and sculpture and other Chinese cultural relics and artwork. It also provides artwork investment consultation and other services and earns interest revenue from consignor advances.
- Performance and theatre management: including daily management of theatre, arrangement of performances, leases of theatres and theatre design consultation services.
- Cinema investment and management: including cinema construction and cinema operation.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

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

Segment assets include all assets with the exception of interest in joint ventures and associates, other financial asset, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of tax payables and other corporate liabilities.

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

5 SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended June 30, 2014 is set out below:

	Six months ended June 30, 2014			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Revenue from external customers	520,766	360,506	161,532	1,042,804
Reportable segment revenue	520,766	360,506	161,532	1,042,804
Reportable segment profit	255,076	31,627	21,788	308,491
Depreciation	(2,822)	(2,052)	(22,521)	(27,395)
Finance income	11,638	2,890	86	14,614
Finance costs	(17,927)	–	(3,975)	(21,902)
Reportable segment assets	2,830,560	427,047	483,032	3,740,639
Reportable segment liabilities	1,806,590	263,172	370,162	2,439,924

	Six months ended June 30, 2013			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Revenue from external customers	418,686	316,303	168,312	903,301
Reportable segment revenue	418,686	316,303	168,312	903,301
Reportable segment profit	241,634	17,816	21,487	280,937
Depreciation	(2,558)	(1,499)	(12,490)	(16,547)
Finance income	8,332	2,525	260	11,117
Finance costs	(15,102)	–	(2,617)	(17,719)
Reportable segment assets	2,428,992	337,896	394,660	3,161,548
Reportable segment liabilities	1,555,637	205,252	272,195	2,033,084

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2014 and 2013.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

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

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Reportable segment profit	308,491	280,937
Unallocated head office and corporate other revenue and other net gain	13,395	1,751
Share of losses of joint ventures	(44)	–
Depreciation	(27,854)	(16,841)
Finance income	26,201	9,911
Finance costs	(9,842)	(9,274)
Unallocated head office and corporate expenses	(34,552)	(12,778)
Consolidated profit before taxation	275,795	253,706
	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Assets		
Reportable segment assets	3,740,639	3,188,500
Elimination of receivables between segments, and segments and head office	(797,554)	(492,891)
Interest in joint ventures	30,057	–
Interest in associates	3,400	–
Other financial asset	100	100
Income tax recoverable	636	636
Deferred tax assets	6,061	4,924
Unallocated head office and corporate assets	2,621,431	425,633
Consolidated total assets	5,604,770	3,126,902
Liabilities		
Reportable segment liabilities	2,439,924	1,835,483
Elimination of payables between segments, and segments and head office	(797,554)	(492,891)
Income tax payable	41,318	68,930
Deferred tax liabilities	188	–
Unallocated head office and corporate liabilities	215,133	180,950
Consolidated total liabilities	1,899,009	1,592,472

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

5 SEGMENT REPORTING (Continued)

(c) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	Six months ended June 30,		At June 30,	At December 31,
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	920,278	802,306	467,785	407,760
Hong Kong	122,526	100,995	4,742	4,864
	1,042,804	903,301	472,527	412,624

6 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

	Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
Other revenue		
Government grants	4,226	4,433
Others	1,904	1,170
	6,130	5,603
Other net gain/(loss)		
Net (loss)/gain on disposal of property, plant and equipment	(5)	129
Net foreign exchange gain/(loss)	15,011	(981)
Net gain on disposal of subsidiaries	–	5,803
	15,006	4,951

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Interest expenses	10,732	9,965
Less: interest expenses capitalised into property, plant and equipment	(890)	(691)
	9,842	9,274

(b) Staff costs

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	133,385	100,546
Contributions to defined contribution retirement plans (note)	19,641	10,803
	153,026	111,349

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 11% to 22% 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 its PRC subsidiaries have implemented a supplementary defined contribution retirement scheme. The Group is 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.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

7 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Cost of inventories	71,616	17,634
Depreciation	27,854	16,841
Impairment losses/(recovery)		
– trade and bills receivables	758	23
– deposits, prepayments and other receivables	188	(118)
Auditors' remuneration	2,138	1,826
Operating lease charges	63,548	52,478

8 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Corporate Income Tax	67,122	66,019
Deferred taxation	(949)	(5,590)
	66,173	60,429

Notes:

- (i) A subsidiary incorporated in the British Virgin Islands is not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation. A subsidiary of the Group is incorporated and carried out business in Hong Kong and is subject to Hong Kong Profits Tax at 16.5%.
- (ii) The Group's PRC subsidiaries were generally subject to income tax at the statutory rate of 25%.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended June 30, 2014 of RMB123,169,000 (the six months ended June 30, 2013: RMB104,199,000) and the weighted average number of ordinary shares in issue as at the end of each interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended June 30,	
	2014	2013
	No. of shares	No. of shares
Ordinary shares issued at beginning of the period	165,000,000	165,000,000
Effect of issuance of shares	51,645,348	–
Weighted average number of ordinary shares at the end of period	216,645,348	165,000,000

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2014 and 2013. Accordingly, diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposals

During the six months ended June 30, 2014, the group acquired items of plant and machinery with a cost of RMB57,447,000 (six months ended June 30, 2013: RMB60,014,000). Items of plant and machinery with a net book value of RMB3,173,000 were disposed of during the six months ended June 30, 2014 (six months ended June 30, 2013: RMB3,969,000), resulting in a loss on disposal of RMB 5,000 (gain on disposal for the six months ended June 30, 2013: RMB129,000).

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

11 INVENTORIES

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Antiques and artwork	907,372	625,342
Chinese calligraphy and painting	206,302	141,773
Oil painting and sculptures	3,239	29,161
Small value items for resale	2,567	6,095
Low value materials	2,114	1,501
Drama rights	2,829	1,455
	1,124,423	805,327

12 TRADE AND BILLS RECEIVABLES

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	1,565	705
– third parties	152,370	139,830
	153,935	140,535
Bills receivable for sale of goods and rendering of services due from:		
– third parties	20,000	1,000
	173,935	141,535
Less: allowance for doubtful debts	(2,366)	(1,608)
	171,569	139,927

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

12 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Aging analysis

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

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Within 1 month	28,185	112,033
1 to 3 months	11,389	16,217
3 to 6 months	27,943	2,480
6 to 12 months	99,291	7,619
Over 1 year	4,761	1,578
Trade and bills receivables, net of allowance for doubtful debts	171,569	139,927

Trade receivables are generally due immediately without credit or within a credit period of two months.

(b) Impairment of trade and bills receivables

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

12 TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

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

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Neither past due nor impaired	10,596	13,648
Less than 1 month past due	–	95,393
1 to 3 months past due	25,867	8,963
3 to 12 months past due	96,513	2,990
More than 12 months past due	3,929	402
Amounts past due	126,309	107,748
	136,905	121,396

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

13 CONSIGNOR ADVANCES

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

As at June 30, 2014, 26.1% of the consignor advances was due from the Group's largest customer (As at December 31, 2013: 20.8%).

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Prepayments for auctioned artwork	477,194	304,976
Prepayments for purchasing of inventories	81,228	62,911
Prepayments for performance	19,599	18,936
Rental deposits	14,132	13,528
Cinema set-up deposits	33,404	33,701
Interest receivables from consignor advances on auction artwork	9,194	9,479
Advances to staff for business related activities	17,517	14,919
Others	38,179	37,000
Less: allowance for doubtful debts	(1,737)	(1,549)
	688,710	493,901

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.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

15 CASH AND CASH EQUIVALENTS

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Cash in hand	64,847	1,829
Cash at bank	1,992,948	1,002,894
Cash and cash equivalents	2,057,795	1,004,723

16 LOANS AND BORROWINGS

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

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Bank loans		
– Unsecured	578,000	208,000

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

17 TRADE AND OTHER PAYABLES

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Trade payables to		
– related parties	103,504	59,357
– third parties	78,512	95,772
	182,016	155,129
Interest payables		
– related parties	8,497	8,497
– third parties	274	–
Payables for staff related costs	59,156	45,401
Payables for other taxes and surcharges	24,333	43,288
Dividends payables	26,703	157,946
Other accruals and payables		
– related parties	6,827	5,347
– third parties	724,274	738,014
Financial liabilities measured at amortised cost	1,032,080	1,153,622
Receipts in advance		
– related parties	565	690
– third parties	246,307	160,663
	246,872	161,353
	1,278,952	1,314,975

As at June 30, 2014, all trade and other payables of the Group are expected to be settled within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	2014 RMB'000	2013 RMB'000
Interim dividend declared and paid after the interim period of 0 cents per share (2013: 0.95 per ordinary share)	-	156,750

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 0.95 cents per share (six months ended June 30, 2013: 0 cents Per ordinary share)	156,750	-

(b) Share capital

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

18 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

Movements of the Company's ordinary shares are set out below:

	At June 30, 2014		At December 31, 2013	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1,	165,000	165,000	165,000	165,000
Issuance of shares	81,316	81,316	–	–
At June 30/December 31,	246,316	246,316	165,000	165,000

(c) 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.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

At June 30, 2014 and December 31, 2013, the Group has no financial instruments measured at fair value.

(b) Fair values of financial assets and liabilities carried at other than fair value

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 June 30, 2014 and December 31, 2013, which are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The investments in unquoted equity securities are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose these investments.

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

20 COMMITMENTS

Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at the end of each reporting period not provided for in the financial statements were as follows:

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Contracted for	90,762	41,596
Authorized but not contracted for	590,770	559,969
	681,532	601,565

21 FINANCIAL GUARANTEES ISSUED

- (a) At the end of each reporting period, the Company issued financial guarantees to banks in respect of the bank loans granted to the Company's subsidiaries as follows:

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Financial guarantees to banks for subsidiaries	388,000	207,000

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

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

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

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
Trust related	240,000	253,000

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

22 CONTINGENT LIABILITY IN RESPECT OF LEGAL CLAIM

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

23 MATERIAL RELATED PARTY TRANSACTION

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transaction during the six months ended June 30, 2014 and 2013.

(a) Name and relationship with related parties

During the six months ended June 30, 2014 and 2013, transactions with the following parties are considered as related party transactions:

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

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

23 MATERIAL RELATED PARTY TRANSACTION *(Continued)*

(b) Significant transactions with related parties

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

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

	Six months ended June 30,	
	2014 RMB'000	2013 RMB'000
<i>Sales to</i>		
Poly Group and its affiliates	2,272	1,170
<i>Service provided to</i>		
Poly Group and its affiliates	3,539	3,234
<i>Receiving Service (note(iv))</i>		
Poly Group and its affiliates	55,861	134
<i>Office rental from (note (iii))</i>		
Poly Group and its affiliates	15,473	15,534
<i>Interest income</i>		
Poly Group and its affiliates	–	3,537
<i>Repayment of loans</i>		
Poly Group and its affiliates	–	1,500
<i>Disposal of a subsidiary</i>		
Poly Group and its affiliates	–	10,168
<i>Property management services</i>		
Poly Group and its affiliates	4,286	4,782
<i>Working capital obtained from</i>		
Poly Group and its affiliates	–	1,000
<i>Working capital repaid to</i>		
Poly Group and its affiliates	–	1,000

Notes to the Unaudited Interim Financial Report

For the six months ended June 30, 2014 – unaudited

23 MATERIAL RELATED PARTY TRANSACTION *(Continued)*

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

Notes:

- (i) Poly Group's affiliates refer to the entities which are under common control by the same ultimate holding company with the Group, and are not the parent or associates of the Group.
- (ii) The Directors are of the opinion that these related party transactions are arising in the Group's normal course of business.
- (iii) Beijing Poly Art Centre Corporation Limited paid nil rent to Poly Group for its use of office space for the six months ended June 30, 2014 and 2013.
- (iv) Poly Film Investment Corporation Limited distribute the net cinema box office income to Poly Wanhe Cinema Circuit according to the agreed percentage set in the cinema circuit agreements for the six months ended June 30, 2014.

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

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

	At June 30, 2014 RMB'000	At December 31, 2013 RMB'000
<i>Trade and bills receivables</i>		
Poly Group and its affiliates	1,565	705
<i>Deposits, prepayments and other receivables</i>		
Poly Group and its affiliates	7,642	7,232
<i>Trade and other payables</i>		
Poly Group and its affiliates	119,393	73,891

Glossary

“Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“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”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report on Corporate Governance in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”	the Company and its Subsidiaries
“H Shares”	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each
“HK\$” or “Hong Kong dollars” or “HK dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“International Accounting Standards”	International Accounting Standards and its Interpretations
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers

Glossary

“Poly Art Centre”	Beijing Poly Art Centre Co., Ltd.
“Poly Art Investment”	Beijing Poly Art Investment Management Co., Ltd.
“Poly Auction Beijing”	Beijing Poly International Auction Co., Ltd.
“Poly Auction Hong Kong”	Poly Auction (Hong Kong) Limited
“Poly Film”	Poly Film Investment Co., Ltd.
“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 Southern”	Poly Southern Group Co., Ltd., 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.
“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
“RMB” or “Renminbi”	the lawful currency 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 our Domestic Shares and our H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Spring Auction”, “Autumn Auction”	these are the two largest auctions each year in terms of scale and quality of items organized by our Company as well as by other industry players, each of which generally consists of multiple auction sessions. The Spring Auction is usually held between April and June of each calendar year while the Autumn Auction is usually held between September and December of each calendar year
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company

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

www.policulture.com.cn

