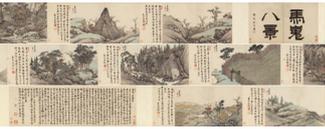




2016

Interim Report



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

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

Stock code: 3636

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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

AUTHORIZED REPRESENTATIVES

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

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

JOINT COMPANY SECRETARIES

Mr. Chen Peng
Ms. Mok Ming Wai

AUDITORS

PRC Auditor

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

International Auditor

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

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

BEIJING JINCHENG TONGDA & NEAL
10th Floor, China World Tower 3, No.1 Jianguo Menwai Avenue, Beijing

PRINCIPAL BANKERS

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

Bank of Beijing Co., Ltd. (Beiyuan Road Branch)
No. 19 Huixin West Street,
Chaoyang 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

Investors' Service Line: +86 10 6408 2711
Fax: +86 10 6408 2662
Website: www.polyculture.com.cn
E-mail: IR@polyculture.com.cn

Financial Highlight

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Revenue	1,225,001	1,057,924
Profit from operations	183,776	95,799
Profit before taxation	230,088	131,142
Income tax	(60,224)	(34,812)
Profit for the period	169,864	96,330
Attributable to:		
Equity Shareholders of the Company	117,510	70,523
Non-controlling interests	52,354	25,807
Earnings per share		
Basic and diluted earnings per share (RMB)	0.48	0.29
Total comprehensive income for the period	178,684	96,131
Attributable to:		
Equity Shareholders of the Company	124,244	70,406
Non-controlling interests	54,440	25,725
	At June 30,	At December 31,
	2016	2015
	RMB'000	RMB'000
Total non-current assets	1,151,589	718,626
Total current assets	5,734,746	4,998,375
Total assets	6,886,335	5,717,001
Total current liabilities	2,449,481	1,585,904
Total non-current liabilities	262,389	92,274
Total liabilities	2,711,870	1,678,178
Net assets	4,174,465	4,038,823
Total equity attributable to the equity shareholders of the Company	3,712,657	3,653,440
Non-controlling interests	461,808	385,383
TOTAL EQUITY	4,174,465	4,038,823

The financial information of the Group for the six months ended June 30, 2016 was extracted from page 22 to 50 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, 2016 were unaudited.

Management Discussion and Analysis



I. SEGMENT BUSINESS INFORMATION

In the first half of 2016, the macroeconomic growth in China continuously slowed down with a year-on-year GDP increase of 6.7%, the slowest growth since the first quarter of 2009. Facing of the adverse macroeconomic environment, Poly Culture adopted various operational measures and strived to make progress and maintain stable growth in three principal business segments.

Art Business and Auction Business

In the first half of 2016, the Chinese artwork market still ranged at lows. Poly Culture overcame the challenges by enhancing its artwork collection and marketing efforts and further developing overseas market. In the first half of 2016, Poly Culture accumulatively achieved an auction turnover of RMB4.35 billion and maintained its leading position in the industry.

In the first half of 2016, Poly Auction Beijing achieved an auction turnover of RMB3.14 billion, of which RMB2.858 billion was generated from the Spring Auction, ranking the first for 16 consecutive times in the domestic large-scale artwork auction, among which, 47 auctioned artworks and



Management Discussion and Analysis

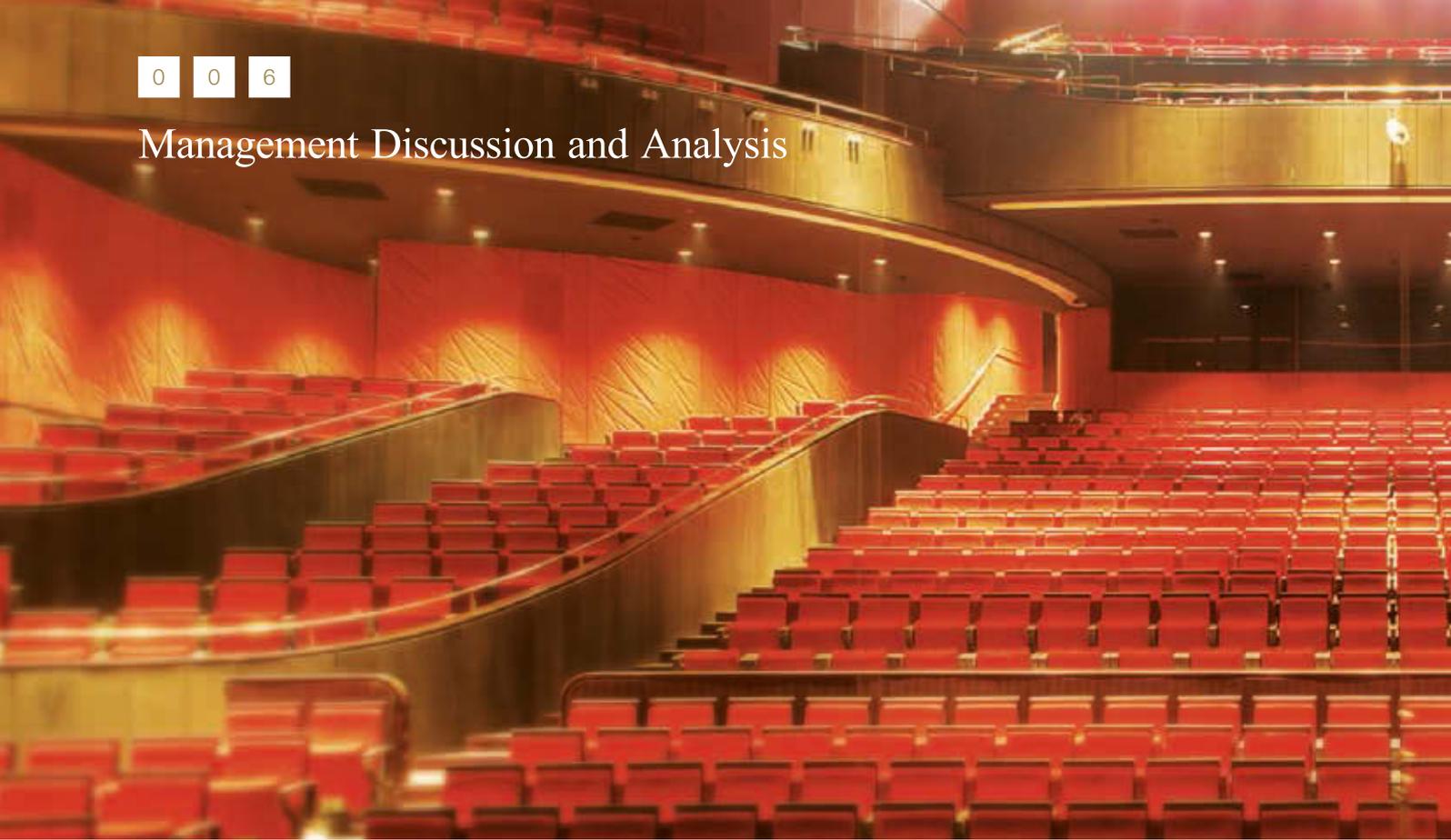


113 auctioned artworks reached more than RMB10 million and more than RMB5 million in terms of turnover, respectively. “The Yun Zhong Jun and Da Si Ming (雲中君與大司命)” of Fu Baoshi was traded at RMB230 million, recording the highest auction price in global auctions of Chinese artwork in this spring. Poly International Auction (Xiamen) Co., Ltd. successfully held the Spring Auction and a boutique auction, with a turnover of RMB182 million.

In the first half of 2016, Poly Auction Hong Kong achieved an auction turnover of HK\$1.52 billion, of which HK\$1.267 billion was generated from the Spring Auction, representing a year-on-year increase of 15% and ranking the third in Hong Kong, among which, “Zhou Zhuang (周莊)” of Wu Guanzhong was traded at HK\$236 million, marking the highest turnover record for Chinese modern and contemporary oil painting. Poly Auction Hong Kong and Ho’s family in Macau co-founded the Poly Auction Macau Limited (“Poly Auction Macau”). In the beginning of January 2016, the first auction of Poly Auction Macau was held with a turnover of HK\$245 million, achieving a brilliant start. It further strengthened and enhanced the influence of the brand “Poly Auction” over Hong Kong, Macau and even the Southeast Asia.



Management Discussion and Analysis



In the first half of 2016, Poly Art Centre successively held exhibitions including “Poly Stellaroemia” Cutting-edge Art Exhibition in Shenzhen, Beijing and Nanjing, in order to constantly enhance its brand influence.

Poly Art Investment successfully began to use the registration certificate of private equity fund for fund raising and management, and established four contractual-type private equity funds. In the first half of 2016, it launched and managed six artwork funds with a scale of RMB167 million in total. As at the date of this report, Poly Art Investment invested in 11 operating fund projects with a scale of RMB588 million in total.

Performance and Theatre Management Business

Poly Theatre Management steadily expanded the scale of its theatre network, improved the contents construction, actively developed industry chain, and maintained favorable momentum.

In terms of the expansion of theatre network, Poly Theatre Management completed the contract renewal of Shenzhen Poly Theatre, and took over five new theatres, namely Yantai Fushan Theatre, Tangshan Grand Theatre, Huai’an Grand Theatre, Shanghai Shipyard 1862 Theatre and Cixi Grand Theatre, reaching a total of 48 theatres under its management and maintaining its leading position in the industry. In the first half of 2016, the theatres under management by Poly Theatre Management staged 3,318 performances in total, which accounted for 59% of its annual target for 2016.





In terms of the performance and creative production business, Poly Theatre Management jointly introduced and produced the Chinese version of a Broadway classic musical, “The Sound of Music”, which has staged tour performances since July 2016; launched an original musical, “The Burning of Opium at Humen”; jointly produced an original child play, “I Love Fairy Tales – Little Red Riding Hood and Her Friends”, with CCTV Children’s Channel; and jointly produced the Chinese version of a Korean musical, “Washing Clothes”, with Dragon and Horse Studio, which will stage tour performances within 2016.

In order to further refine its industry chain, Poly Theatre Management also actively conducted surveys and researches in establishing Poly ticketing platform and strived to set up a company within 2016.

Cinema Investment and Management Business

In the first half of 2016, the 28 cinemas under direct management by Poly Film recorded a box office of RMB275 million, representing a year-on-year increase of 15.55%.

In terms of the newly-built cinemas, Poly Yixing Cinema commenced operation and Chengdu Aux Cinema was acquired in the first half of 2016. The total number of cinemas under direct operation by Poly Film reached 28. Five cinema projects in Hangzhou, Yangzhou and other areas were newly built.



Management Discussion and Analysis

In terms of project development, two cinema projects were officially initiated in the first half of 2016. As at June 30, 2016, there were 35 cinema projects in total which were initiated but not opened yet, providing a sound foundation for future development.

Art Education Business

The Company preliminarily proposed the “Development Plan for Art Education of Poly Culture”, with the objective of creating the brand “Poly Art Academy”, to develop performance art, visual art, artwork appreciation and practice. It took the education of teenagers and children as the entry point, timed access to the education with academic qualifications, and established a well-known brand in the industry. In March 2016, the Poly Music Education Project officially commenced courses in Beijing. It has successfully built up Poly Children Choir, Chamber Orchestra, Symphonic Band and Musical Troupe, and organized a series of activities, including the Concert of “Appoint with Masters”. In the first half of 2016, the Poly Music Education Project had an enrolment of over 100 students, and organized summer camps in the summer vacation. It launched the “Poly WeDo” Suzhou Music Summer Camp, the Drama Summer Camp for the Teenagers, the Saxophone Summer Camp and other products. The music education brand of “Poly WeDo” was established preliminarily. The Poly Art Education Project and the Comic and Animation Education Project were under active preparation.



Cultural Finance Business

Poly Ronghe Financial Leasing Co., Ltd. (“Poly Ronghe”) was registered and established on May 26, 2016, and has been actively progressing its relevant businesses. Meanwhile, the Company has been actively preparing for the establishment of Poly Culture Industry Fund, and expects to set up the fund management company by the end of 2016.



Culture Tourism and Culture Asset Operation and Management Business

In the first half of 2016, the New Business Development Department of the Company was formally established with three preliminary development directions: culture tourism, operation and management of culture venues, and operation and management of culture commerce.

In terms of culture tourism, the Company has carried out inspections and negotiations in respect of various domestic tourism projects, and has reached an initial intent.

In terms of operation and management of culture venues (i.e. museum and art museum), the Company has submitted design and operation proposals for venues to relevant local governments respectively, and has commenced negotiations with various parties in respect of entrusted management agreements.

In terms of operation and management of culture commerce, the Company completed the registration of Shenyang Shengjing Poly Company in the middle of March 2016, and commenced the preliminary preparation for the operation and management of Shenyang Shengjing Poly Culture Art Centre, marking the first step forward in Poly Culture’s business of operation and management of culture commerce.

Management Discussion and Analysis

II. RESULTS ANALYSIS AND DISCUSSION

Overview of Our Operating Results

Revenue

Total revenue increased by 15.8% from RMB1,057.9 million for the six months ended June 30, 2015 to RMB1,225.0 million for the six months ended June 30, 2016, primarily due to the expansion of theatre and cinema networks and the improvement of auction settlement.

The respective segment revenue of the Group for the six months ended June 30, 2016 and 2015 is as follows:

	Six months ended June 30,		
	2016 RMB in millions	2015 RMB in millions	% of change
Art business and auction	425.5	381.9	11.4
Performance and theatre management	465.8	409.7	13.7
Cinema investment and management	326.0	266.3	22.4
Unallocated	15.2	–	N/A

Gross profit

Gross profit increased by 31.3% from RMB357.7 million for the six months ended June 30, 2015 to RMB469.8 million for the six months ended June 30, 2016. The increase was mainly due to the growth of gross profit from auction business, of which the gross profit margin increased from 33.8% for the six months ended June 30, 2015 to 38.3% for the six months ended June 30, 2016.

Other net income

We recorded other net income of RMB2.9 million for the six months ended June 30, 2016, primarily due to foreign exchange gain from the foreign currency assets.

Selling and distribution expenses

Selling and distribution expenses increased by 18.1% from RMB119.4 million for the six months ended June 30, 2015 to RMB141.0 million for the six months ended June 30, 2016, primarily due to 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 6.2% from RMB150.6 million for the six months ended June 30, 2015 to RMB159.9 million for the six months ended June 30, 2016, primarily due to an increase in staff costs as a result of an increase in the headcount of administrative employees, which were attributable to the increased administrative activities and expansion of business scale.

Management Discussion and Analysis

Reportable segment profit

As a result of the foregoing, reportable segment profit increased by 61.7% from RMB149.4 million for the six months ended June 30, 2015 to RMB241.6 million for the six months ended June 30, 2016.

The respective reportable segment profit of the Group for the six months ended June 30 in 2016 and 2015 is as follows:

	Six months ended June 30,		
	2016	2015	% of
	RMB	<i>RMB</i>	<i>change</i>
	in millions	<i>in millions</i>	
Art business and auction	153.4	79.2	93.7
Performance and theatre management	22.0	22.6	(2.7)
Cinema investment and management	66.2	47.6	39.1

Finance income

Finance income increased from RMB42.9 million for the six months ended June 30, 2015 to RMB54.4 million for the six months ended June 30, 2016, primarily due to an increase in interest income of consignor advances.

Finance costs

Finance costs decreased from RMB4.2 million for the six months ended June 30, 2015 to RMB4.1 million for the six months ended June 30, 2016, primarily due to a decrease in the interest rate on borrowings.

Income tax

Income tax increased by 73.0% from RMB34.8 million for the six months ended June 30, 2015 to RMB60.2 million for the six months ended June 30, 2016, primarily due to an increase in taxable income.

Profit for the period

As a result of the foregoing, profit for the period increased by 76.4% from RMB96.3 million for the six months ended June 30, 2015 to RMB169.9 million for the six months ended June 30, 2016, and net profit margin increased from 9.1% for the six months ended June 30, 2015 to 13.9% for the six months ended June 30, 2016.

Management Discussion and Analysis

Liquidity and Capital Resources

During the six months ended June 30, 2016, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2016, the Group's cash and cash equivalents amounted to RMB1,269.1 million, decreased by 10.3% as compared to that of December 31, 2015.

The net cash inflow from operating activities amounted to RMB315.3 million for the six months ended June 30, 2016 (net cash inflow for the six months ended June 30, 2015 was RMB307.2 million). The net cash outflow from investing activities amounted to RMB1,001.8 million, mainly arising from payment for consignor advances and granted loans. The net cash inflow from financing activities amounted to RMB539.5 million, mainly arising from the increase of bank loans. As such, there was still a decrease in cash and cash equivalents of approximately RMB147.0 million as compared to that at 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 1.5% from RMB596.6 million as at December 31, 2015 to RMB605.3 million as at June 30, 2016, primarily due to the expansion of our cinema network.

Current assets and current liability

Primarily due to the expansion of our business, the current assets increased by 14.7% from RMB4,998.4 million as at December 31, 2015 to RMB5,734.7 million as at June 30, 2016. Current liability increased by 54.5% from RMB1,585.9 million as at December 31, 2015 to RMB2,449.5 million as at June 30, 2016. The increase of current liability is primarily due to the growth of short-term loans and trade payables.

Inventories

Our inventories increased by 3.3% from RMB1,661.3 million as at December 31, 2015 to RMB1,715.9 million as at June 30, 2016, primarily due to an increase in our artwork collections in our art business, which was mainly because our management explored market opportunities actively and decided to expand our artwork inventories by considering the development of artwork market in China and the optimistic estimate towards the market prospect.

Consignor advances

The consignor advances increased by 52.7% from RMB1,027.4 million as at December 31, 2015 to RMB1,569.3 million as at June 30, 2016, which was mainly because we took more efforts and paid more consignor advances to collect high quality auction artworks from well-known collectors prior to the 2016 Spring Auction.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 47.2% from RMB675.2 million as at December 31, 2015 to RMB993.7 million as at June 30, 2016, primarily due to the increase in prepayments and receivables of auctioned artwork.

Prepayments and receivables of auctioned artwork increased from RMB457.0 million as at December 31, 2015 to RMB716.9 million as at June 30, 2016, primarily due to our efforts to further promote our auction operation.

Management Discussion and Analysis

Indebtedness

As at June 30, 2016, we incurred bank borrowings of RMB784.5 million, all of which were borrowed from reputable financial institutions and were unsecured. RMB387.7 million was repayable within one year, and RMB231.7 million was repayable within two years. Bank loans increased from RMB93.0 million as at December 31, 2015 to RMB619.4 million as at June 30, 2016, primarily due to expansion for business operation.

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 at June 30, 2016, our maximum exposure amounted to RMB139.1 million.

As at 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 primarily comprised expenditures on property and equipment, which amounted to RMB134.7 million and RMB68.5 million for the year ended December 31, 2015 and for the six months ended June 30, 2016 respectively.

Employee Remuneration and Policy

As at June 30, 2016, our Group had 5,703 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board taking into consideration of the performance, experience and operational capacity of our employees. As at June 30, 2016, 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

Due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the contracts we entered into with overseas customers may also be in the value denominated in Hong Kong Dollar or U.S. dollar. Therefore, exchange rate fluctuation (especially among the RMB, the Hong Kong Dollar and the U.S. dollar) may increase our costs but decrease our profitability due to the loss in foreign exchange. We will pay high attention to policies and changes relating to the domestic and foreign financial markets, and adopt specific measures to minimize the impact on the financial costs and profits.

Management Discussion and Analysis

III. OUTLOOK

Currently, the global economy is still undergoing a period of profound adjustment. The monetary policies of international major economies are further diverged due to factors such as the increase of interest rate by The Federal Reserve System and Brexit. The global economy and financial market will face more uncertainties in the future. The downward pressure on the overall domestic economy will increase. The authoritative institutions generally expect that the growth rate of annual GDP in 2016 will be 6.6% to 6.7%.



In view of this context, Poly Culture has set the general task for the second half of 2016, including: innovating development, improving quality and efficiency; steadily progressing three principal business segments, actively exploring new businesses, speeding up in “going global” to ensure completion of the annual business targets; accelerating the pace to formulate talent development strategies, and stimulating enterprise energy through the establishment of mid-and-long term incentive system.



Continuing to Focus on the Three Principal Businesses and Striving for Progress while Maintaining Stable Growth in Operating Results

Art business and auction business

Poly Auction Beijing will further refine domestic business network, effectively streamline existing resources, and register and establish Poly Auction Shanghai Company; enhance its artwork collection efforts, improve inventory structure to get closer to market needs; rationalize number of inventory, strictly control quality of inventory; improve efficiency in the communication with customers, enhance customer service standard, and consolidate market share.

Poly Auction Hong Kong will continue to reinforce boutique strategy, further explore potential in Hong Kong, Macau, Taiwan and Southeast Asia markets, steadily increase the proportion of overseas customers, spend considerable efforts on the Autumn Auction, and make progress while maintaining stable growth in the total annual turnover.

Management Discussion and Analysis

Poly Art Centre will pay close attention to the trend of each variety of artworks in the market, devote more efforts to direct operation and strive for better profits. Meanwhile, it will accelerate the construction of domestic and foreign display and sales network, place greater emphasis on preparing the operation of Poly North American Art Gallery in Vancouver, and further enhance its market influence.

Poly Art Investment will adopt stringent risks control, achieve steady operation, focus on the management of existing projects, and operate the financing private equity fund project steadily. In the second half of 2016, it plans to set up additional two or three artwork funds with a scale of approximately RMB200 million to RMB400 million in total.

Performance and theatre management business

Poly Theatre Management strives to confirm the intent to cooperate with two theatres in the second half of 2016, and confirm the renewal of entrusted management contracts with four theatres in Dongguan, Ma'anshan, Qingdao and Hohhot. It will complete the nationwide tour performances of the original musical "The Burning of Opium at Humen", "The Sound of Music" as well as "Washing Clothes" in the second half of 2016. More efforts will be put to introduce high-quality plays and guarantee the supply of programs in the theatres, in order to exceed the annual performance target of the year. It will also firmly implement the preparation of a ticketing company, and set up the company within 2016. It will focus on the First Forum on International Theatre Development and enhance the brand influence of Poly theatre.



Cinema investment and management business

Poly Film will strengthen its marketing efforts and enhance its management standards, in order to shorten the ramp-up period of newly opened cinemas and increase its overall profitability. It will speed up the progress for project construction to achieve the "annual target of opening up seven to eight cinemas". It will also actively explore new business development models such as joint venture and merger and acquisition, as well as, actively explore more enriching production, investment and cooperation models to rapidly cater for the production market oriented for content.

Management Discussion and Analysis

Further Promoting Four New Businesses and Striving for the Implementation of More Projects within this Year

As for art education, the Company will carry out research and study, site selection and construction for schools in Beijing and other regions in China, while continuing to diversify and improve the course system, organize music summer camp and continuously enhance brand influence for its music education business, so as to speed up the national layout. Moreover, the construction and operation of art education project will be initiated as soon as possible, with an aim to enroll students in winter holidays. We will also actively carry out research and study on comic and animation education, in order to determine the business model as soon as possible and strive for an early launch.

As for culture finance, Poly Ronghe will increase business development efforts to rapidly form the scale and establish a new profit center and fully promote the development of the overall artwork industry chain of Poly Culture. The cultural industry fund management company will be established within 2016.

As for culture tourism, we will focus on the selected projects and start specific project designs; we will continue to promote other domestic and foreign projects.

As for operation and management of culture asset, starting from the operation and management of Shenyang Shengjing Poly Culture Art Centre, we will carefully study the business model and operation plan of Poly Culture commercial complex and establish a sound business model as soon as possible, in order to lay the foundation for the copy and expansion of the next step of business.

Actively Promoting the Substantive Operations of Overseas Projects and Speeding up the Development Steps of “Going Global”

We will actively follow up with the acquisitions of target enterprise projects in the Europe and America, trying to make a breakthrough. We will ensure the original plays co-produced with ATG will be completed on schedule and in high quality. We will actively explore more in-depth cooperation and explore the international operation and expansion in the film business.

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, 2016, the Company had complied with all code provisions set out 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 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, 2016. 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 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 authorized by the Board of Directors.

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

Corporate Governance

On August 25, 2016, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2016, the 2016 interim report and the unaudited interim financial statements for the six months ended June 30, 2016 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 2015 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, 2016 was published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.plyculture.com.cn) on August 25, 2016.

INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of interim dividend for the six months ended June 30, 2016.

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, 2016.

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

On June 30, 2016, 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

As at June 30, 2016, 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 2)	Percentage of the total share capital (%) (Note 2)
Poly Group (Note 3)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (L)	100.00	63.69
Poly Southern	Domestic Shares	Beneficial owner	50,197,900 (L)	32.00	20.38
JPMorgan Chase & Co. (Note 4)	H Shares	Beneficial owner	2,302,300 (L) 151,900 (S)	2.57 0.17	0.93 0.06
		Investment manager	50,000 (L)	0.06	0.02
		Custodian – corporations/ approved lending agent	2,514,100 (P)	2.81	1.02
		Total	4,866,400 (L) 151,900 (S) 2,514,100 (P)	5.44 0.17 2.81	1.98 0.06 1.02
Dong Ping	H Shares	Beneficial owner	4,510,000	5.04	1.83

Note:

- “L” stands for long positions, “S” stands for short positions and “P” stands for lending pool.
- The percentage is calculated with the number of the relevant class of Shares of the Company issued as of the Latest Practicable Date divided by 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.
- JPMorgan Chase & Co. holds total issued capitals of JPMorgan Chase Bank N.A., JPMorgan Asset Management Holdings Inc and J.P. Morgan Broker-Dealer Holdings Inc. Accordingly, JPMorgan Chase & Co. is deemed to have the same interests of the Company as JPMorgan Chase Bank N.A., JPMorgan Asset Management Holdings Inc and J.P. Morgan Broker-Dealer Holdings Inc. under the SFO. JPMorgan Chase & Co. holds 4,866,400 Shares in long positions and 151,900 Shares in short positions of the Company through JPMorgan Chase Bank N.A., JPMorgan Asset Management Holdings Inc, J.P. Morgan Broker-Dealer Holdings Inc. and other corporations it controls. Among the 4,866,400 Shares in long positions, 2,514,100 Shares are in lending pool and 48,700 Shares are held through derivatives. Among the 151,900 Shares in short positions, 59,200 Shares are held through derivatives.

Other Information

Saved as disclosed above, as of June 30, 2016, 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.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2016. So far as the Directors are aware, there is no litigation or claims which are pending or threatened against the Company.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On March 24, 2016, Ms. Wang Wei was appointed as the vice general manager of the Company. Since March 24, 2016, Ms. Yung Mei Yee no longer served as the joint company secretary, authorised representative and agent for service of process in Hong Kong of the Company. Ms. Mok Ming Wai has been appointed as the joint company secretary, authorised representative and agent for service of process in Hong Kong of the Company with effect from March 24, 2016.

Saved as disclosed above, for the six months ended June 30, 2016, the Company did not appoint or dismiss any Director, Supervisor or Senior Management. Meanwhile, 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.

SUBSEQUENT EVENT

The Company convened the 2015 annual general meeting on June 7, 2016 which considered and approved the granting of general mandate to issue domestic debt financing instruments of no more than RMB2 billion (inclusive of RMB2 billion) to the Board of Directors. On August 25, 2016, the ninth meeting of the second session of the Board of Directors considered and approved to propose to issue corporate bonds of no more than RMB1 billion (inclusive of RMB1 billion and subject to the final approval by the regulatory authority on size of issuance), and to issue short-term financial bonds of no more than RMB1 billion (inclusive of RMB1 billion and subject to the final approval by the regulatory authority on size of insurance) in PRC, on a one-off or multi-tranche issuance basis.

Corporate Social Responsibilities

On January 2016, “The Art Market Value List” of 2015 Beijing Auction Season and the Blue Book of 2015 Auction Industry, hosted by Beijing Auction Industry Association, were released in Beijing. Poly Auction Beijing won three awards for The Most Influential Auction Company of the Year, Special Academic Auction of the Year and Annual Auction Figure.

On March 2016, Beijing Poly Music Art Development Corporation Limited, a Subsidiary of Poly Culture, held “Grow with Poly, Appoint with Masters – WeDo Opening Ceremony Concert”. The first batch of trainees of Poly WeDo Chambers Orchestra performed together with nationwide famous musicians and groups, witnessing the great achievements of Poly Culture’s devotion to teenagers’ music education.

On March 2016, French Embassy in China held a grand award ceremony. On behalf of the Minister of French Ministry of Culture, the French ambassador to China Gu Shan, awarded Xu Jian, the general manager of Beijing Poly Forbidden City Theatre Company, as the French Literature and Art Knight. Starting from 2005, Beijing Poly Forbidden City Theatre Company coordinated closely with French artists in culture communication and corporation. It has invited more than 100 musical groups and musicians, offering more than 230 fantastic performances. Beijing Zhongshan Park Music Hall, as well as Poly Theatre has become the window of China-French culture communication, enhancing the friendship of two countries’ people.

On March 2016, Poly Culture, together with China Theatre Association, held cross-strait four-region drama lectures with the theme “Times, Environment, Context, Dramatist”. More than 20 famous dramatists from mainland, Hong Kong, Macau and Taipei talked with the focus on how to build good drama ecology environment, seek drama talents actively, expand drama perspective widely and stick to drama quality firmly. They aimed to create a larger stage relying on recourses from the four regions across the straights, and keep promoting the popularization of drama, as well as the participation and marketization of audience. They also aimed to carry out more international corporations, build an international stage and let the Chinese drama go to the world.

From January to June 2016, Poly Auction Beijing, Poly Auction Hong Kong, Poly Art Center, Poly Art Museum have hosted several spring auction art exhibitions, national treasure exhibition of the Old Summer Palace, art boutique exhibition and academic lectures including “ Old Summer Palace’s Nation Treasure Exhibition”, “Poly Stellaroemia Cutting-edge Art Exhibition”, “ Old Summer Palace’s National Treasure, Southern and Northern Dynasties Stone Exhibition and Patriotism Educational Activities Series Exhibition” “Distant Mountains and Green



Corporate Social Responsibilities

(遠山晚翠) – Longquan Celadon Exhibition” and “Silk Road – Guo Dikang, the Worldwide Outstanding Chinese Artist, Painting Exhibition” and so on. They created a good space of visiting and learning for the local art lovers, attracting more than 500 thousand Chinese and Foreign art lovers and collectors.

In April 2016, Qingdao Grand Theatre was awarded as one of the 2015 Top 15 Chinese Theatres of Comprehensive Vitality and one of the Top 10 Chinese Concert Halls of Comprehensive Vitality by DAO LUE Center for Culture Industry Research (道略演藝產業研究中心). During the last five years, Qingdao Grand Theatre has held more than 300 public performances and public speeches, benefiting citizens up to 196,000. In 2016, the outstanding management team of the Qingdao Grand Theatre launched art brands of Annual Exhibition of International Drama and the Season of Urban Comedy with great success. Qingdao Grand Theatre also plans to organize a series of public cultural performances and activities surpassing their achievements last year. These performances and activities contribute greatly to the construction of Culture Qingdao and enrich the cultural lives of the citizens, winning favorable comments and praise from all sectors and citizens in Qingdao.

In May 2016, Poly Culture North American Investment Corporation Limited donated 4,600 Canadian dollars in total (equivalent to approximately RMB23,000) through Canadian Red Cross to Canada Alberta Mike Castle, where suffered serious forest fires, aiming to help it go through hard times together.

In May 2016, Poly Culture was listed in the eighth “Top 30 Cultural Enterprises in China”, being reelected for eight consecutive years since the launch of this award in 2008.

In June 2016, Shanghai Culture Enterprise Development Forum conducted selection and recognition of excellent enterprises and entrepreneurs in Shanghai cultural industry. Shanghai Oriental Art Center Management Co., Ltd. was recognized as one of the Top 10 Shanghai Cultural Enterprises by Propaganda Department of Communist Party of China Shanghai municipal committee.

On June 2016, Poly Theatre Management, together with The National Ballet of China donated more than RMB100,000 in the press conference of opening premiere in memory of the 90 anniversary of the Communist Party’s founding, The Red Detachment of Women, of Huai’an Grand Theatre and the “6.23 Yancheng Storm” Disaster Resistance Donation Ceremony, aiming to help to rebuild campus in destroyed areas of Yancheng, Jiangsu Province and go through hard times together.



Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2016 – unaudited
(Expressed in Renminbi “RMB”)

	Note	Six months ended June 30,	
		2016 RMB'000	2015 RMB'000
Revenue	4	1,225,001	1,057,924
Cost of sales		(755,222)	(700,272)
Gross profit		469,779	357,652
Other revenue	6	12,062	4,300
Other net income	6	2,867	3,896
Selling and distribution expenses		(140,991)	(119,428)
Administrative expenses		(159,941)	(150,621)
Profit from operations		183,776	95,799
Finance income		54,387	42,946
Finance costs	7(a)	(4,060)	(4,206)
Share of losses of joint ventures		(1,831)	(2,635)
Share of losses of associates		(2,184)	(762)
Profit before taxation	7	230,088	131,142
Income tax	8	(60,224)	(34,812)
Profit for the period		169,864	96,330
Attributable to:			
Equity shareholders of the Company		117,510	70,523
Non-controlling interests		52,354	25,807
Profit for the period		169,864	96,330
Earnings per share			
Basic and diluted earnings per share (RMB)	9	0.48	0.29

The notes on pages 28 to 50 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, 2016 – unaudited
(Expressed in RMB)

	Note	Six months ended June 30,	
		2016 RMB'000	2015 RMB'000
Profit for the period		169,864	96,330
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the PRC		8,820	(199)
Total comprehensive income for the period		178,684	96,131
Attributable to:			
Equity shareholders of the Company		124,244	70,406
Non-controlling interests		54,440	25,725
Total comprehensive income for the period		178,684	96,131

The notes on pages 28 to 50 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

at June 30, 2016 – unaudited
(Expressed in RMB)

	Note	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Non-current assets			
Property, plant and equipment		605,305	596,564
Long-term prepayments		3,391	3,504
Other financial assets	10	485,579	69,741
Interest in associates		6,527	4,211
Interest in joint ventures	11	40,702	32,533
Deferred tax assets		10,085	12,073
		1,151,589	718,626
Current assets			
Inventories	12	1,715,877	1,661,343
Trade and bills receivables	13	112,012	148,106
Consignor advances	14	1,569,285	1,027,364
Deposits, prepayments and other receivables	15	993,707	675,182
Restricted cash		780	1,000
Banks deposits with original maturities over three months		73,989	70,112
Cash and cash equivalents	16	1,269,096	1,415,268
		5,734,746	4,998,375
Current liabilities			
Bank loans	17	387,671	25,133
Trade and other payables	18	2,029,010	1,497,782
Current taxation		32,800	62,989
		2,449,481	1,585,904
		Net current assets	3,412,471
		Total assets less current liabilities	4,131,097

The notes on pages 28 to 50 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

at June 30, 2016 – unaudited
(Expressed in RMB)

	Note	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Non-current liabilities			
Bank loans	17	231,724	67,822
Deferred tax liabilities		203	199
Deferred revenue		12,790	2,665
Trade and other payables	18	17,672	21,588
		262,389	92,274
NET ASSETS			
		4,174,465	4,038,823
CAPITAL AND RESERVES			
Share capital	19(b)	246,316	246,316
Reserves		3,466,341	3,407,124
Total equity attributable to the equity shareholders of the Company			
		3,712,657	3,653,440
Non-controlling interests			
		461,808	385,383
TOTAL EQUITY			
		4,174,465	4,038,823

The notes on pages 28 to 50 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, 2016 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Share premium	PRC statutory reserve	Retained profits	Exchange reserve	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At January 1, 2015		246,316	(3,996)	1,982,448	77,493	1,166,548	(1,190)	3,467,619	403,381	3,871,000
Changes in equity for the six months ended June 30, 2015:										
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 declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(6,637)	(6,637)
Dividends approved in respect of the previous year	19(a)	-	-	-	-	(55,914)	-	(55,914)	-	(55,914)
Balance At June 30, 2015 and July 1, 2015		246,316	(3,996)	1,982,448	77,493	1,181,157	(1,307)	3,482,111	430,249	3,912,360
Changes in equity for the six months ended December 31, 2015:										
Profit for the period		-	-	-	-	167,267	-	167,267	68,969	236,236
Other comprehensive income		-	-	-	-	-	4,538	4,538	5,632	10,170
Total comprehensive income for the period		-	-	-	-	167,267	4,538	171,805	74,601	246,406
Acquisition of non-controlling interests		-	(476)	-	-	-	-	(476)	476	-
Appropriation of reserve		-	-	-	24,097	(24,097)	-	-	-	-
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	5,400	5,400
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(125,343)	(125,343)
Balance At December 31, 2015 and January 1, 2016		246,316	(4,472)	1,982,448	101,590	1,324,327	3,231	3,653,440	385,383	4,038,823
Changes in equity for the six months ended June 30, 2016:										
Profit for the period		-	-	-	-	117,510	-	117,510	52,354	169,864
Other comprehensive income		-	-	-	-	-	6,734	6,734	2,086	8,820
Total comprehensive income for the period		-	-	-	-	117,510	6,734	124,244	54,440	178,684
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	30,450	30,450
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(8,465)	(8,465)
Dividends approved in respect of the previous year	19(a)	-	-	-	-	(65,027)	-	(65,027)	-	(65,027)
Balance At June 30, 2016		246,316	(4,472)	1,982,448	101,590	1,376,810	9,965	3,712,657	461,808	4,174,465

The notes on pages 28 to 50 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, 2016 – unaudited
(Expressed in RMB)

	Note	Six months ended June 30,	
		2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations		403,704	401,012
Tax paid		(88,423)	(93,856)
Net cash generated from operating activities		315,281	307,156
Net cash used in investing activities		(1,001,796)	(233,719)
Net cash generated from/(used in) financing activities		539,537	(56,905)
Net (decrease)/increase in cash and cash equivalents		(146,978)	16,532
Cash and cash equivalents at January 1	16	1,415,268	1,536,301
Effect of foreign exchanges rates changes		806	90
Cash and cash equivalents at June 30	16	1,269,096	1,552,923

The notes on pages 28 to 50 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, 2016.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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:

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Revenue from art business and auction	424,650	381,944
Revenue from performance and theatre management	465,772	409,699
Revenue from cinema investment and management	326,011	266,281
Revenue from other services	8,568	–
	1,225,001	1,057,924

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, 2016:

- 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.

(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:

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)

Segment assets include all assets with the exception of interest in associates and joint ventures, 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.

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, 2016 and 2015 are set out below:

	Six months ended June 30, 2016			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	424,650	465,772	326,011	1,216,433
Inter-segment revenue	805	-	-	805
Reportable segment revenue	425,455	465,772	326,011	1,217,238
Reportable segment profit	153,387	22,003	66,184	241,574
Depreciation	(4,573)	(3,762)	(43,002)	(51,337)
Finance income	52,882	4,560	578	58,020
Finance costs	(47,517)	-	(2,902)	(50,419)
Reportable segment assets	4,959,513	663,826	803,727	6,427,066
Reportable segment liabilities	3,657,652	415,979	534,604	4,608,235

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)

	Six months ended June 30, 2015			
	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	381,944	409,699	266,281	1,057,924
Reportable segment revenue	381,944	409,699	266,281	1,057,924
Reportable segment profit	79,189	22,594	47,576	149,359
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)
Reportable segment assets	4,331,015	531,637	639,899	5,502,551
Reportable segment liabilities	3,039,421	309,728	406,740	3,755,889

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2016 and 2015.

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,	
	2016 RMB'000	2015 RMB'000
Reportable segment profit	241,574	149,359
Revenue from other services	8,568	–
Unallocated head office and corporate other revenue and other net gain	11,321	2,693
Share of losses of joint ventures	(1,831)	(2,635)
Share of losses of associates	(2,184)	(762)
Depreciation	(51,845)	(41,321)
Finance income	54,387	42,946
Finance costs	(4,060)	(4,206)
Unallocated head office and corporate expenses	(25,842)	(14,932)
Consolidated profit before taxation	230,088	131,142
	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Assets		
Reportable segment assets	6,427,066	5,430,647
Elimination of inter-segment receivables	(2,421,204)	(2,229,756)
Interest in joint ventures	40,702	32,533
Interest in associates	6,527	4,211
Other financial assets	485,579	69,741
Deferred tax assets	10,085	12,073
Unallocated head office and corporate assets	2,337,580	2,397,552
Consolidated total assets	6,886,335	5,717,001
Liabilities		
Reportable segment liabilities	4,608,235	3,733,397
Elimination of inter-segment payables	(2,421,204)	(2,229,756)
Current tax liabilities	32,800	62,989
Deferred tax liabilities	203	199
Unallocated head office and corporate liabilities	491,836	111,349
Consolidated total liabilities	2,711,870	1,678,178

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 Mainland China, Hong Kong and Canada.

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

	Revenue from external customers		Non-current assets	
	Six months ended June 30,		At June 30,	At December 31,
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,091,491	984,130	760,974	630,971
Others	133,510	73,794	380,530	75,582
	1,225,001	1,057,924	1,141,504	706,553

6 OTHER REVENUE AND OTHER NET INCOME

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
Other revenue		
Government grants	8,551	2,357
Others	3,511	1,943
	12,062	4,300
Other net income		
Net foreign exchange gain	2,904	3,913
Net loss on disposal of property, plant and equipment	(37)	(17)
	2,867	3,896

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/(crediting):

(a) Finance costs

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Interest expenses	4,315	4,223
Less: interest expense capitalised into property, plant and equipment	255	17
	4,060	4,206

(b) Staff costs

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	251,520	208,114
Contributions to defined contribution retirement plans	23,340	20,662
	274,860	228,776

(c) Other items

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Depreciation	51,845	41,321
Impairment (recovery)/losses		
– trade and bills receivables	(13,648)	1,162
– deposits, prepayments and other receivables	274	71
Operating lease charges	97,929	86,003

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX

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

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Current tax	58,236	37,392
Deferred tax	1,988	(2,580)
	60,224	34,812

Notes:

- (i) The Company and its PRC subsidiaries are subject to standard PRC corporate income tax rate of 25% (2015: 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. Three subsidiaries of the Group are incorporated and carried out business in Hong Kong and are subject to Hong Kong Profits Tax at 16.5%. One subsidiary of the Group is incorporated and carried out business in Macau and are subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB117,510,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB70,523,000) 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,	
	2016 RMB'000	2015 RMB'000
Ordinary shares issued at January 1	246,316,000	246,316,000
Effect of issuance of shares	-	-
Weighted average number of ordinary shares at June 30	246,316,000	246,316,000

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

9 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2016 and 2015. Accordingly, diluted earnings per share is the same as the basic earnings per share.

10 OTHER FINANCIAL ASSETS

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Available-for-sale equity securities:		
– Unlisted (note 10 (i))	109,883	–
Loans granted to third parties (note 10 (ii))	375,696	69,741
Total	485,579	69,741

Notes:

- (i) The Company entered in to a Capital Increase Agreement with Poly Finance, a related party, and acquire 5% of Poly Finance equity interest in 2016 by cash injection.
- (ii) Poly Culture North America investment Corporation Limited granted loans to third parties which bear interest from 9% to 10% per annum.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

11 INTEREST IN JOINT VENTURES

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Unlisted shares, at cost	110,000	100,000
Share of net assets	(69,298)	(67,467)
Total	40,702	32,533

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

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		
			Group's effective interest	Held by the Company	Principal Activity
Beijing Poly Huayi Media and Culture Co., Ltd 北京保利華德傳媒文化有限公司	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
Anyang Poly Yuetai Property Co., Ltd 安陽保利悅泰置業有限公司	Incorporated	The PRC	25%	-	Real estate development and sales
Shenzhen Huaxi Culture Investment development Co., Ltd (note 1) 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	-	Culture investment and consulting services

Note 1: Shenzhen Huaxi Culture Investment development Co., Ltd ("Shenyang Huaxi") was founded in April 20, 2016 with a registered capital RMB20 million. The main business of Shenyang Huaxi is culture investment and consulting services.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***12 INVENTORIES****(a) Inventories in the statement of financial position comprise:**

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Antiques and artworks	1,221,566	1,185,232
Chinese calligraphy and painting	448,429	437,257
Oil painting and sculptures	31,527	29,161
Small value items for resale	9,199	7,412
Low value materials	789	402
Drama rights	4,367	1,879
	1,715,877	1,661,343

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

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	21,602	54,958

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

13 TRADE AND BILLS RECEIVABLES

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	1,735	2,135
– third parties	117,770	167,936
	119,505	170,071
Less: allowance for doubtful debts	7,493	21,965
	112,012	148,106

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:

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Within 1 month	42,762	51,394
1 to 3 months	8,232	4,415
3 to 6 months	5,280	6,292
6 to 12 months	10,724	11,545
Over 1 year	45,014	74,460
	112,012	148,106

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)

13 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:

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Neither past due nor impaired	18,130	10,818
Less than 1 month past due	938	–
1 to 3 months past due	5,276	683
3 to 12 months past due	1,872	4,540
More than 12 months past due	34,241	32,528
Amounts past due	42,327	37,751
	60,457	48,569

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.

14 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, 2016, 18.3% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2015: 7.9%).

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Prepayments and receivables for auctioned artwork	716,924	456,979
Prepayments for purchase of inventories	13,055	10,149
Prepayments for performance	27,200	25,257
Rental deposits	17,035	17,501
Guarantee deposits	34,759	32,126
Interest receivables from consignor advances on auction artwork	93,269	66,632
Advances to staff for business related activities	15,698	12,111
Others	78,243	56,629
	996,183	677,384
Less: allowance for doubtful debts	2,476	2,202
	993,707	675,182

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.

16 CASH AND CASH EQUIVALENTS

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

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Cash at bank and in hand	1,269,096	1,415,268

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

17 BANK LOANS

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

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Bank loans		
– Unsecured	619,395	92,955

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

	At June 30, 2016 %	At December 31, 2015 %
Bank loans		
– Fixed rate loans	1.85-4.35	1.85-3.29
– Variable rate loans	1-month USD LIBOR plus 1.500%- Duration of the relevant Interest Period HIBOR plus 2.900%	3-month USD LIBOR plus 1.500%

(c) At 30 June 2016, the bank loans were repayable as follows:

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Within 1 year or on demand	387,671	25,133
After 1 year but within 2 years	231,724	67,822
	619,395	92,955

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

18 TRADE AND OTHER PAYABLES

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Current		
Trade payables to		
– related parties	77,299	75,089
– third parties	195,540	190,292
	272,839	265,381
Interest payables		
– related parties	8,497	8,497
Payables for staff related costs	72,307	32,322
Payables for other taxes and surcharges	16,848	37,822
Dividends payables	95,054	34,850
Other accruals and payables		
– related parties	3,513	5,001
– third parties	1,144,395	815,786
Financial liabilities measured at amortised cost	1,613,453	1,199,659
Receipts in advance		
– related parties	574	833
– third parties	414,983	297,290
	415,557	298,123
	2,029,010	1,497,782
Non-current		
Payable for purchase of equipment	17,672	21,588

As at June 30, 2016, all current 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)

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) *Dividends payable to equity shareholders of the Company 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 of the Company attributable to the previous financial year, approved during the interim period*

	Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.264 per ordinary share (six months ended 30 June 2015: RMB0.227 per ordinary share)	65,027	55,914

(b) Share capital

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

	At June 30, 2016		At December 31, 2015	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1 / 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)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

At June 30, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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.

21 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:

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
Contracted for	123,794	74,047
Authorized but not contracted for	944,080	969,120
	1,067,874	1,043,167

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

22 FINANCIAL GUARANTEES ISSUED

- (a) As 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, 2016 RMB'000	At December 31, 2015 RMB'000
Financial guarantees to banks for subsidiaries	619,395	92,955

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.

As 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, 2016 RMB'000	At December 31, 2015 RMB'000
Trust related	139,078	21,000

23 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, 2016. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact to the Group.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions during the six months ended June 30, 2016 and 2015:

(a) Name and relationship with related parties

During the six months ended June 30, 2016 and 2015, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation 中國保利集團公司 (“Poly Group”)	Parent and ultimate holding company
Poly Group’s affiliates 中國保利集團公司附屬公司	Under common control
Beijing Eastern Poly Culture and Art Corporation Limited (“Eastern Poly”) 北京東方保利文化藝術有限公司	Associate of the Group

(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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

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

	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
<i>Sales to</i>		
Poly Group and its affiliates	3,877	2,433
<i>Service provided to</i>		
Poly Group and its affiliates	1,412	5,414
<i>Receiving Service (note(iii))</i>		
Poly Group and its affiliates	113,269	96,832
<i>Office rental from (note (iv))</i>		
Poly Group and its affiliates	15,964	16,874
<i>Interest income from</i>		
Poly Group and its affiliates	1,559	1,251
<i>Property management services</i>		
Poly Group and its affiliates	4,468	5,898

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, 2016 and 2015.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

	At June 30, 2016 RMB'000	At December 31, 2015 RMB'000
<i>Cash and cash equivalents (note)</i> Poly Group and its affiliates	338,426	469,316
<i>Banks deposits with original maturities over three months (note)</i> Poly Group and its affiliates	44,400	30,100
<i>Trade and bills receivables</i> Poly Group and its affiliates	1,735	2,135
<i>Deposits, prepayments and other receivables</i> Poly Group and its affiliates	21,877	22,134
<i>Trade and other payables</i> Poly Group and its affiliates	89,883	89,420

Notes:

The Board announces that on November 5, 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 ranged from 1.15% to 3.3% according to the terms of bank deposits.

(d) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by relevant local government authorities for its staff. As at June 30, 2016, there was no material outstanding contribution to post-employment benefit plans. Details of the defined contribution retirement plans are set out in Note 7(b).

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Company convened the 2015 annual general meeting on June 7, 2016 which considered and approved the granting of general mandate to issue domestic debt financing instruments of no more than RMB2 billion (inclusive of RMB2 billion) to the Board. On August 25, 2016, the ninth meeting of the second session of the Board considered and approved to propose to issue corporate bonds of no more than RMB1 billion (inclusive of RMB1 billion and subject to the final approval by the regulatory authority on the size of issuance), and to issue short-term financial bonds of no more than RMB1 billion (inclusive of RMB1 billion and subject to the final approval by the regulatory authority on the size of issuance) in the PRC, on a one-off or multi-tranche issuance basis.

Definitions

“Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“Senior Management”	the senior management of the Company
“Company”, “Poly Culture”, “we”, “us” or “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
“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
“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”	Hong Kong dollar(s), the lawful currency of Hong Kong
“International Accounting Standards”	International Accounting Standards and its notes
“Latest Practicable Date”	September 2, 2016, being the latest practicable date for the inclusion of certain information in this report prior to its publication
“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 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)

Definitions

“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) Limited (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 (中國保利集團公司), 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. (保利南方集團有限公司), a state-owned company incorporated in the PRC, a wholly-owned Subsidiary of Poly Group and a Substantial Shareholder of our Company
“Poly Theatre Management”	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理公司)
“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, 2016
“RMB”	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)
“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

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