



2005-2015  
保利拍卖10周年

INTERIM REPORT 2015



保利文化集团股份有限公司  
POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636



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## 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

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Xu Niansha (*Chairman*)  
Mr. Li Nan  
Mr. Zhang Xi  
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

### AUTHORISED REPRESENTATIVE

Mr. Jiang Yingchun  
District A, 25/F, 1 North Street of Chaoyangmen,  
Dongcheng District, Beijing, PRC

Ms. Yung Mei Yee  
36th Floor, Tower 2, Times Square,  
1 Matheson Street, Causeway Bay, Hong Kong

### JOINT COMPANY SECRETARIES

Mr. Chen Peng  
Ms. Yung Mei Yee

### AUDITORS

#### PRC Auditor

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

#### International Auditor

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

### LEGAL ADVISORS

#### as to Hong Kong law

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

#### as to PRC law

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

### COMPLIANCE ADVISOR

Shenwan Hongyuan Capital (H.K.) Limited (formerly  
known as "Shenyin Wanguo Capital (H.K.) Limited")  
Level 19, 28 Hennessy Road, Hong Kong

### PRINCIPAL BANKERS

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

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

### H SHARE REGISTRAR

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

### STOCK CODE

03636

### INVESTOR ENQUIRIES

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E-mail: [IR@polyculture.com.cn](mailto:IR@polyculture.com.cn)



## FINANCIAL HIGHLIGHT

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
<b>Revenue</b>	<b>1,057,924</b>	1,042,804
Profit from operations	<b>95,799</b>	259,480
<b>Profit before taxation</b>	<b>131,142</b>	275,795
Income tax	<b>(34,812)</b>	(66,173)
<b>Profit for the period</b>	<b>96,330</b>	209,622
<b>Attributable to:</b>		
Equity Shareholders of the Company	<b>70,523</b>	123,169
Non-controlling interests	<b>25,807</b>	86,453
<b>Earnings per share</b>		
Basic and diluted earnings per share (RMB)	<b>0.29</b>	0.57
<b>Total comprehensive income for the period</b>	<b>96,131</b>	211,293
<b>Attributable to:</b>		
Equity Shareholders of the Company	<b>70,406</b>	124,089
Non-controlling interests	<b>25,725</b>	87,204
	At June 30,	At December 31,
	2015	2014
	RMB'000	RMB'000
Total non-current assets	<b>564,189</b>	585,962
Total current assets	<b>5,196,666</b>	4,765,931
<b>Total assets</b>	<b>5,760,855</b>	5,351,893
Total current liabilities	<b>1,833,032</b>	1,461,678
Total non-current liabilities	<b>15,463</b>	19,215
<b>Total liabilities</b>	<b>1,848,495</b>	1,480,893
<b>Net assets</b>	<b>3,912,360</b>	3,871,000
Total equity attributable to the equity shareholders of the Company	<b>3,482,111</b>	3,467,619
Non-controlling interests	<b>430,249</b>	403,381
<b>TOTAL EQUITY</b>	<b>3,912,360</b>	3,871,000

The financial information of the Group for the six months ended June 30, 2015 was extracted from page 22 to 49 to this report, which set forth details of the basis of presentation for the unaudited condensed consolidated financial statements. The condensed consolidated financial statements of the Group for the six months ended June 30, 2015 were unaudited.

## MANAGEMENT DISCUSSION AND ANALYSIS



### I. SEGMENT BUSINESS INFORMATION

In the first half of 2015, the macroeconomic growth in China slowed down with GDP growing by 7% year-on-year, the slowest since the first quarter of 2009. In the face of the adverse macroeconomic environment, Poly Culture strived to maintain stable operations and proactively sought innovative breakthroughs.

#### **Art Business and Auction Business**

In the first half of 2015, the Chinese artwork market still ranged at lows, and the artwork auction market was bleak. A dozen sizeable companies even suspended organising spring auctions. Leveraging on the opportunity of the 10th anniversary of Poly Auction Beijing, Poly Culture obtained positive results by enhancing its artwork collection and marketing efforts and developing non-local auctions. In the first half of 2015, Poly Culture achieved an auction turnover of RMB4.7 billion and maintained its leading position in the industry.



MANAGEMENT DISCUSSION AND ANALYSIS



Riding on the opportunity of its 10th anniversary, Poly Auction Beijing spent considerable efforts on the Spring Auction. For the first half of 2015, the auction turnover was RMB3.783 billion, of which RMB3.32 billion was generated from the Spring Auction, ranking the first for 14 consecutive times in the domestic large-scale artwork auctions. In addition, Poly International Auction (Shandong) Co., Ltd. had a turnover of RMB117 million at its first auction and Poly International Auction (Xiamen) Co., Ltd. had a turnover of RMB218 million at its Spring Auction, which have a positive supplementary impact on Poly Auction Beijing's leading position in the industry.



Poly Auction Hong Kong recorded a turnover of HK\$1.1 billion at its Spring Auction, basically in line with that of the Spring Auction in 2014,



representing an increase of 34% over that of the Autumn Auction in 2014 and further reinforcing its third position in Hong Kong. Poly Auction Hong Kong actively developed special auctions, and the two special auctions had a turnover of HK\$46.7 million in total.



## MANAGEMENT DISCUSSION AND ANALYSIS



Poly Art Centre enthusiastically developed the market and enhanced its marketing efforts to coordinate with Poly Auction Beijing's 10th anniversary. It actively explored to cooperate with the internet companies and financial institutions. In the first half of 2015, Poly Art Centre launched an online flagship store on the "Rong E Gou (融E購)" electronic business platform of Industrial and Commercial Bank of China, and introduced an ancient artwork brand "Wu Shi Xian (無事閒)", representing a worthwhile try to further expand the scale of e-commerce.



Poly Art Investment established the Poly No.18 investment fund with a scale of RMB50 million in collaboration with relevant institutions, and successfully completed the Poly No.17 financing fund with a scale of RMB70 million in the first half of 2015. As at the date of this report, Poly Art Investment provides management consultancy services to six funds projects with a scale of RMB800 million in total.

### Performance and Theatre Management Business

Poly Theatre Management continued to steadily expand the scale of its theatre network and increase investments in original plays, achieving progress in its operations while maintaining stability. Facing



## MANAGEMENT DISCUSSION AND ANALYSIS



the shrinking business of group buying and charter services, Poly Theatre Management captured the features of the market and enhanced its marketing efforts on its members to actively adapt to the new normal of the market.

In terms of the expansion of theatre network, Poly Theatre Management completed the contract renewal of Hefei Theatre, and took over three new theatres, namely Chongqing Shi Guangnan Theatre, Hubei Qianjiang Cao Yu Theatre and Changsha Concert Hall, reaching a total of 42 theatres under its management and maintaining its leading position in the industry. Currently, Poly Theatre has been actively following up with projects including Zhuhai Opera House. For the first half of 2015, the theatres under management by Poly Theatre Management staged 2,924 performances in total, which accounted for 60% of its annual target.



In terms of the performance and creative production business, Poly Theatre Management completed the contract renewal of Dongguan Poly Culture and Art Centre. The original musical, “Nie Xiaoqian and Ning Caichen”, staged 47 tour performances, reaching a total of 62 performances nationwide. Riding on the successful tour of “I Love Fables” last year, the second child play of “I Love ...” series — “I Love Fairy





## MANAGEMENT DISCUSSION AND ANALYSIS

"Tales" was introduced in the first half year of 2015 in cooperation with CCTV-14 Child Channel, and staged 60 tour performances nationwide in the theatres under management by Poly Theatre Management in the summer of 2015.

In terms of the theatre construction consultancy business, for the first half of 2015, three new theatre construction consultancy projects, namely Sichuan Cultural and Arts Centre, Fuzhou Strait Cultural and Arts Centre and Guangxi Cultural and Arts Centre, were launched, continuing to supplement the project reserve for the further expansion of our theatre platform.



### Cinema Investment and Management Business

In terms of revenue from box office, for the first half of 2015, the nationwide cinema box office reached RMB20.363 billion, increasing by 48% year-on-year. The 22 cinemas under direct management by Poly Film recorded a box office of RMB226 million, increasing by 73% year-on-year.

In terms of the newly-built cinemas, Poly Guiyang Cinema commenced operation in the first half of 2015 and the total number of cinemas under direct operation by Poly Film reached 22. Kunming Riverside Jun Park Cinema has completed its decoration and is about to open officially. Suzhou Cinema, Beijing Dongba Cinema and Hefei Cinema are under construction and are expected to open within this year.



## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of project development, three cinema projects were initiated in the first half of 2015. As at June 30, 2015, there were 32 cinema projects in total which were initiated but not opened yet, providing a sound foundation for future development.

In addition, Poly Film continued to promote the POLYMAX giant-screen projection technology. As at June 30, 2015, there were a total of 27 planned POLYMAX projection halls in cinemas under direct operation by Poly Film. In the first half of 2015, Poly Film signed two new contracts for POLYMAX giant-screen projects and one three-year cooperation agreement regarding POLYMAX giant-screen projects with external party.

## II. RESULTS ANALYSIS AND DISCUSSION

### Overview of Our Operating Results

#### Revenue

Total revenue increased by 1.4% from RMB1,042.8 million for the six months ended June 30, 2014 to RMB1,057.9 million for the six months ended June 30, 2015, primarily due to an increase in revenue from the performance and theatre management segment and the cinema investment and management segment, resulting from the expansion of our theatre and cinema networks. On the other hand, the growth in China's box office is also attributed to the increase of the revenue from cinema investment and management segment.

The respective segment revenue of the Group for the six months ended June 30, 2015 and 2014 is as follows:

	Six months ended June 30,		
	2015	2014	
	RMB in millions	RMB in millions	% of change
Art business and auction	<b>381.9</b>	520.8	(26.7)
Performance and theatre management	<b>409.7</b>	360.5	13.6
Cinema investment and management	<b>266.3</b>	161.5	64.9

#### Gross profit

Gross profit decreased by 26.1% from RMB483.9 million for the six months ended June 30, 2014 to RMB357.7 million for the six months ended June 30, 2015. Gross profit margin decreased from 46.4% for the six months ended June 30, 2014 to 33.8% for the six months ended June 30, 2015, mainly due to the slower settlement progress of the artwork auction business as compared with the corresponding period of the previous year and the increase in costs in art business and auction.

#### Other net income

We recorded other net income of RMB3.9 million for the six months ended June 30, 2015 mainly as a result of foreign exchange gain from the net proceeds received from the initial public offering. Other net income decreased by 74.0% from RMB15.0 million for the six months ended June 30, 2014 to RMB3.9 million for the six months ended June 30, 2015, primarily due to the use of proceeds for the expansion of our business, which led to a decrease of foreign exchange gain.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Selling and distribution expenses*

Selling and distribution expenses increased by 21.2% from RMB98.5 million for the six months ended June 30, 2014 to RMB119.4 million for the six months ended June 30, 2015, primarily due to (i) an increase in selling and marketing activities as a result of our efforts to promote and expand our business in marketing for celebrating the 10th anniversary of the establishment of Poly Auction Beijing; and (ii) an increase in staff costs as a result of an increase in the headcount of selling and marketing employees.

### *Administrative expenses*

Administrative expenses increased by 2.4% from RMB147.1 million for the six months ended June 30, 2014 to RMB150.6 million for the six months ended June 30, 2015, primarily due to the increase in staff costs as a result of an increase in the headcount of administrative employees, which were attributable to our increased administrative activities and business scale.

### *Reportable segment profit*

As a result of the foregoing, reportable segment profit decreased by 51.6% from RMB308.5 million for the six months ended June 30, 2014 to RMB149.4 million for the six months ended June 30, 2015.

The respective reportable segment profit of the Group for the six months ended June 30 in 2015 and 2014 is as follows:

	Six months ended June 30,		
	2015	2014	
	RMB in millions	RMB in millions	% of change
Art business and auction	<b>79.2</b>	255.1	(69.0)
Performance and theatre management	<b>22.6</b>	31.6	(28.5)
Cinema investment and management	<b>47.6</b>	21.8	118.3

### *Finance income*

Finance income increased by 63.7% from RMB26.2 million for the six months ended June 30, 2014 to RMB42.9 million for the six months ended June 30, 2015 mainly as a result of an increase in interest income of consignor advances.

### *Finance costs*

Finance costs decreased by 57.1% from RMB9.8 million for the six months ended June 30, 2014 to RMB4.2 million for the six months ended June 30, 2015, primarily due to a decrease in the amount of outstanding bank loans.

### *Income tax*

Income tax decreased by 47.4% from RMB66.2 million for the six months ended June 30, 2014 to RMB34.8 million for the six months ended June 30, 2015, primarily due to a decrease in taxable income.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Profit for the period***

As a result of the foregoing, profit for the period decreased by 54.1% from RMB209.6 million for the six months ended June 30, 2014 to RMB96.3 million for the six months ended June 30, 2015, and net profit margin decreased from 20.1% for the six months ended June 30, 2014 to 9.1% for the six months ended June 30, 2015.

### ***Liquidity and capital resources***

For the six months ended June 30, 2015, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2015, the Group's cash and cash equivalents amounted to RMB1,552.9 million, up by 1.1% compared with RMB1,536.3 million as of December 31, 2014.

The net cash inflow from operating activities amounted to RMB307.2 million for the six months ended June 30, 2015 (net cash outflow for the six months ended June 30, 2014 was RMB265.7 million). After deducting RMB233.7 million in net cash outflow from investing activities mainly arising from payment for consignor advances, and deducting RMB56.9 million in net cash outflow from financing activities mainly arising from the repayment of bank loans, there was still an increase in cash and cash equivalents of approximately RMB16.6 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 decreased by 3.8% from RMB543.6 million as of December 31, 2014 to RMB522.8 million as of June 30, 2015 due to the depreciation of property, plant and equipment.

### ***Current assets and current liabilities***

Primarily due to the expansion of our business, the current assets increased by 9.0% from RMB4,765.9 million as of December 31, 2014 to RMB5,196.7 million as of June 30, 2015. Current liability increased by 25.4% from RMB1,461.7 million as of December 31, 2014 to RMB1,833.0 million as of June 30, 2015.

### ***Inventories***

Our inventories increased by 2.3% from RMB1,468.8 million as of December 31, 2014 to RMB1,502.2 million as of June 30, 2015, primarily due to an increase in our artwork collections in our art business, which was mainly because our management decided to expand our artwork inventories considering the development of art market in China and the optimistic estimate towards the artwork market prospect.

### ***Consignor advances***

The consignor advances increased by 19.0% from RMB884.8 million as of December 31, 2014 to RMB1,053.3 million as of June 30, 2015, which was mainly because we took more efforts to attract more collectors and paid more consignor advances to sellers to collect high quality auction artworks.

### ***Deposits, prepayments and other receivables***

The deposits, prepayments and other receivables increased by 24.6% from RMB697.1 million as of December 31, 2014 to RMB868.9 million as of June 30, 2015, primarily due to the increase in prepayments for auctioned artwork.

## MANAGEMENT DISCUSSION AND ANALYSIS

Prepayments for auctioned artwork increased by 27.0% from RMB498.3 million as of December 31, 2014 to RMB632.6 million as of June 30, 2015, which is mainly due to our efforts to promote our auction operation.

### **Indebtedness**

As of June 30, 2015, we have incurred bank borrowings of RMB202.5 million, all of which were borrowed from reputable Chinese financial institutions and were unsecured and repayable within one year. Bank loans decreased from RMB100.0 million as of December 31, 2014 to RMB47.3 million as of June 30, 2015 due to the repayment of bank loans.

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, 2015, our maximum exposure amounted to RMB100.0 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**

For the six months ended June 30, 2015, our capital expenditures primarily comprised of expenditures on property and equipment, which amounted to RMB177.9 million and RMB57.3 million for the year ended December 31, 2014 and for the six months ended June 30, 2015, respectively.

### **Other Financial Indicators**

For the six months ended June 30, 2015 and for the year ended December 31, 2014, debt-to-equity ratio was 1.2% and 2.6%, respectively (debt-to-equity ratio is calculated by dividing the period-end/year-end total interest-bearing debts by the period-end/year-end total equity; interest-bearing debts represent the balance net of the advances from bills discounted with banks).

### **Employee Remuneration and Policy**

As at June 30, 2015, our Group had 4,887 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board of Directors taking

## MANAGEMENT DISCUSSION AND ANALYSIS

into consideration of the performance, experience and operational capacity of our employees. As at June 30, 2015, there has been no material change to our remuneration policy and training plans. Please refer to the Note 7(b) to the Financial Statements of this report for details of the employee remuneration of the Company.

### **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.

### **III. OUTLOOK**

Facing the downward pressure in the macro economy, the PRC central government launched a series of measures to maintain stable growth in the first half of 2015, and lowered interest rates for four times and required deposit-reserves ratio for three times since November 2014. It is expected that these measures will have positive influence in the coming months. In the second half of the year, the People's Bank of China is expected to further decrease required deposit-reserves ratio and the interest rates to maintain flexible monetary policies and to consolidate economic recovery trend. After the previous plummet and the rebound of the PRC stock market, the overall liquidity of the PRC stock market is expected to show a positive trend.

In view of this context, the Company has set the general task for the second half of 2015, including: capturing favourable factors to ensure stable progress of the three main businesses and completion of the annual business targets; accelerating in exploring new businesses to strive for early launch, early commencement and early achievement for mature projects; actively promoting overseas operation projects, aiming to achieve substantial progress; and speeding up the work for stock option incentive scheme to stimulate enterprise energy and provide foundation for future development through such innovative incentive systems.



## MANAGEMENT DISCUSSION AND ANALYSIS



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

#### *Art Businesses and Auction Businesses*

Poly Auction Beijing will enhance market researches, adjust business strategies in a timely manner, further expand the scope and increase its efforts in sourcing artworks, strengthen its marketing efforts for its 10th anniversary, and strive to successfully hold the Autumn Auction. Poly Auction Beijing will further improve its national layout in order to secure its overall market share.

Meanwhile, priorities will be placed on the settlement of auction payments to achieve Poly Auction Beijing's annual profit target.



Poly Auction Hong Kong will press ahead with its boutique strategy. It will gradually cooperate with senior collectors and family conglomerates in Hong Kong, Macau and Taiwan to continue to increase its market share and the public awareness of the Company. At the same time, Poly Auction Hong Kong will pay more attention to internal management to boost cost efficiency. It will ensure to successfully hold the Autumn Auction and strive for a stable growth in the annual turnover.

Poly Art Centre will actively expand sales channels and enhance sales efforts. Meanwhile, it will endeavour to achieve a well-paced sourcing, effectively reduce its inventories and decrease its debts scale.

MANAGEMENT DISCUSSION AND ANALYSIS



Poly Art Investment will devote to the management of its existing projects to ensure smooth operation for projects due to be completed. Meanwhile, it will deeply explore more institutional clients and actively develop new business models to maintain business growth. For the second half of 2015, one or two additional artwork funds will be set up with a scale of RMB100 million to RMB200 million.



***Performance and Theatre Management Business***

Poly Theatre Management will continue to steadily expand its theatre network, ensure the successful renewal of the four expiring contracts for theatres in Shenzhen, Huizhou, Yantai and Lishui, and make renewal preparations for theatres expiring in 2016. It will introduce more excellent international programmes and enhance cooperation with renowned performing troupes to ensure the supply of programmes for its theatre network, aiming to achieve more than 4,900 performances annually through strategic cooperation with excellent performance troupes to retain brand programmes and launching original programmes in cooperation with well-known directors. Poly Theatre Management will ensure that the existing consultancy projects for theatre construction will be completed with high quality to lay a more solid foundation for the expansion of its theatre network.





## MANAGEMENT DISCUSSION AND ANALYSIS

### *Cinema Investment and Management Business*

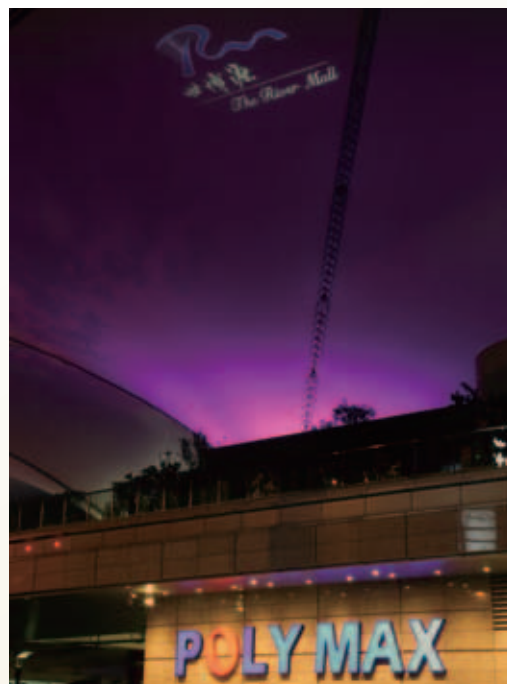
Poly Film will leverage the current favourable growth trend in the film market, strengthen its marketing campaigns and enhance its management standards to improve box office sales and shorten the ramp-up period of newly opened cinemas, in order to increase its overall profitability. It will speed up the progress for projects under construction to ensure the smooth opening of four cinemas in the second half of 2015. Through enhanced promotion in POLYMAX products and the proactive exploration of new profitable models for POLYMINI products, Poly Film is striving to cultivate new sources of profit growth.

### **2. Actively promote new business development to achieve results as soon as possible**

After strategic research and discussions, Poly Culture has identified new business models such as the integrated development of culture and education, culture and finance, and culture and tourism as extension of our three main businesses. In the second half of 2015, the new business models will be carried out step by step. As for arts education, the Company has launched the Poly Music Education project, and started up youth arts training businesses with the theme of music education leveraging on the resource advantage of Poly Theatre Management's theatre network. Our artworks financial services will also be officially launched in the second half of 2015, which will further improve our artworks operations and auction business chain, expand our artworks operation scale and increase our profitability. As for culture and tourism businesses, we will accelerate project siting and negotiations, aiming to achieve early implementation.

### **3. Actively promote substantial operations for overseas projects and accelerate our globalization**

In the first half of 2015, Poly Culture (North America) Investment Company (the "North American Company") completed its registration and has been actively preparing its relevant businesses. The North American Company will establish a professional operation platform for the Company in North America, take full advantage of the abundant culture industry resources in North America to provide outbound support for the development of the Company's three main business segments, and explore new business areas and update business model. On one hand, the Company will conduct the following business through the North American Company: 1) providing support for the collection, procurement and auction of art business in North America; 2) seeking opportunities for Poly Theatre's circuit to procure and invest in overseas plays, and conduct overseas promotion for excellent domestic plays; and 3) providing support to expand the Company's cinema business cooperation in North America. On the other hand, the Company is able to conduct in-depth market researches in North America through this platform to seek opportunities to gradually develop new businesses, including actively looking for appropriate overseas target enterprises, and achieve more substantial international operations through mergers, acquisitions and restructuring in order to expand markets and boost publicity.





## CORPORATE GOVERNANCE

The Company 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

For the six months ended June 30, 2015, the Company had complied with all code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules, 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 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 for the six months ended June 30, 2015. 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.

### AUDIT COMMITTEE

The Company has established the Audit Committee of the Board of Directors ("Audit Committee") 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 to propose appointment or replacement of the external auditors; to oversee the Company's internal audit system and its implementation; to develop and implement the Company's policies on external auditors; to coordinate internal and external audits; to review the Company's financial information and its disclosure; to examine the Company's financial monitoring, internal monitoring and risk management systems and formulate the process used to review their effectiveness, to audit material connected transactions, to nominate the person in charge of the internal audit department of the Company; and other matters as authorised by the Board of Directors of the Company.

The Audit Committee consists of three Directors: Ms. Li Xiaohui (independent nonexecutive 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.

## CORPORATE GOVERNANCE

On August 25, 2015, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2015, the 2015 interim report and the unaudited interim financial statements for the six months ended June 30, 2015 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 2014 annual report in strictly compliance with related provisions.

### **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 announcement of the Group for the six months ended June 30, 2015 was published on the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.polyculture.com.cn](http://www.polyculture.com.cn)) on August 25, 2015.

### **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, 2015.

### **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 six months ended June 30, 2015.

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

On June 30, 2015, 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, 2015, 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
ICBC Credit Suisse Asset Management (International) Company Limited	H Shares	Investment manager and beneficial owner	4,703,100 (long position)	5.26	1.91
Dong Ping	H Shares	Beneficial owner	4,510,000	5.04	1.83

Note:

1. The percentage is calculated with the number of the relevant class of Shares of the Company issued as at June 30, 2015 divided by the total number of Shares.
2. Poly Group directly holds 106,670,500 Shares of the Company, and holds 100% of the equity interest of Poly Southern, which in turn holds 50,197,900 Shares of the Company. Accordingly Poly Group is deemed to be interested in the 50,197,900 Shares held by Poly Southern under the SFO.

Saved as disclosed above, as of June 30, 2015, 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

### MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2015. So far as the Directors are aware, there is no litigation or claims which is pending or threatened against the Company.

### CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the six months ended June 30, 2015, the Company did not appoint or dismiss any Director, Supervisor or senior management.

On August 25, 2015, the Board of Directors appointed Mr. Guo Wenpeng as the vice general manager of the Company. The biographical details of Mr. Guo are set below:

Mr. Guo Wenpeng, aged 46, 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. Mr. Guo previously served as a manager of finance and accounting division of Poly Plaza Co., Ltd. (保利大廈有限公司), deputy manager of finance and accounting division of Beijing Poly Property Hotel Management Co., Ltd. (北京保利物業酒店管理公司), vice general manager of property and administrative director of Guangzhou CITIC Plaza Poly Property Management Co., Ltd. (廣州中信廣場保利物業公司), during which he acted concurrently as the vice general manager and financial officer of Poly Theatre Management, standing vice general manager of Poly Theatre Management and assistant to general manager of Poly Culture and the general manager of property of Guangdong Broadcasting Center (廣東廣播中心). Mr. Guo has obtained a master degree in economics.

### SUBSEQUENT EVENT

On August 7, 2015, the Company, Poly Theatre Management and Beijing Junhe Yayue Culture Communication Corporation Limited (“Junhe Yayue”), an independent third party of the Company, jointly established Beijing Poly Music Art Development Corporation Limited (“Music Art Corporation”) with a total capital contribution of RMB20 million. In particular, the Company, Poly Theatre Management and Junhe Yayue contributed RMB8 million, RMB4 million and RMB8 million, holding 40%, 20% and 40% equity interests of Music Art Corporation, respectively. For details, please refer to the announcement published by the Company on the HKExnews website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.polyculture.com.cn](http://www.polyculture.com.cn)) on August 12, 2015.

## CORPORATE SOCIAL RESPONSIBILITY

In February 2015, in conjunction with One Foundation (Hong Kong) founded by Jet Li, Poly Auction Hong Kong organized “One Love Charity Gala” at the ballroom of Grand Hyatt Hong Kong, where a total of 30 million Hong Kong dollars was raised, and the amount after deduction of costs will be donated to charity programs planned by One Foundation (Hong Kong), aiming to help people who were traumatized in disasters or emergencies and children who were in a plight.

In April 2015, Poly Film undertook two key projects in the Fifth Beijing International Film Festival 2015, namely “Beijing Panorama” and “Red Carpet Premiere”, and successfully provided technical supports for the entire film festival.

In May 2015, Poly Culture was awarded Top 30 Culture Enterprises in China in its seventh year of selection. This is the seventh time in a row that we received this honour since the release of this award in 2008.

In May 2015, at the commencement of the Oriental Poly Project & the opening of the Time Museum, Poly Art Centre and Poly Art Investment held the “Emperor’s Feast (御賞拾珍)” special exhibition for imperial porcelain collections from the Yuan, Ming and Qing Dynasties to express its gratefulness to arts lovers.

In May 2015, Poly Culture and Poly Theatre Management co-organized the staging of Er Ren Tai quality performances of Hequ folk song “Poly Love, Xikou Wind (《保利情 西口風》)”, leveraged their own advantages to help the poor through cultural activities, gaining wide compliments from various parties.

In June 2015, Poly Auction Beijing held the “10th Anniversary and Global Arts Collection Festival” in 751Dpark in Beijing at its 10th anniversary, in which around 1,200 celebrities from the arts, business, entertainment and fashion circles were present to witness the growth path and highlights of Poly Auction Beijing’s ten glorious years.

In June 2015, Poly Auction Beijing assisted in organizing EMBA Entrepreneur Music Festival Charity Auction, and all proceeds from the auction will be applied to finance the performances of Glory Troupe of Angel (天使榮耀藝術團).



## Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2015 – unaudited  
(Expressed in RMB)

	Note	Six months ended June 30,	
		2015 RMB'000	2014 RMB'000
<b>Revenue</b>	4	<b>1,057,924</b>	1,042,804
Cost of sales		<b>(700,272)</b>	(558,887)
<b>Gross profit</b>		<b>357,652</b>	483,917
Other revenue	6	<b>4,300</b>	6,130
Other net income	6	<b>3,896</b>	15,006
Selling and distribution expenses		<b>(119,428)</b>	(98,497)
Administrative expenses		<b>(150,621)</b>	(147,076)
<b>Profit from operations</b>		<b>95,799</b>	259,480
Finance income		<b>42,946</b>	26,201
Finance costs	7(a)	<b>(4,206)</b>	(9,842)
Share of losses of joint ventures	10	<b>(2,635)</b>	(44)
Share of losses of associates		<b>(762)</b>	–
<b>Profit before taxation</b>	7	<b>131,142</b>	275,795
Income tax	8	<b>(34,812)</b>	(66,173)
<b>Profit for the period</b>		<b>96,330</b>	209,622
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>70,523</b>	123,169
Non-controlling interests		<b>25,807</b>	86,453
<b>Profit for the period</b>		<b>96,330</b>	209,622
<b>Earnings per share</b>			
Basic and diluted earnings per share (RMB)	9	<b>0.29</b>	0.57

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.



## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2015 – unaudited  
(Expressed in RMB)

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
<b>Profit for the period</b>	<b>96,330</b>	209,622
<b>Other comprehensive income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	<b>(199)</b>	1,671
<b>Total comprehensive income for the period</b>	<b>96,131</b>	211,293
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>70,406</b>	124,089
Non-controlling interests	<b>25,725</b>	87,204
<b>Total comprehensive income for the period</b>	<b>96,131</b>	211,293

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Financial Position

At June 30, 2015 – unaudited  
(Expressed in RMB)

	Note	At June 30, 2015 RMB'000	At December 31, 2014 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		522,760	543,603
Long-term prepayments		3,693	3,806
Interest in associates		2,664	3,426
Interest in joint ventures	10	20,794	23,429
Other financial assets		100	100
Deferred tax assets		14,178	11,598
		<b>564,189</b>	585,962
<b>Current assets</b>			
Inventories	11	1,502,188	1,468,809
Trade and bills receivables	12	153,253	149,101
Consignor advances	13	1,053,336	884,823
Deposits, prepayments and other receivables	14	868,866	697,097
Banks deposits with original maturities over three months		66,100	29,800
Cash and cash equivalents	15	1,552,923	1,536,301
		<b>5,196,666</b>	4,765,931
<b>Current liabilities</b>			
Bank loans	16	47,317	100,000
Trade and other payables	17	1,766,302	1,285,801
Current taxation		19,413	75,877
		<b>1,833,032</b>	1,461,678
<b>Net current assets</b>		<b>3,363,634</b>	3,304,253
<b>Total assets less current liabilities</b>		<b>3,927,823</b>	3,890,215

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Financial Position

At June 30, 2015 – unaudited  
(Expressed in RMB)

	Note	At June 30, 2015 RMB'000	At December 31, 2014 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		187	187
Deferred revenue		353	369
Trade and other payables	17	14,923	18,659
		<b>15,463</b>	19,215
<b>NET ASSETS</b>			
		<b>3,912,360</b>	3,871,000
<b>CAPITAL AND RESERVES</b>			
Share capital	18(b)	246,316	246,316
Reserves		3,235,795	3,221,303
<b>Total equity attributable to the equity shareholders of the Company</b>			
		<b>3,482,111</b>	3,467,619
<b>Non-controlling interests</b>			
		<b>430,249</b>	403,381
<b>TOTAL EQUITY</b>			
		<b>3,912,360</b>	3,871,000

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.



## Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015 – unaudited  
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Exchange reserve			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance At January 1, 2014</b>		165,000	(3,996)	4,874	56,825	935,697	(1,573)	1,156,827	377,603	1,534,430
<b>Changes in equity for the six months ended June 30, 2014:</b>										
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	18	81,316	-	1,977,574	-	-	-	2,058,890	-	2,058,890
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(98,852)	(98,852)
<b>Balance At June 30, 2014 and July 1, 2014</b>		246,316	(3,996)	1,982,448	56,825	1,058,866	(653)	3,339,806	365,955	3,705,761
<b>Changes in equity for the six months ended December 31, 2014:</b>										
Profit for the period		-	-	-	-	128,350	-	128,350	75,352	203,702
Other comprehensive income		-	-	-	-	-	(537)	(537)	(437)	(974)
Total comprehensive income for the period		-	-	-	-	128,350	(537)	127,813	74,915	202,728
Appropriation of reserve		-	-	-	20,668	(20,668)	-	-	-	-
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	7,909	7,909
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(45,398)	(45,398)
<b>Balance At December 31, 2014 and January 1, 2015</b>		246,316	(3,996)	1,982,448	77,493	1,166,548	(1,190)	3,467,619	403,381	3,871,000
<b>Changes in equity for the six months ended June 30, 2015:</b>										
Profit for the period		-	-	-	-	70,523	-	70,523	25,807	96,330
Other comprehensive income		-	-	-	-	-	(117)	(117)	(82)	(199)
Total comprehensive income for the period		-	-	-	-	70,523	(117)	70,406	25,725	96,131
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	7,780	7,780
Dividends paid by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(6,637)	(6,637)
Dividends approved in respect of the previous year	18(a)	-	-	-	-	(55,914)	-	(55,914)	-	(55,914)
<b>Balance At June 30, 2015</b>		246,316	(3,996)	1,982,448	77,493	1,181,157	(1,307)	3,482,111	430,249	3,912,360

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2015 – unaudited  
(Expressed in RMB)

	Note	Six months ended June 30,	
		2015 RMB'000	2014 RMB'000
<b>Operating activities</b>			
Cash generated from/(used in) operations		401,012	(170,919)
Tax paid		(93,856)	(94,734)
<b>Net cash generated from/(used in) operating activities</b>		<b>307,156</b>	(265,653)
<b>Net cash used in investing activities</b>		<b>(233,719)</b>	(882,276)
<b>Net cash (used in)/generated from financing activities</b>		<b>(56,905)</b>	2,189,227
<b>Net increase in cash and cash equivalents</b>		<b>16,532</b>	1,041,298
<b>Cash and cash equivalents at January 1</b>	15	<b>1,536,301</b>	1,004,723
<b>Effect of foreign exchanges rates changes</b>		<b>90</b>	11,774
<b>Cash and cash equivalents at June 30</b>	15	<b>1,552,923</b>	2,057,795

The notes on pages 28 to 49 are an integral part of these unaudited condensed consolidated interim financial statements.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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 BASIS OF PREPARATION

These interim financial statements have 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, 2015.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 3 CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these development have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 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 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 period is as follows:

	<b>Six months ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Revenue from art business and auction	<b>381,944</b>	520,766
Revenue from performance and theatre management	<b>409,699</b>	360,506
Revenue from cinema investment and management	<b>266,281</b>	161,532
	<b>1,057,924</b>	1,042,804

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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, 2015:

- 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, rental of theatres and theatre design consultation services.
- Cinema investment and management: including cinema construction and operation.

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

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

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

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

Segment profit represents revenue less cost of sales, and includes selling and distribution expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate other revenue and other net income, share of losses of joint ventures, share of losses of associates, 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 Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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, 2015 is set out below:

	Six months ended June 30, 2015			Total RMB'000
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	
Revenue from external customers	381,944	409,699	266,281	1,057,924
<b>Reportable segment revenue</b>	<b>381,944</b>	<b>409,699</b>	<b>266,281</b>	<b>1,057,924</b>
<b>Reportable segment profit</b>	<b>79,189</b>	<b>22,594</b>	<b>47,576</b>	<b>149,359</b>
Depreciation	(3,720)	(2,995)	(34,100)	(40,815)
Finance income	38,051	5,051	253	43,355
Finance costs	(46,617)	-	(2,580)	(49,197)
<b>Reportable segment assets</b>	<b>4,331,015</b>	<b>531,637</b>	<b>639,899</b>	<b>5,502,551</b>
<b>Reportable segment liabilities</b>	<b>3,039,421</b>	<b>309,728</b>	<b>406,740</b>	<b>3,755,889</b>

	Six months ended June 30, 2014			Total RMB'000
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	
Revenue from external customers	520,766	360,506	161,532	1,042,804
<b>Reportable segment revenue</b>	<b>520,766</b>	<b>360,506</b>	<b>161,532</b>	<b>1,042,804</b>
<b>Reportable segment profit</b>	<b>255,076</b>	<b>31,627</b>	<b>21,788</b>	<b>308,491</b>
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)
<b>Reportable segment assets</b>	<b>2,830,560</b>	<b>427,047</b>	<b>483,032</b>	<b>3,740,639</b>
<b>Reportable segment liabilities</b>	<b>1,806,590</b>	<b>263,172</b>	<b>370,162</b>	<b>2,439,924</b>

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2015 and 2014.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

## 5 SEGMENT REPORTING (Continued)

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

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Reportable segment profit	149,359	308,491
Unallocated head office and corporate other revenue and other net gain	2,693	13,395
Share of losses of joint ventures	(2,635)	(44)
Share of losses of associates	(762)	–
Depreciation	(41,321)	(27,854)
Finance income	42,946	26,201
Finance costs	(4,206)	(9,842)
Unallocated head office and corporate expenses	(14,932)	(34,552)
<b>Consolidated profit before taxation</b>	<b>131,142</b>	<b>275,795</b>
	<b>At June 30, 2015 RMB'000</b>	<b>At December 31, 2014 RMB'000</b>
<b>Assets</b>		
Reportable segment assets	5,502,551	4,741,078
Elimination of inter-segments receivables	(2,021,741)	(1,618,207)
Interest in joint ventures	20,794	23,429
Interest in associates	2,664	3,426
Other financial assets	100	100
Deferred tax assets	14,178	11,598
Unallocated head office and corporate assets	2,242,309	2,190,469
<b>Consolidated total assets</b>	<b>5,760,855</b>	<b>5,351,893</b>
<b>Liabilities</b>		
Reportable segment liabilities	3,755,889	3,002,864
Elimination of inter-segments payables	(2,021,741)	(1,618,207)
Current tax liabilities	19,413	75,877
Deferred tax liabilities	187	187
Unallocated head office and corporate liabilities	94,747	20,172
<b>Consolidated total liabilities</b>	<b>1,848,495</b>	<b>1,480,893</b>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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 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	
	Six months ended June 30,		At June 30,	At December 31,
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	984,130	920,278	543,763	570,016
Hong Kong	73,794	122,526	6,248	4,348
	<b>1,057,924</b>	1,042,804	<b>550,011</b>	574,364

### 6 OTHER REVENUE AND OTHER NET INCOME

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
<b>Other revenue</b>		
Government grants	2,357	4,226
Others	1,943	1,904
	<b>4,300</b>	6,130
<b>Other net income</b>		
Net foreign exchange gain	3,913	15,011
Net loss on disposal of property, plant and equipment	(17)	(5)
	<b>3,896</b>	15,006

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

**7 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

**(a) Finance costs**

	<b>Six months ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Interest expenses	<b>4,223</b>	10,732
Less: interest expenses capitalised into property, plant and equipment	<b>(17)</b>	(890)
	<b>4,206</b>	9,842

**(b) Staff costs**

	<b>Six months ended June 30,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	<b>208,114</b>	133,385
Contributions to defined contribution retirement plans (note)	<b>20,662</b>	19,641
	<b>228,776</b>	153,026

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 21% of average basic salaries of the employees in the cities where the Group operates. The local government authorities are responsible for the entire pension obligations payable to retired employees.

In addition, the Company and some of its PRC subsidiaries have implemented a supplementary defined contribution retirement scheme for the staff 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.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 7 PROFIT BEFORE TAXATION (Continued)

#### (c) Other items

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Depreciation	41,321	27,854
Impairment losses		
– trade and bills receivables	1,162	758
– deposits, prepayments and other receivables	71	188
Operating lease charges	86,003	63,548

### 8 INCOME TAX

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

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Current Tax	37,392	67,122
Deferred taxation	(2,580)	(949)
	34,812	66,173

Notes:

- (i) The Company and its PRC subsidiaries are subject to standard PRC corporate income tax rate of 25% (2014: 25%).
- (ii) 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. These subsidiaries of the Group have incorporated and carry out business in Hong Kong and is subject to Hong Kong Profits Tax at 16.5%. One subsidiary of the Group has incorporated and carries out business in Canada and is subject to Canada Profits Tax at 26%.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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, 2015 of RMB70,523,000 (six months ended June 30, 2014: RMB123,169,000) 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,	
	2015 RMB'000	2014 RMB'000
Ordinary shares issued at January 1	246,316,000	165,000,000
Effect of issuance of shares	–	51,645,348
Weighted average number of ordinary shares at June 30	246,316,000	216,645,348

#### (b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2015 and 2014. Accordingly, diluted earnings per share are the same as the basic earnings per share.

### 10 INTEREST IN JOINT VENTURES

	At June 30, 2015 RMB'000	At December 31, 2014 RMB'000
Unlisted shares, at cost	85,000	85,000
Share of net assets	(64,206)	(61,571)
Total	20,794	23,429

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 10 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		Principal Activity
			Group's effective interest	Held by the Company	
Beijing Poly Huayi Media and Culture Co., Ltd 北京保利華億傳媒文化有限公司	Incorporated	The PRC	50%	50%	Investment holding
Guilin Poly Culture Investment development Co., Ltd 桂林保利文化投資發展有限公司	Incorporated	The PRC	50%	50%	Culture investment and consulting services

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***11 INVENTORIES****(a) Inventories in the statement of financial position comprise:**

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Antiques and artworks	<b>1,079,913</b>	1,046,310
Chinese calligraphy and painting	<b>381,525</b>	383,251
Oil painting and sculptures	<b>29,161</b>	29,161
Small value items for resale	<b>7,872</b>	7,069
Low value materials	<b>1,293</b>	1,766
Drama rights	<b>2,424</b>	1,252
	<b>1,502,188</b>	1,468,809

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

	<b>Six months ended June 30,</b>	
	<b>2015 RMB'000</b>	2014 RMB'000
Carrying amount of inventories sold	<b>54,958</b>	71,616

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 12 TRADE AND BILLS RECEIVABLES

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	<b>2,657</b>	1,505
– third parties	<b>157,564</b>	153,255
	<b>160,221</b>	154,760
Bills receivable for sale of goods and rendering of services due from:		
– third parties	–	147
	<b>160,221</b>	154,907
Less: allowance for doubtful debts	<b>6,968</b>	5,806
	<b>153,253</b>	149,101

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

#### (a) Aging analysis

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

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Within 1 month	<b>42,195</b>	33,003
1 to 3 months	<b>13,551</b>	7,967
3 to 6 months	<b>4,881</b>	1,683
6 to 12 months	<b>7,073</b>	13,134
Over 1 year	<b>85,553</b>	93,314
Trade and bills receivables, net of allowance for doubtful debts	<b>153,253</b>	149,101

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



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 12 TRADE AND BILLS RECEIVABLES (Continued)

#### (b) Impairment of trade and bills receivables

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

#### (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:

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Neither past due nor impaired	<b>13,513</b>	14,444
Less than 1 month past due	<b>2,211</b>	6,642
1 to 3 months past due	<b>3,996</b>	4,397
3 to 12 months past due	<b>5,279</b>	3,221
More than 12 months past due	<b>28,459</b>	32,836
Amounts past due	<b>39,945</b>	47,096
	<b>53,458</b>	61,540

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 Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 13 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 June 30, 2015, 9% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2014: 14%).

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

### 14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2015 RMB'000	At December 31, 2014 RMB'000
Prepayments for auctioned artwork	<b>632,583</b>	498,251
Prepayments for purchasing of inventories	<b>10,189</b>	10,293
Prepayments for performance	<b>32,183</b>	30,096
Rental deposits	<b>29,116</b>	14,239
Guarantee deposits	<b>32,833</b>	32,784
Interest receivables from consignor advances on auction artwork	<b>64,302</b>	55,103
Advances to staff for business related activities	<b>16,250</b>	15,602
Others	<b>53,993</b>	43,241
	<b>871,449</b>	699,609
Less: allowance for doubtful debts	<b>2,583</b>	2,512
	<b>868,866</b>	697,097

#### 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 Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 15 CASH AND CASH EQUIVALENTS

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

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Cash at bank and in hand	<b>1,552,923</b>	1,536,301

### 16 BANK LOANS

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

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Bank loans – Unsecured	<b>47,317</b>	100,000

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

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 17 TRADE AND OTHER PAYABLES

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
<b>Current</b>		
Trade payables to		
– related parties	<b>101,431</b>	66,681
– third parties	<b>142,176</b>	143,226
	<b>243,607</b>	209,907
Interest payables		
– related parties	<b>8,497</b>	8,497
Payables for staff related costs	<b>69,884</b>	39,042
Payables for other taxes and surcharges	<b>16,424</b>	41,893
Dividends payables	<b>56,455</b>	1,700
Other accruals and payables		
– related parties	<b>14,858</b>	13,614
– third parties	<b>1,066,416</b>	724,113
Financial liabilities measured at amortised cost	<b>1,476,141</b>	1,038,766
Receipts in advance		
– related parties	<b>556</b>	648
– third parties	<b>289,605</b>	246,387
	<b>290,161</b>	247,035
	<b>1,766,302</b>	1,285,801
<b>Non-current</b>		
Payable for purchase of equipment	<b>14,923</b>	18,659

As at June 30, 2015, 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 Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

## 18 CAPITAL, RESERVES AND DIVIDENDS

## (a) Dividends

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

No interim dividend has been declared and recognised as a liability at the end of the reporting period.

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

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.227 per ordinary share	55,914	–

## (b) Share capital

On March 6, 2014, the shares of the Company were listed on the Main Board of the Stock Exchange, 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.

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

	At June 30, 2015		At December 31, 2014	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1	246,316	246,316	165,000	165,000
Issuance of shares	–	–	81,316	81,316
At June 30/ December 31	246,316	246,316	246,316	246,316

## (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.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and liabilities measured at fair value

At June 30, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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.

### 20 COMMITMENTS

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

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Contracted for	<b>79,849</b>	57,180
Authorised but not contracted for	<b>698,034</b>	691,199
	<b>777,883</b>	748,379

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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:

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Financial guarantees to banks for subsidiaries	<b>47,317</b>	100,000

As at the end of 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 investment 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:

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
Trust related	<b>100,000</b>	170,000

### 22 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 June 30, 2015. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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, 2015 and 2014:

#### (a) Name and relationship with related parties

During the six months ended June 30, 2015 and 2014, 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

#### (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,	
	2015 RMB’000	2014 RMB’000
<i>Sales to</i> Poly Group and its affiliates	2,433	2,272
<i>Service provided to</i> Poly Group and its affiliates	5,414	3,539
<i>Receiving Service (note (iii))</i> Poly Group and its affiliates	96,832	55,861
<i>Office rental from (note (iv))</i> Poly Group and its affiliates	16,874	15,473
<i>Interest income</i> Poly Group and its affiliates	1,251	–
<i>Property management services</i> Poly Group and its affiliates	5,898	4,286



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 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) Receiving service mainly refers to the box office income distributed to Chongqing Poly Wanhe Cinema Circuit Co., Ltd ("Poly Wanhe Cinema Circuit"). Pursuant to the Cinema Box Office Income Sharing Framework Agreement signed between the Group and Poly Wanhe Cinema Circuit, Poly Wanhe Cinema Circuit provided new film prints to the Group, and the Group then arranged movie screening in the cinemas. Both parties agree to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Wanhe Cinema Circuit may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves.
- (iv) Beijing Poly Art Centre Corporation Limited paid nil rent to Poly Group for its use of office space for the six months ended June 30, 2015 and 2014.

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

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

	<b>At June 30, 2015 RMB'000</b>	At December 31, 2014 RMB'000
<i>Cash and cash equivalents (note)</i>		
Poly Group and its affiliates	<b>502,888</b>	–
<i>Trade and bills receivables</i>		
Poly Group and its affiliates	<b>2,657</b>	1,505
<i>Deposits, prepayments and other receivables</i>		
Poly Group and its affiliates	<b>6,701</b>	11,210
<i>Trade and other payables</i>		
Poly Group and its affiliates	<b>125,342</b>	89,440

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

### 23 MATERIAL RELATED PARTY TRANSACTION *(Continued)*

#### (c) Outstanding balances, including commitment, with related parties *(Continued)*

Notes:

The Board of Directors announces that on 5 November 2014, the Company and Poly Finance Company Limited ("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 1.15% to 3.25% according to the period of bank deposits.

### 24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On August 7, 2015, the Company, Beijing Poly Theatre Management Co., Ltd. ("Poly Theatre Management") and Beijing Junhe Yayue Culture Communication Corporation Limited ("Junhe Yayue"), an independent third party, jointly established Beijing Poly Music Art Development Corporation Limited ("Music Art Corporation") with a total capital contribution of RMB20 million. In particular, the Company, Poly Theatre Management and Junhe Yayue contributed RMB8 million, RMB4 million and RMB8 million, holding 40%, 20% and 40% equity interests of Music Art Corporation, respectively.

## Definitions

“Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“Company”, “we”, “us”, “our” or “Poly Culture”	Poly Culture Group Corporation Limited (保利文化集團股份有限公司) and except where the context indicates otherwise, all of its Subsidiaries and with respect to the period before our Company became the holding company of its present subsidiaries, the businesses operated by its present subsidiaries or (as the case may be) their predecessors
“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 Listing Rules
“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
“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 notes
“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

## Definitions

“Model Code”	the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“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 Hong Kong”	Poly Auction Hong Kong (保利香港拍賣有限公司)
“Poly Film”	Poly Film Investment Co., Ltd. (保利影業投資有限公司)
“Poly 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
“reporting period”	for the six months ended June 30, 2015
“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)

## Definitions

“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





**保利文化集團股份有限公司**

POLY CULTURE GROUP CORPORATION LIMITED

[www.polyculture.com.cn](http://www.polyculture.com.cn)