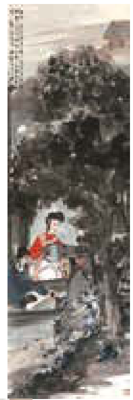
保利文化集團股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636

INTERIM REPORT

2018



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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

31st Floor, Tower 2, Times Square, 1 Matheson
Street, Causeway Bay, Hong Kong [1]

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Niansha *(Chairman)*
Mr. Zhang Xi
Mr. Jiang Yingchun
Mr. Hu Jiaquan

Non-executive Directors

Mr. Wang Lin [2]
Mr. Huang Geming [3]
Mr. Wang Keling

Independent Non-executive Directors

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

AUTHORIZED REPRESENTATIVE

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

Ms. Mok Ming Wai
31st Floor, Tower 2, Times Square, 1 Matheson
Street, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Ms. Wang Wei
Ms. Mok Ming Wai

AUDITORS

PRC Auditor

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

International Auditor

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

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

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

PRINCIPAL BANKERS

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

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

H SHARE REGISTRAR

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

STOCK CODE

03636

INVESTOR ENQUIRIES

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

1 The Company has changed its principal place of business in Hong Kong since May 31, 2018.
2 Mr. Wang Lin resigned on June 28, 2018.
3 Mr. Huang Geming was appointed on June 28, 2018.

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Revenue	**1,673,763**	1,574,901
Profit from operations	**216,651**	192,889
Profit before taxation	**229,855**	202,535
Income tax	**(65,269)**	(56,271)
Profit for the period	**164,586**	146,264
Profit attributable to:		
Equity shareholders of the Company	**99,578**	91,703
Non-controlling interests	**65,008**	54,561
Earnings per share		
Basic and diluted earnings per share (RMB)	**0.40**	0.37
Total comprehensive income for the period	**164,275**	137,485
Total comprehensive income attributable to:		
Equity shareholders of the Company	**98,624**	87,068
Non-controlling interests	**65,651**	50,417

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Total non-current assets	**2,558,067**	2,350,158
Total current assets	**7,556,363**	7,793,433
Total assets	**10,114,430**	10,143,591
Total current liabilities	**4,871,630**	5,009,380
Total non-current liabilities	**415,264**	342,714
Total liabilities	**5,286,894**	5,352,094
Net Assets	**4,827,536**	4,791,497
Total equity attributable to the equity shareholders of the Company	**4,159,576**	4,088,704
Non-controlling interests	**667,960**	702,793
Total equity	**4,827,536**	4,791,497

The financial information of the Group for the six months ended June 30, 2018 was extracted from page 25 to 69 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, 2018 were unaudited.

▲ Southern Song Dynasty, Autumn of Han Palace 2018 Spring Auction of Poly Auction Beijing Sold at RMB124 million

I. SEGMENT BUSINESS INFORMATION

In the first half of 2018, Poly Culture continued to perform well in three principal business segments and accelerated the development of innovative businesses under the leadership of the Board. All the works were advanced steadily.

Art Business and Auction Business

In the first half of 2018, the Chinese artwork market continued to adjust. Poly Culture worked hard to overcome many adverse factors, and leveraged its advantages in whole industry chain and strategic layout and took effective measures such as adjusting the structure of the auction items and quality over quantity to successfully achieve a total auction turnover of RMB4.6 billion, maintaining its leading position in the global auction market of Chinese artworks.

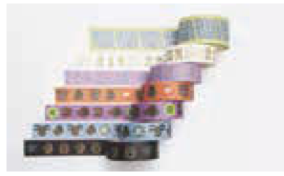
In the first half of 2018, Poly Auction Beijing achieved an auction turnover of RMB3.552 billion, of which the auction turnover of the Spring Auction was RMB2.85 billion. The auction prices of three auction items, namely "Autumn of Han Palace (《漢宮秋圖》)" created in the Southern Song Dynasty, "Envisioning Pipaxing" (《琵琶行詩意》) by Fu Baoshi and the "'Precious Article for Imperial Perusal of Qianlong' Copper Seal" (「乾隆御覽之寶」銅璽), exceeded RMB100 million.

▲ Emperor Qianlong of Qing Dynasty, gold-splashed bronze "Precious Article for Imperial Perusal of Qianlong" Seal 2018 Spring Auction of Poly Auction Beijing Sold at RMB110 million

▲ Zao Wou-Ki, "Shapeless Earth" 2018 Spring Auction of Poly Auction Hong Kong Sold at HK$180 million

In the first half of 2018, Poly Auction Hong Kong achieved an auction turnover of HK$1.27 billion, of which HK$1.245 billion was generated from the Spring Auction, stably ranking third in the Hong Kong market. The "Shapeless Earth" (《大地無形》) by Zao Wou-Ki became the first auction item with an auction price exceeding RMB100 million in this year's Asia auction. The transactions of jewelry and watch maintained a good momentum.

Poly Art Centre effectively enhanced the brand value of "Poly Culture" and "Poly Art"; expanded its businesses in e.ccb.com (建行善融商城) to complement online business channels; and actively transformed the existing intellectual property and launched tapes of cultural and creative products.



Performance and Theatre Management Business

In terms of the expansion of theatre line, Poly Theatre Management newly took over 4 theatres including Fuzhou Strait Cultural and Arts Centre, Yunnan Grand Theatre, Hengshui Grand Theatre and Zoucheng Mencius Grand Theatre. Currently it has 63 theatres under management and operation, covering 55 cities in 20 provinces, autonomous regions and municipalities in China. In the first half of 2018, the theatre line put on 4,817 performances, accomplishing 54% of the annually planned shows.

In terms of the performance and creative production, Poly Theatre Management co-produced the star version of the drama "Lurk (《潛伏》)", the Chinese version of the Broadway musical "Cinderella (《灰姑娘》)" and the Beijing dialect version of the drama "Chi Ye (《癡爺》)". The stage drama "Doule Stage Drama – Adventure of the Time Emperor (《豆樂舞台劇之時間國王歷險記》)" derived from the big-budget animated movie "Doule Nursery Rhyme (《豆樂兒歌》)" by Tencent will soon be released.

In terms of the ticketing platform, the "Poly Ticketing Marketing System" achieved stable operation. In the first half of 2018, the 52 theatres in the theatre line successfully completed switching ticketing systems. They also gradually improved their working procedures and system, built customer service centres and established the unified standards of "Poly Ticketing" to improve service quality and efficiency.

Cinema Investment and Management Business

In the first half of 2018, Poly Film opened 4 new cinemas in Changsha Fuxing, Zhaoqing Yihua Plaza, Sanya Yalong Bay and Tianjin Rose Bay. At present, Poly Film has 66 theatres under direct operation, which recorded a box office of RMB416 million.

Proactive promotion of new businesses and implementation of key projects

In terms of art education, Poly Culture, Poly Real Estate Group Co., Ltd. ("Poly Real Estate") and Poly Investment Holding Co., Ltd. ("Poly Investment") jointly established Poly Art Education Investment Company Limited ("Poly Art Education Investment"). In terms of music education, the 4 campuses under music education companies were making sound progress. They organized 5 concerts and one Master Class and joined hands with Skyedu to build the "Skyedu • WeDoKids Parent-Child Educational Centre" in Beijing Damei Campus, which served as a parent-child educational service platform.

In terms of cultural finance, Poly Ronghe experienced rapid growth, providing solid support for the art business and auction. The initial fund of Poly Culture Industry Fund has been filed with and approved by the Asset Management Association of China.

Poly Culture co-organized the 13th China (Yiwu) Cultural Products Trade Fair through which Poly Culture's three main businesses including art, cultural and creative, and animation businesses simutaneously set foot in the Yiwu market. These businesses contributed to enriching the industrial content and enhancing the scale of trade in the cultural fair, receiving high commendation from the Ministry of Culture and the local government. "Poly National Artwork Copyright Trading Base" was officially opened, and became China's first institution specializing in artwork copyright management. It targets the global market and provides services including artwork copyright registration, protection, management, exporting and transfer. Supported by the National Artwork Copyright Trading Base, Poly Culture will establish cultural and creative subsidiaries that cooperate with sizeable state-owned museums to strengthen the development of cultural and creative products, as well as promoting the "Poly Cultural and Creative Business".

Acceleration of internationalization and exploration for new models in international market

Poly Culture has actively contacted internationally renowned institutions in a bid to explore cooperation in artworks and art education businesses. Poly Culture will participate in the London Design Biennale 2018, which will further boost Poly art business' global presence.

Poly Theatre Management initiated the first "Greater Bay Area Art Festival", creating a new concept for the cultural, art and performance industry in the Greater Bay Area, promoted the building of the Cultural Cluster of "Guangdong-Hong Kong-Macao Greater Bay Area", aided the reform and development under the Belt and Road Initiative, participated in the promotion conference of Canadian International Exchange for the Performing Arts, and was invited by French embassy to join the "China-French Cultural Exchange Platform – French Cultural Innovative Companies' Trip in China: One-to-One Meeting", which boosted exchanges on drama production and resource integration.

Poly North America has held three high-end thematic exhibitions and 32 cultural exchange events. It successfully promoted the "Twelve Girls Band 2018 Chinese New Year Concert" in the North American market. Poly North America actively assisted Poly Auction Beijing in its collection activities in North America, boosting Poly Culture's art business.

II. ANALYSIS AND DISCUSSION OF RESULTS

Revenue

Total revenue increased by 6.3% from RMB1,574.9 million for the six months ended June 30, 2017 to RMB1,673.8 million for the six months ended June 30, 2018, primarily due to the expansion of theatre and cinema networks.

The respective segment revenue of the Group for the six months ended June 30, 2018 and 2017 is as follows:

	Six months ended June 30,		
	2018	2017	
	RMB in millions	RMB in millions	% of change
Art business and auction	**564.2**	646.5	(12.7)
Performance and theatre management	**686.3**	560.6	22.4
Cinema investment and management	**418.3**	365.1	14.6

Gross profit

Gross profit increased by 8.8% from RMB534.4 million for the six months ended June 30, 2017 to RMB581.6 million for the six months ended June 30, 2018. Gross profit margin increased from 33.9% for the six months ended June 30, 2017 to 34.7% for the six months ended June 30, 2018.

Other revenue

Other revenue (mainly including government grants) decreased from RMB25.2 million for the six months ended June 30, 2017 to RMB22.0 million for the six months ended June 30, 2018.

Other net income

We recorded other net income of RMB6.3 million for the six months ended June 30, 2018 mainly due to the fair value change through profit and loss of financial assets, which recognised under IFRS 9 in 2018.

Selling and distribution expenses

Selling and distribution expenses increased by 13.9% from RMB150.6 million for the six months ended June 30, 2017 to RMB171.5 million for the six months ended June 30, 2018, primarily due to (i) the increase in staff costs as a result of an increase in the headcount of selling and marketing employees, which was attributable to our increased selling and marketing activities as a result of our efforts to promote and expand our business; and (ii) the increase in the number of cinemas we operated and theatres we managed.

Administrative expenses

Administrative expenses increased by 7.0% from RMB207.2 million for the six months ended June 30, 2017 to RMB221.7 million for the six months ended June 30, 2018, primarily due to the increase in staff costs as a result of an increase in the headcount of our administrative employees, which was attributable to our increased administrative activities and business scale.

Reportable segment profit

As a result of the foregoing, reportable segment profit increased by 0.7% from RMB290.6 million for the six months ended June 30, 2017 to RMB292.5 million for the six months ended June 30, 2018.

The respective reportable segment profit of the Group for the six months ended June 30 in 2018 and 2017 is as follows:

	Six months ended June 30,		
	2018 **RMB in millions**	2017 RMB in millions	% of change
Art Business and Auction	**186.2**	215.7	(13.7)
Performance and Theatre Management	**32.0**	32.5	(1.5)
Cinema Investment and Management	**74.3**	42.4	75.2

Finance income

Finance income decreased by 30.1% from RMB24.9 million for the six months ended June 30, 2017 to RMB17.4 million for the six months ended June 30, 2018.

Finance costs

Finance costs decreased by 44.8% from RMB14.5 million for the six months ended June 30, 2017 to RMB8.0 million for the six months ended June 30, 2018, primarily due to the decrease in loans borrowed for auction business.

Income tax

Income tax increased by 16.0% from RMB56.3 million for the six months ended June 30, 2017 to RMB65.3 million for the six months ended June 30, 2018, primarily due to an increase in taxable income.

Profit for the period

As a result of the foregoing, profit for the period increased by 12.5% from RMB146.3 million for the six months ended June 30, 2017 to RMB164.6 million for the six months ended June 30, 2018, and net profit margin increased from 9.3% for the six months ended June 30, 2017 to 9.8% for the six months ended June 30, 2018.

Liquidity and Capital Resources

As at June 30, 2018, the Group's cash and cash equivalents amounted to RMB1,385.6 million, decreased by 19.4% as compared to that of December 31, 2017.

The net cash outflow from operating activities amounted to RMB538.7 million for the six months ended June 30, 2018. The net cash inflow from investing activities amounted to RMB18.6 million. The net cash inflow from financing activities amounted to RMB186.9 million. As such, there was a decrease in cash and cash equivalents of approximately RMB333.2 million as compared to the end of last year.

Changes to Key Items in Consolidated Statement of Financial Position

Property, plant and equipment

Property, plant and equipment mainly include, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 1.3% from RMB819.3 million as at December 31, 2017 to RMB808.8 million as of June 30, 2018.

Current assets and current liabilities

The current assets decreased by 3.0% from RMB7,793.4 million as at December 31, 2017 to RMB7,556.4 million as at June 30, 2018. Current liabilities decreased by 2.8% from RMB5,009.4 million as at December 31, 2017 to RMB4,871.6 million as at June 30, 2018. The decrease of current liability is primarily due to the settlements of payables to consignors.

Inventories

Our inventories increased by 1.3% from RMB1,965.9 million as at December 31, 2017 to RMB1,991.2 million as at June 30, 2018.

Consignor advances

The consignor advances decreased by 13.7% from RMB883.7 million as at December 31, 2017 to RMB762.6 million as at June 30, 2018, primarily due to the collecting of consignor advances.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 14.7% from RMB1,080.0 million as at December 31, 2017 to RMB1,238.4 million as at June 30, 2018, primarily due to the increase in prepayments for auctioned artwork.

Indebtedness

As at June 30, 2018, we incurred interest-bearing borrowings of RMB2,799.9 million, which were mainly from reputable financial institutions and were unsecured. Bank loans increased from RMB1,756.5 million as at December 31, 2017 to RMB2,038.7 million as at June 30, 2018 due to the expansion of business operation. The Company also completed the issuance of corporate bonds on March 15, 2017 and short-term debentures on September 15, 2017. The aggregate issuance amount of the corporate bonds was RMB300.0 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.80%. The aggregate issuance amount of short-term debentures was RMB300.0 million with a term of 365 days, nominal value per unit of RMB100 and coupon rate of 4.84%. The Group entered into an other receivables factoring agreement with Poly Financial Leasing Co.,Ltd, on December 27, 2017, the carrying amount of borrowings from related party was RMB100.0 million with a term of 10 months, bearing interest at 6% per annum.

Under artwork trust plans, we are obliged to fund the difference between the total expected monetary trust property and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees) if the borrower and its guarantor fail to repay such amounts. As at June 30, 2018, our maximum exposure amounted to RMB235.7 million.

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

Capital Expenditure

Our capital expenditures during the period primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB41.7 million and RMB69.4 million as of June 30, 2017 and June 30, 2018.

Employee Remuneration and Policy

As at June 30, 2018, the Group had 7,581 employees in total (as at 31 December 2017: 7,048). The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board taking into consideration the performance, experience and operational capacity of our employees. As at June 30, 2018, there has been no material change to our remuneration policy and training plans.

Other Financial Indicators

Our debt-to-equity ratio which is calculated by dividing the interest-bearing debts by total equity increased from 52.5% as at December 31, 2017 to 58.0% as at June 30, 2018.

III. RISK FACTORS

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

Market Risk

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

In the first half of 2018, the Chinese economy was stable with moderate growth. However, as the development pace was unsteady, uncertainties increased, and the stock market declined, credit tightened and capital cost increased. As a result, enterprises were faced with a wide range of difficulties. The performance of our art business and auction segment in particular is exposed to risks arising from the volatilities in domestic and overseas economies and financial markets. The Company will integrate the brand value and resources of Poly Culture to actively develop a new innovative industry models, explore new sources of profit growth and mitigate the adverse impact arising from economic fluctuations while maintaining the three existing principal business segments.

Unpredictability of demand of the market for artworks

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

Risk of staff turnover

Our success has been substantially attributable to the contribution of the excellent management professionals. In terms of the art business and auction segment, we rely on artwork authentication and valuation services provided by industry professionals, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on high-calibre employees to ensure that we can manage our theatres and cinemas with unified and high standards to improve the audience's experience, and enhance our brand recognition, thereby improve our profitability. We strive to attract the best talent through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation and innovate the motivation mechanism to further enlarge the pool of management and professional talent for important positions and enhance the loyalty of key talents.

All our business segments face competition

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

Risks relating to fluctuation of interest rates and exchange rate

For our art business operations, we purchase and hold artworks which we believe are undervalued or which we believe have appreciation potential, and resell them at appropriate time to make profit. We mainly rely on our working capital and bank loans to fund our acquisitions of artworks. Increase in interest rates may increase our costs to purchase and hold the relevant artworks, which could in turn adversely affect our operating results of performance if we are unable to transfer the costs to customers when we resell the relevant artworks. In addition, due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the value of the contracts we entered into with overseas customers may also be denominated in Euros or U.S. Dollars. Therefore, exchange rate fluctuation (especially among the RMB, Euro and U.S. Dollar) may increase our costs but decrease our profitability due to the decline in foreign exchange. We will keep an eye on policies and changes relating to the domestic and foreign financial markets, and adopt a specific financing pattern to partially offset impact of changes in the interest rates on the finance costs during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

The general task of Poly Culture for the second half of 2018 is as follows: working in a gradualist and progressive manner, ensuring achievement of operational tasks for the year and development and reform objectives, promoting innovation subject to controlling risks, actively engaging in capital operation and advancing the internationalization, seizing new opportunities, and building a central government-owned enterprise with strong brand.

Art Business and Auction Business

Poly Auction Beijing will comprehensively streamline the working procedures and improve the management system to enhance management and further reinforce core competitiveness. It will give play to the overall advantages to maintain the position in the market. In addition, it will proactively develop the overseas market and explore the "global layout". The focus will be laid on the Autumn Auction with a view to consolidating the leading position in the market.

Poly Auction Hong Kong will elaborately prepare Autumn Auction and insist on the boutique strategy to constantly increase its market share, striving to further narrowing the gap with Christie's Hong Kong and Sotheby's Hong Kong. In the meanwhile, Poly Auction Hong Kong will expand its financing channel, make proper capital arrangements, exert great efforts on internal management and insist on cost reduction and efficiency enhancement.

Poly Art Centre will continue its exploration and innovation, boost its proprietary business and enrich its service portfolio. It will team up with Poly North America to promote the platform building of Poly Culture Art Centre in Vancouver, as well as nurture and amass high-net-worth customers, thus effectively complementing and supporting Poly Culture's entire artwork industry chain.

Performance and Theatre Management Business

Poly Theatre Management will continue to expand theatre line steadily, proactively contact newly built theatres, participate in the tender and bid for theatre projects, and proceed with the renewal of entrusted management contracts. It will step up efforts in introducing quality dramas and producing original works, accelerate the building of children art theatre line, and make better arrangements for performances on theatre network. Poly Theatre Management will also hold the second International Theatre Management Development Forum, actively dig various resources and expand business cooperation channels. It will widen the channels for communication with external parties, and organize the China (Beijing) International Performance Art Expo and the second National Theatre Convention, thereby further enhancing its industry status. It will also steadily promote the construction of cinema ticket system, and continuously boost its influence.

Cinema Investment and Management Business

Poly Film will quicken project development and construction and plans to open 4 to 6 new cinemas in the second half of 2018, striving to achieve the goal of directly operating over 70 cinemas. Poly Film will continue to invest in films with extensive influence, high quality and good profit outlook. It will also enhance its abilities of motivating and attracting talents, and leverage the capital market to grow its business.

New Businesses

With respect to art education, the Company will align and coordinate existing education business with Poly Art Education Investment.

In terms of cultural finance, Poly Ronghe will continue to control operational risks and steadily expand the scale to strengthen support for the art business. Poly Culture Industry Fund will invest in the first fund project and commence related post-investment management work. It will actively explore new projects, thereby boosting business development of Poly Culture.

With respect to cultural and creative business, Poly Culture will vigorously expedite the construction of a cultural and creative development and trading platform. It will complete the registrations of its cultural and creative subsidiaries, fully integrate resources of each business segment of cultural companies, build a platform framework, and promote cohesive developments of the cultural and creative business, copyright, art broker and other businesses.

Employee Remuneration and Policy

As at June 30, 2018, the Group had 7,581 employees in total. The remuneration policy for our employees has been determined by our remuneration and assessment committee of the Board taking into consideration the performance, experience and operational capacity of our employees. For the six months ended June 30, 2018, there has been no material change to our remuneration policy and training plans.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

For the six months ended June 30, 2018, the Company had complied with all code provisions in the Corporate Governance Code and had complied with most of the recommended best practices set out in the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE

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, 2018. 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 in accordance with the requirements of the Listing Rules. The primary responsibilities of the Audit Committee are reviewing and supervising our financial reporting procedures, including making proposals on appointing or changing the external auditors; supervising the Company's internal audit system and its implementation; communication between the internal auditors and external auditors; auditing the Company's financial information and its disclosure; reviewing the Company's financial monitoring, internal control and risk management system and laying down the procedures to review its effectiveness; and auditing the significant connected transactions; nominating the heads of the internal audit department; and other matters that the Board of Directors has authorized it to deal with.

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

On August 15, 2018, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2018, the 2018 interim report and the unaudited interim financial statements for the six months ended June 30, 2018 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 2017 annual report in strictly compliance with related provisions.

SHARE CAPITAL

As at the Latest Practicable Date, the total share capital of the Company is RMB246,316,000, divided into 246,316,000 Shares with a nominal value of RMB1.00 each.

INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2018 were published on the websites of the Stock Exchange for information disclosure (www.hkexnews.hk) and the Company on (www.polyculture.com.cn) August 15, 2018.

INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of interim dividend for the six months ended June 30, 2018.

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, 2018.

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

On June 30, 2018, 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.

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

On June 30, 2018, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executives of the Company) in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Shareholders	Type of Shares	Capacity	Number of Shares/ underlying Shares held (note 1)	Percentage of the relevant class of Shares (%) (note 2)	Percentage of the total number of Shares (%) (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

Note:

1. "L" stands for long positions.

2. The percentage is calculated with the number of the relevant class of Shares of the Company issued as at June 30, 2018 divided by the total number of Shares.

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

Save as disclosed above, as at June 30, 2018, 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 SIGNIFICANT MATTERS

On March 26, 2018, the Company entered into a Joint Venture Agreement with Poly Investment and Poly Real Estate, pursuant to which the Company, Poly Investment and Poly Real Estate agreed to jointly contribute RMB100 million to establish Poly Art Education Investment Company Limited (保利藝術教育投資有限公司) (the "Poly Art Education Investment") to develop youth art education business. According to the Joint Venture Agreement, the registered capital of the New Company is proposed to be RMB100 million, of which the Company will contribute RMB40 million, accounting for 40% of the registered capital; Poly Investment will contribute RMB20 million, accounting for 20% of the registered capital; and Poly Real Estate will contribute RMB40 million, accounting for 40% of the registered capital.

On June 1, 2018, the Company (as proposed fund investor) and Poly Culture Industrial Fund (as fund manager) entered into "Fund Contract of Golden Symphony – Qi Hang Private Equity Investment Fund (《盛世華章－啟航私募投資基金基金合同》)" (the "Fund Contract") and proposed to jointly establish Golden Symphony – Qi Hang Private Equity Investment Fund (盛世華章－啟航私募投資基金) (the "Investment Fund"), in order to purchase, directly or indirectly, 15% equity interests of Zhengzhou Poly Real Estate. Pursuant to the Fund Contract, the Company shall subscribe for interest in Investment Fund amounted to RMB55 million and pay management fees of Investment Fund of no more than RMB1.65 million to Poly Culture Industrial Fund. Upon the expiration of the term of Investment Fund, the Company agreed to purchase and Poly Culture Industrial Fund agreed to sell 15% equity interests of Zhengzhou Poly Real Estate at a total consideration of no more than RMB124.25 million (including RMB55 million, the amount of interest in Investment Fund to be subscribed by the Company, and management fees of Investment Fund of RMB1.65 million) (the "Acquisition"). After the completion of Acquisition, the Company will directly hold 15% equity interests of Zhengzhou Poly Real Estate.

Reference is made to the Company's announcements dated 18 April 2017, 8 May 2017, and June 29, 2017 and circular dated May 19, 2017 in relation to the special resolution on Company's private offering of up to 14,783,800 H Shares and 44,425,500 H Shares to Poly Group's subsidiary and other eligible market investors, respectively, and the approval of granting a Specific Mandate to the Board to deal with the New Issues. As such Specific Mandate expired on June 29, 2018, the Company has passed and considered the special resolution at the 2017 Annual General Meeting and the first Class Meeting of H Shareholders in 2018, both convened on June 28, 2018, on the extension of the validity period of the Specific Mandate granted to the Board to deal with the New Issues. According to the resolution, the validity period of the Specific Mandate granted to the Board shall be extended for another 12 months (i.e. from June 29, 2018 to June 28, 2019) to deal with the New Issues. For details about the resolution on the extension of the validity period of the Specific Mandate granted to the Board, please refer to the Company's announcement dated June 28, 2018 and circular dated May 14, 2018.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2018. So far as the Directors are aware, there is no litigation or claims which are pending or threatened against the Company.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Due to personal work arrangement, Mr. Wang Lin and Mr. Huang Geming resigned their positions as non-executive director and Shareholder supervisor of the Company respectively, effective from June 28, 2018. On the same day, the Board of Directors approved to appoint Mr. Huang Geming as a non-executive director at the third session of the Board of the Company until the date of expiry of the term of office of the third session of the Board of the Company and appoint Mr. Hou Hongxiang as a Shareholder supervisor at the third session of the Board of the Company until the date of expiry of the term of office of the third session of the Board of Supervisors of the Company.

The biographical details of Mr. Huang Geming and Mr. Hou Hongxiang are set out below pursuant to the Rule 13.51 (2) of the Listing Rules:

Mr. Huang Geming, aged 50, joined the Company in December 2016 and has been a Shareholder supervisor of the Company since then. Mr. Huang also serves as the assistant to the general manager of Poly Group, the vice general manager of Poly International Holdings Co., Ltd. Mr. Huang served as the vice general manager, the general manager of Poly Energy Holdings Limited, the vice general manager of Poly Investment and other positions. Mr. Huang holds a bachelor degree in Engineering and a bachelor degree in Economics.

Mr. Hou Hongxiang, aged 43, serves as the deputy general manager of Poly International Holdings Co., Ltd. Mr. Hou served as the secretary to the board, the deputy head of general office, the head of board office and other position in Poly Group. Mr. Hou holds a doctoral degree in management and he is a senior economist.

For information on the newly appointed Director and Supervisor, please refer to the Company's announcement dated 28 June 2018 and circular dated 14 May 2018.

Save as disclosed above, the Company did not appoint or dismiss any Director, Supervisor or Senior Management for the six months ended June 30, 2018. 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

From June 30, 2018 to the date of this report, the Company has no significant subsequent event.

Corporate Social Responsibilities

On March 14, 2018, the Awarding Ceremony of the 2018 (Third) Artwork Market Value Chart (2018（第三屆）藝術市場價值榜頒獎盛典) was jointly held by Beijing Business and Beijing Association of Auctioneers in Beijing. Poly Auction won the awards of "Industry influence Auction Company of the Year" and "Market Growth Auction Company of the Year"; the "More Sublime When Looking Up: Chinese Classical Paintings & Calligraphy Evening Sale" of Poly Auction won "Special Auction of the Year for Academic Value" for its excellent performance; and Mr. Zhao Xu, the executive director of Poly Auction, won "Men of Auction of the Year".

From April 27 to 30, 2018, the 13th China (Yiwu) Cultural Products Trade Fair was held at Yiwu International Expo Center. Poly Culture attended the fair with its three major business segments, namely art, cultural and creative, and animation, and launched exhibitions and related thematic forum events such as "Location – the Third Poly Stellaroemia Art Exhibition", "Heritage and Culture – Exhibition of Excellent Cultural and Creative Works", and "The First Ploy Cartoon & Animation Exhibition", creating the most expected highlights of the Cultural Products Trade Fair.

On May 3, 2018, the 6th Thematic Summit of the Chinese Culture Industry was held in Beijing, at which Xu Niansha, chairman of Poly Culture Group, was name "2017 Person of the Year of Chinese Culture Industry".

On May 10, 2018, the 10th list of "Top 30 Cultural Enterprises of China" spearheaded by the Publicity Department of the Communist Party of China and jointly compiled by Guangming Daily and Economic Daily was officially published, in which Poly Culture was again included.

From February 17 to May 31, 2018, Poly Culture Art Center in Vancouver successfully launched the "Essence in Zisha: Eastern Intangible Cultural Heritage of Yixing Stoneware" exhibition. This exhibition is the largest art exhibition of Zisha of Yixing held overseas with the most participating artists, the most abundant works, the highest level, and the largest size. This exhibition chose more than 300 influential works of approximately 200 renowned modern artists of Zisha represented by 10 national masters including Gu Shaopei (顧紹培).

Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2018 – unaudited (Expressed in RMB)

		Six months ended June 30,	
		2018	2017
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	4	**1,673,763**	1,574,901
Cost of sales		**(1,092,174)**	(1,040,532)
Gross profit		**581,589**	534,369
Other revenue	6	**21,967**	25,170
Other net income/(losses)	6	**6,253**	(8,842)
Selling and distribution expenses		**(171,459)**	(150,572)
Administrative expenses		**(221,699)**	(207,236)
Profit from operations		**216,651**	192,889
Finance income		**17,411**	24,945
Finance costs	7(a)	**(7,992)**	(14,493)
Share of losses of associates		**(1,443)**	(565)
Share of profits less losses of joint ventures		**5,228**	(241)
Profit before taxation	7	**229,855**	202,535
Income tax	8	**(65,269)**	(56,271)
Profit for the period		**164,586**	146,264
Attributable to:			
Equity shareholders of the Company		**99,578**	91,703
Non-controlling interests		**65,008**	54,561
Profit for the period		**164,586**	146,264
Earnings per share			
Basic and diluted earnings per share (RMB)	9	**0.40**	0.37

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 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, 2018 – unaudited (Expressed in RMB)

	Six months ended June 30,	
	2018	2017
		(Note)
	RMB'000	RMB'000
Profit for the period	**164,586**	146,264
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside the PRC	**(311)**	(8,779)
Total comprehensive income for the period	**164,275**	137,485
Attributable to:		
Equity shareholders of the Company	**98,624**	87,068
Non-controlling interests	**65,651**	50,417
Total comprehensive income for the period	**164,275**	137,485

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

at June 30, 2018 – unaudited (Expressed in RMB)

	Note	**At June 30, 2018 RMB'000**	At December 31, 2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**808,801**	819,305
Intangible assets		**30,242**	31,251
Goodwill		**173,380**	173,380
Long-term prepayments		**2,940**	3,053
Other financial assets	10	**938,233**	763,688
Interest in associates		**55,864**	17,307
Interest in joint ventures	11	**513,281**	508,053
Deferred tax assets		**35,326**	34,121
		2,558,067	2,350,158
Current assets			
Other financial assets	10	**1,759,460**	1,708,113
Inventories	12	**1,991,158**	1,965,855
Trade receivables	13	**250,990**	187,949
Consignor advances	14	**762,626**	883,727
Deposits, prepayments and other receivables	15	**1,238,410**	1,080,039
Restricted cash		**58,242**	139,494
Deposits with original maturities over three months		**87,060**	86,255
Current tax assets		**22,864**	22,497
Cash and cash equivalents	16	**1,385,553**	1,719,504
		7,556,363	7,793,433
Current liabilities			
Interest-bearing borrowings	17	**2,440,335**	2,217,733
Contract Liabilities		**706,190**	–
Trade and other payables	18	**1,672,882**	2,697,213
Current taxation		**52,223**	94,434
		4,871,630	5,009,380

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

at June 30, 2018 – unaudited (Expressed in RMB)

	Note	At June 30, 2018 RMB'000	At December 31, 2017 (Note) RMB'000
Net current assets		**2,684,733**	2,784,053
Total assets less current liabilities		**5,242,800**	5,134,211
Non-current liabilities			
Interest-bearing borrowings	17	**359,549**	300,000
Deferred revenue		**2,492**	4,331
Deferred tax liabilities		**16,066**	6,821
Trade and other payables	18	**37,157**	31,562
		415,264	342,714
NET ASSETS		**4,827,536**	4,791,497
CAPITAL AND RESERVES			
Share capital	19(b)	**246,316**	246,316
Reserves		**3,913,260**	3,842,388
Total equity attributable to equity shareholders of the Company		**4,159,576**	4,088,704
Non-controlling interests		**667,960**	702,793
Total Equity		**4,827,536**	4,791,497

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 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, 2018 – unaudited (Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2017		246,316	1,982,448	(4,472)	126,639	1,544,858	16,155	3,911,944	541,917	4,453,861
Changes in equity for the six months ended June 30, 2017:										
Profit for the period		–	–	–	–	91,703	–	91,703	54,561	146,264
Other comprehensive loss		–	–	–	–	–	(4,635)	(4,635)	(4,144)	(8,779)
Total comprehensive income for the period		–	–	–	–	91,703	(4,635)	87,068	50,417	137,485
Capital contributions from non-controlling equity owners		–	–	–	–	–	–	–	6,410	6,410
Business combination		–	–	–	–	–	–	–	6,032	6,032
Dividends declared by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	(13,362)	(13,362)
Dividends approved in respect of the previous year	19(a)	–	–	–	–	(67,491)	–	(67,491)	–	(67,491)
Balance At June 30, 2017 and July 1, 2017		246,316	1,982,448	(4,472)	126,639	1,569,070	11,520	3,931,521	591,414	4,522,935
Changes in equity for the six months ended December 31, 2017:										
Profit for the period		–	–	–	–	164,468	–	164,468	93,190	257,658
Other comprehensive loss		–	–	–	–	–	(7,487)	(7,487)	(5,906)	(13,393)
Total comprehensive income for the period		–	–	–	–	164,468	(7,487)	156,981	87,284	244,265
Appropriation of reserve		–	–	–	1,068	(1,068)	–	–	–	–
Capital contributions from non-controlling equity owners		–	–	202	–	–	–	202	19,228	19,430
Business combination		–	–	–	–	–	–	–	6,704	6,704
Dividends declared by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	(1,837)	(1,837)
Balance At December 31, 2017 (Note)		246,316	1,982,448	(4,270)	127,707	1,732,470	4,033	4,088,704	702,793	4,791,497

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 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, 2018 – unaudited (Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance At December 31, 2017		**246,316**	**1,982,448**	**(4,270)**	**127,707**	**1,732,470**	**4,033**	**4,088,704**	**702,793**	**4,791,497**
Impact on initial application of IFRS 9	3	-	-	-	-	23,235	-	23,235	-	23,235
Adjusted balance at January 1, 2018		**246,316**	**1,982,448**	**(4,270)**	**127,707**	**1,755,705**	**4,033**	**4,111,939**	**702,793**	**4,814,732**
Changes in equity for the six months ended June 30, 2018:										
Profit for the period		-	-	-	-	99,578	-	99,578	65,008	164,586
Other comprehensive (loss)/income		-	-	-	-	-	(954)	(954)	643	(311)
Total comprehensive income for the period		-	-	-	-	99,578	(954)	98,624	65,651	164,275
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	828	828
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(101,312)	(101,312)
Dividends approved in respect of the previous year	19(a)	-	-	-	-	(50,987)	-	(50,987)	-	(50,987)
Balance At June 30, 2018		**246,316**	**1,982,448**	**(4,270)**	**127,707**	**1,804,296**	**3,079**	**4,159,576**	**667,960**	**4,827,536**

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2018 – unaudited (Expressed in RMB)

		Six months ended June 30,	
		2018	2017
			(Note)
	Note	**RMB'000**	RMB'000
Operating activities			
Cash used in operations		**(431,689)**	(476,212)
Tax paid		**(107,059)**	(63,708)
Net cash used in operating activities		**(538,748)**	(539,920)
Net cash generated from/(used in) investing activities		**18,560**	(793,829)
Net cash generated from financing activities		**186,885**	1,130,210
Net decrease in cash and cash equivalents		**(333,303)**	(203,539)
Cash and cash equivalents at January 1	16	**1,719,504**	1,371,586
Effect of foreign exchange rates changes		**(648)**	(1,921)
Cash and cash equivalents at June 30	16	**1,385,553**	1,166,126

Note: The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 32 to 69 are an integral part of these unaudited condensed consolidated interim financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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

2 BASIS OF PREPARATION

These interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 15, 2018.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an 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 2017 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"). These interim financial statements are unaudited.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15:

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Overview *(Continued)*

	At December 31, 2017	Impact on initial application of IFRS 9 (Note 3 (b))	Impact on initial application of IFRS 15 (Note 3 (c))	At January 1, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale equity securities	111,835	(111,835)	–	–
Financial assets measured at FVPL	–	142,816	–	142,816
Total non-current assets	**2,350,158**	**30,981**	**–**	**2,381,139**
Deposits, prepayments and other receivables	1,080,039	(17,500)	–	1,062,539
Financial assets measured at FVPL	–	17,500	–	17,500
Total current assets	**7,793,433**	**–**	**–**	**7,793,433**
Contract liabilities	–	–	(582,585)	(582,585)
Trade and other payables	(2,697,213)	–	582,585	(2,114,628)
Total current liabilities	**(5,009,380)**	**–**	**–**	**(5,009,380)**
Net current assets	**2,784,053**	**–**	**–**	**2,784,053**
Total assets less current liabilities	**5,134,211**	**30,981**	**–**	**5,165,192**
Deferred tax liabilities	(6,821)	(7,746)	–	(14,567)
Total non-current liabilities	**(342,714)**	**(7,746)**	**–**	**(350,460)**
Net assets	**4,791,497**	**23,235**	**–**	**4,814,732**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement.* It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at January 1, 2018.

Retained earnings	RMB'000
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	30,981
Related tax	(7,746)
Net increase in retained earnings at January 1, 2018	23,235

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

(i) *Classification of financial assets and financial liabilities* *(Continued)*

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other revenue.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(i) *Classification of financial assets and financial liabilities* (Continued)

	IAS 39 carrying amount at December 31, 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	**IFRS 9 carrying amount at January 1, 2018 RMB'000**
Financial assets carried at amortised cost				
Deposits, prepayments and other receivables	1,080,039	(17,500)	–	**1,062,539**
Financial assets carried at FVPL				
Available-for-sale equity securities (note (i))	–	111,835	30,981	**142,816**
Prepayments for film production (note (ii))	–	17,500	–	**17,500**
	–	129,335	30,981	**160,316**
Financial assets classified as available-for-sale under IAS 39 (note (i))	111,835	(111,835)	–	**–**

Notes:

(i) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group.

(ii) Prepayments for film production of RMB17,500,000 were reclassified to Financial assets carried at FVPL at January 1, 2018 as a result of the initial application of IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

(i) Classification of financial assets and financial liabilities *(Continued)*

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

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

After initial recognition at fair value, an issuer of such a contract shall subsequently measure it at the higher of: (i) the amount of the loss allowance determined in accordance with Note 3(b)(ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The carrying amounts for all financial liabilities of the Company and its subsidiaries as at January 1, 2018 have not been significantly impacted by the initial application of IFRS 9.

The Company and its subsidiaries did not designate or de-designate any financial asset or financial liability at FVPL as at January 1, 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

Financial assets measured at fair value, including equity securities measured at FVPL and prepayments for film production, are not subject to the ECL assessment.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) Credit losses *(Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) *Credit losses* *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

The Group assessed the ECLs of financial assets measured at amortised cost as at January 1, 2018. There was no significant change to the loss allowance for these financial assets of the Group as at January 1, 2018.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts,* which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before January 1, 2018.

The adoption of IFRS 15 did not have a material impact on the consolidated financial statements except for presentation.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to “Receipts in advance” were presented in the statement of financial position under “Trade and other payables”.

To reflect these changes in presentation, the Group have made the following adjustments as at January 1, 2018, as a result of the adoption of IFRS 15:

“Trade and other payables – Receipts in advance” amounting to RMB582,585,000 as at January 1, 2018 is now included under contract liabilities.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4 REVENUE

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

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Revenue from art business and auction	**557,777**	646,458
Revenue from performance and theatre management	**686,259**	560,599
Revenue from cinema investment and management	**418,283**	365,113
Revenue from other services	**11,444**	2,731
	1,673,763	1,574,901

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, 2018:

– Art business and auction: including auction, buy and sale of antiques, modern and contemporary calligraphy and painting, ancient calligraphy and painting, oil painting and sculpture and other cultural relics and artwork. It also provides artwork investment consultation and other services, earns interest income and revenue from consignor advances and loans granted under financial arrangements.

– Performance and theatre management: including daily management of theatre, arrangement of performances, leases of theatres and theatre design consultation services.

– Cinema investment and management: including cinema construction and cinema operation.

(a) Segment results, assets and liabilities

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

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

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

Segment profit represents revenue less cost of sales, and includes selling and distribution expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate other revenue and other net income/(losses), share of losses of associates, share of profits less losses of joint ventures, fair value change through profit and loss, depreciation and amortisation, finance income, finance costs and unallocated head office and corporate expenses are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation and amortisation, 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, 2018 and 2017 are set out below:

5 SEGMENT REPORTING *(Continued)*

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

	Six months ended June 30, 2018			
	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	**557,777**	**686,259**	**418,283**	**1,662,319**
Inter-segment revenue	**6,446**	**–**	**–**	**6,446**
Reportable segment revenue	**564,223**	**686,259**	**418,283**	**1,668,765**
Reportable segment profit	**186,164**	**32,041**	**74,322**	**292,527**
Depreciation and amortisation	**(5,974)**	**(4,163)**	**(64,618)**	**(74,755)**
Finance income	**14,343**	**5,109**	**224**	**19,676**
Finance costs	**(39,035)**	**–**	**(11,022)**	**(50,057)**
Reportable segment assets	**7,163,808**	**870,264**	**1,276,153**	**9,310,225**
Reportable segment liabilities	**5,406,061**	**549,542**	**1,368,449**	**7,324,052**

	Six months ended June 30, 2017			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Revenue from external customers	646,458	560,599	365,113	1,572,170
Inter-segment revenue	4	–	–	4
Reportable segment revenue	646,462	560,599	365,113	1,572,174
Reportable segment profit	215,716	32,537	42,357	290,610
Depreciation and amortisation	(6,523)	(3,531)	(54,535)	(64,589)
Finance income	23,692	4,954	646	29,292
Finance costs	(37,804)	–	(11,186)	(48,990)
Reportable segment assets	6,075,698	744,342	1,174,668	7,994,708
Reportable segment liabilities	4,407,337	466,476	1,405,858	6,279,671

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2018 and 2017.

5 SEGMENT REPORTING *(Continued)*

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

	Six months ended June 30, 2018 RMB'000	2017 RMB'000
Reportable segment profit	**292,527**	290,610
Revenue from other services	**11,444**	2,731
Unallocated head office and corporate other revenue and other net gain/(losses)	**4,864**	(19,645)
Share of losses of associates	**(1,443)**	(565)
Share of profits less losses of joint ventures	**5,228**	(241)
Fair value change through profit and loss	**7,014**	–
Depreciation and amortisation	**(75,751)**	(65,426)
Finance income	**17,411**	24,945
Finance costs	**(7,992)**	(14,493)
Unallocated head office and corporate expenses	**(23,447)**	(15,381)
Consolidated profit before taxation	**229,855**	202,535

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Assets		
Reportable segment assets	**9,310,225**	9,527,915
Elimination of inter-segment receivables	**(3,041,379)**	(2,824,401)
Available-for-sale equity securities	**–**	111,835
Unlisted equity securities	**149,830**	–
Interests in associates	**55,864**	17,307
Interests in joint ventures	**513,281**	508,053
Deferred tax assets	**35,326**	34,121
Unallocated head office and corporate assets	**3,091,283**	2,768,761
Consolidated total assets	**10,114,430**	10,143,591
Liabilities		
Reportable segment liabilities	**7,324,052**	7,394,654
Elimination of inter-segment payables	**(3,041,379)**	(2,824,401)
Current taxation	**52,223**	94,434
Deferred tax liabilities	**16,066**	6,821
Unallocated head office and corporate liabilities	**935,932**	680,586
Consolidated total liabilities	**5,286,894**	5,352,094

5 SEGMENT REPORTING *(Continued)*

(c) Geographic information

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

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

	Revenue from external customers		**Non-current assets**	
	Six months ended June 30,		**At June 30,**	At December 31,
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**1,503,802**	1,434,071	**2,423,839**	2,305,648
Others	**169,961**	140,830	**98,902**	10,389
	1,673,763	1,574,901	**2,522,741**	2,316,037

6 OTHER REVENUE AND OTHER NET INCOME/(LOSSES)

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Other revenue		
Government grants	**12,305**	10,964
Dividend income from unlisted equity securities	**2,938**	2,087
Others	**6,724**	12,119
	21,967	25,170
Other net income/(losses)		
Net foreign exchange loss	**(571)**	(8,894)
Net (loss)/gain on disposal of property, plant and equipment	**(190)**	52
Fair value change through profit and loss	**7,014**	–
	6,253	(8,842)

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Interest expenses	**8,824**	14,576
Less: interest expense capitalised into property, plant and equipment	**832**	83
	7,992	14,493

(b) Staff costs

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**326,918**	279,193
Contributions to defined contribution retirement plans	**34,096**	28,639
	361,014	307,832

(c) Other items

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Depreciation	**74,542**	64,734
Amortisation	**1,209**	692
Impairment losses/(recovery)		
– trade receivables	**302**	(931)
– deposits, prepayments and other receivables	**(67)**	(2,828)
Operating lease charges	**112,623**	98,301

8 INCOME TAX

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Current tax – PRC corporate income tax	**52,914**	47,900
Current tax – Other regions	**11,935**	10,830
Deferred taxation	**420**	(2,459)
	65,269	56,271

Notes:

(i) The Company and its PRC subsidiaries are subject to standard PRC corporate income tax rate of 25% (2017: 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 RMB99,578,000 for the six months ended June 30, 2018 (six months ended June 30, 2017: RMB91,703,000) 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,	
	2018	2017
	No. of shares	No. of shares
Ordinary shares issued at January 1	**246,316,000**	246,316,000
Effect of issuance of shares	**–**	–
Weighted average number of ordinary shares at June 30	**246,316,000**	246,316,000

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2018 and 2017. Accordingly, diluted earnings per share is the same as the basic earnings per share.

10 OTHER FINANCIAL ASSETS

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Available-for-sale equity securities:		
– Unlisted	**–**	111,835
Financial assets measured at FVPL:		
– Unlisted equity securities (note (i))	**149,830**	–
– Prepayments for film production (note(i))	**17,500**	–
	167,330	111,835
Financial assets measured at amortised cost:		
– Loans granted under financing arrangements (note (ii))		
– Within 1 year or on demand	**1,729,960**	1,699,113
– After 1 year but within 2 years	**788,403**	651,853
– Loans to an associate	**12,000**	9,000
	2,530,363	2,359,966
	2,697,693	2,471,801

Notes:

(i) Unlisted equity securities and prepayments for film production were reclassified to financial assets measured at FVPL upon the initial application of IFRS 9 at January 1, 2018 (see note 3(b)(i)).

(ii) Poly Culture North America investment Corporation Limited, Poly Ronghe Financial Leasing Corporation Limited and Beijing Poly Art Investment Management Corporation Limited granted term loans to third parties secured by works of art which bear interest from 6.45% to 15% per annum.

11 INTEREST IN JOINT VENTURES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Unlisted shares, at cost	**529,926**	529,926
Share of net assets	**(16,645)**	(21,873)
Total	**513,281**	508,053

(Expressed in RMB unless otherwise indicated)

11 INTEREST IN JOINT VENTURES *(Continued)*

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

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

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

12 INVENTORIES

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

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Antiques, works of art	**1,422,198**	1,430,111
Calligraphy, painting and sculptures	**488,918**	449,933
Small value items for resale	**12,594**	9,450
Low value materials	**593**	565
Drama rights	**7,688**	8,796
Film production	**59,167**	67,000
	1,991,158	1,965,855

(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,	
	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**68,571**	181,422

13 TRADE RECEIVABLES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	**2,536**	2,949
– third parties	**252,974**	189,220
	255,510	192,169
Less: allowance for doubtful debts	**4,520**	4,220
	250,990	187,949

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

(a) Aging analysis

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

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Within 1 month	**107,913**	85,525
1 to 3 months	**24,833**	26,294
3 to 6 months	**28,235**	4,825
6 to 12 months	**46,062**	26,054
Over 1 year	**43,947**	45,251
	250,990	187,949

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

(b) Impairment of trade receivables

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

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, 2018, 17.2% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2017: 19.9%).

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

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Prepayments for auctioned artwork	**754,477**	704,704
Receivables for auctioned artwork	**74,947**	23,574
Prepayments for purchase of inventories	**68,646**	26,394
Prepayments for performance	**43,379**	25,724
Rental deposits	**25,312**	23,666
Guarantee deposits	**54,578**	54,580
Interest receivables from consignor advances on auctioned artwork	**70,125**	76,319
Advances to staff for business related activities	**19,046**	15,915
Investment deposit	**31,000**	30,000
Prepayments for film production	**9,000**	21,100
Others	**89,438**	79,668
	1,239,948	1,081,644
Less: allowance for doubtful debts	**1,538**	1,605
	1,238,410	1,080,039

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, 2018 RMB'000	At December 31, 2017 RMB'000
Cash at bank and on hand	**1,385,553**	1,719,504

17 INTEREST-BEARING BORROWINGS

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

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Current Interest-bearing borrowings		
Bank loans		
– Unsecured	**1,979,135**	1,756,533
Borrowings from joint ventures (note (i))	**61,200**	61,200
Debentures (note (ii))	**300,000**	300,000
Borrowings from related party (note (iii))	**100,000**	100,000
	2,440,335	2,217,733
Non-current Interest-bearing borrowings		
Bonds (note (iv))	**300,000**	300,000
Bank loans		
– Unsecured	**59,549**	–
	359,549	300,000
	2,799,884	2,517,733

17 INTEREST-BEARING BORROWINGS *(Continued)*

(a) The analysis of the carrying amount of Interest-bearing Borrowings of the Group is as follows: *(Continued)*

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

Notes:

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

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

(iii) On December 27, 2017, the Group entered into a receivables factoring agreement with Poly Financial Leasing Co.,Ltd. ("Poly Leasing") and transferred certain receivables to Poly Leasing. The Group retained substantially all risks and rewards of the transferred receivables, and accordingly, it continues to recognise the full carrying amounts of transferred receivables and the associated liabilities which were the borrowings from related party. As at June 30, 2018, the carrying amounts of the transferred receivables not derecognised and the borrowings from related party were RMB112,166,667 and RMB100,000,000 respectively. The term of borrowings from related party is 10 months, bearing interest at 6% per annum.

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

(b) At June 30, 2018, the Interest-bearing borrowings were repayable as follows:

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Within 1 year or on demand	**2,440,335**	2,217,733
After 1 year but within 2 years	**359,549**	–
After 2 years but within 3 years	**–**	300,000
	2,799,884	2,517,733

18 TRADE AND OTHER PAYABLES

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Current		
Trade payables to		
– related parties	**74,292**	76,427
– third parties	**206,433**	219,499
	280,725	295,926
Interest payables		
– related parties	**9,518**	8,815
– third parties	**16,466**	16,291
Payables for staff related costs	**83,621**	37,351
Payables for other taxes and surcharges	**15,635**	41,723
Dividends payable	**52,994**	–
Other accruals and payables		
– related parties	**11,730**	7,178
– third parties	**1,202,193**	1,707,344
Financial liabilities measured at amortised cost	**1,672,882**	2,114,628
Receipts in advance (note)		
– related parties	**–**	21,664
– third parties	**–**	560,921
	–	582,585
	1,672,882	2,697,213
Non-current		
Payable for purchase of equipment		
– related parties	**2,052**	2,693
– third parties	**35,105**	28,869
	37,157	31,562

As at June 30, 2018, all current trade and other payables of the Group are expected to be settled within one year or are repayable on demand.

Note:

As a result of the adoption of IFRS 15, gross amount due to customers for receipts in advance are included in contract liabilities (see note 3(c)).

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,	
	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.207 per ordinary share (six months ended June 30, 2017: RMB0.274 per ordinary share)	**50,987**	67,491

(b) Share capital

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

	At June 30, 2018		At December 31, 2017	
	No, of shares '000	**RMB'000**	No, of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1 / 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.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at June 30, 2018 categorised into		
	Fair value at June 30, 2018 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Available-for-sale equity securities				
– Unlisted	**149,830**	**–**	**–**	**149,830**
Prepayments for film production (note)	**17,500**	**–**	**–**	**17,500**

		Fair value measurements as at December 31, 2017 categorised into		
	Fair value at December 31, 2017 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale equity securities				
– Unlisted	111,835	–	–	111,835

Note: Prepayments for film production were reclassified to financial assets measured at FVPL upon the initial application of IFRS 9 at January 1, 2018 (see note 3(b)(i)).

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

During the six months ended June 30, 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at December 31, 2017 and June 30, 2018.

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, 2018 RMB'000	At December 31, 2017 RMB'000
Contracted for	**158,621**	120,401
Authorised but not contracted for	**830,447**	938,933
	989,068	1,059,334

22 CONTINGENT ASSETS AND LIABILITIES

(a) Financial guarantees issued

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

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Financial guarantees to banks and other financial institutions for subsidiaries	**1,704,514**	1,723,222

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

(b) Contingent liabilities

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

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

	At June 30, 2018 RMB'000	At December 31, 2017 RMB'000
Trust related	**235,709**	328,108

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, 2018. After consulting the legal professional advice, the Group's management believes such litigation will not have a significant impact to the Group.

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, 2018 and 2017:

(a) Name and relationship with related parties

During the six months ended June 30, 2018 and 2017, 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	Joint venture of the Group
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited ("Shengjing Poly") 瀋陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Beijing Xijie XingX International Cinema Corporation Limited 北京希傑星星國際影城有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited 希傑星星（天津）國際影城有限公司	Joint venture of the Group
Xijie XingX (Fushun) Cinema Corporation Limited 希傑星星（撫順）影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited 希傑星星（上海）影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited 中山希傑星星影城有限公司	Joint venture of the Group
Wuhan Xijie XingX Tiandi Cinema Corporation Limited 武漢希傑星星天地影城有限公司	Joint venture of the Group

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties

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

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Sales to		
Poly Group and its affiliates	**1,037**	1,737
Service provided to		
Poly Group and its affiliates	**31**	2,100
Receiving Service (note (iii))		
Poly Group and its affiliates	**132,099**	111,845
Office rental from (note (iv))		
Poly Group and its affiliates	**16,308**	14,279
Interest income from		
Poly Group and its affiliates	**1,150**	1,922
Property management services (note (v))		
Poly Group and its affiliates	**4,885**	4,123
Repayment of loans (note (vi))		
Poly Group and its affiliates	**100,000**	100,000
Borrowings from (note (vi))		
Poly Group and its affiliates	**100,000**	–
Borrowing costs to		
Poly Group and its affiliates	**3,000**	1,389
Borrowings from (note (vii))		
Joint ventures	**–**	61,200
Borrowing costs to		
Joint ventures	**949**	480
Repayment of loans		
Shengjing Poly	**–**	2,000
Borrowing costs to		
Shengjing Poly	**–**	131
Loans to (note (viii))		
Eastern Poly	**3,000**	7,000
Interest expenses (note (ix))		
Poly Group and its affiliates	**40**	20

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

(iv) Poly Art Centre paid nil rent to Poly Group for its use of office space for the six months ended June 30, 2018 and 2017.

(v) Property management services are for the purpose of office premises, cinema operation, theatre operation, auction business operation and ancillary service.

(vi) Repayment of loans and borrowings loans from Poly Finance was recognised in interest-bearing borrowings.

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

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

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

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, 2018 RMB'000	At December 31, 2017 RMB'000
Cash and cash equivalents (note)		
Poly Group and its affiliates	**21,383**	73,962
Deposits with original maturities over three months (note)		
Poly Group and its affiliates	**40,517**	56,108
Interest bearing borrowings		
Poly Group and its affiliates	**250,000**	250,000
Interest bearing borrowings		
Joint ventures	**61,200**	61,200
Trade receivables		
Poly Group and its affiliates	**2,536**	2,949
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**35,037**	50,009
Trade and other payables		
Poly Group and its affiliates	**97,592**	116,777
Contract Liabilities		
Poly Group and its affiliates	**21,706**	–

Note:

The Board announces that on November 5, 2014, the Company and Poly Finance entered into the Financial Services Agreement, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services to the Group pursuant to the terms and conditions under the Financial Services Agreement. The maximum daily deposit balance for deposit services is RMB0.9 billion and the maximum daily lending balance for credit lending services is RMB0.6 billion. The interest rates of Poly Finance are ranged from 1.035% to 4.06% according to the period 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, 2018, there was no material outstanding contribution to post-employment benefit plans.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event from June 30, 2018 to the date of this report.

26 COMPARATIVE FIGURES

The group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2018

A number of amendments and new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9 (see note 3(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2018 *(Continued)*

IFRS 16, *Leases* *(Continued)*

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by June 30, 2018:

	Properties, plant and equipment RMB'000
Amounts payable:	
Within 6 months	78,811
After 6 months but within 1 year	97,472
After 1 year but within 5 years	541,558
After 5 years	998,739
	1,716,580

Upon the initial adoption of IFRS 16 at January 1, 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.

Definitions

"Audit Committee"	the Audit Committee of the Board of Directors
"Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors 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
"Companies Ordinance"	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"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 fully paid up in Renminbi
"EUR" or "Euro"	euro, the lawful currency of the European Union countries
"Group"	the Company and its Subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"H Shares"	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each
"International Accounting Standards"	International Accounting Standards and its notes

"Latest Practicable Date"	August 27, 2018, 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)
"Poly Auction Beijing"	Beijing Poly International Auction Co., Ltd. (北京保利國際拍賣有限公司)
"Poly Culture Industrial Fund"	Poly Culture Industrial Investment Fund Co., Ltd (保利文化產業基金管理有限公司)
"Poly 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 Ronghe"	Poly Ronghe Financial Leasing Corporation Limited (保利融禾融資租賃有限公司)
"Poly Southern"	Poly Southern Group Co., Ltd. (保利南方集團有限公司), a state-owned company incorporated in the PRC, a wholly-owned subsidiary of Poly Group and a Substantial Shareholder of our Company
"Poly Theatre Management"	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
"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

Definitions

"Reporting Period"	for the six months ended June 30, 2018
"RMB or Renminbi"	the lawful currency of the PRC
"Senior Management"	the senior management of the Company
"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
Zhengzhou Poly "Real Estate"	Zhengzhou Poly Yong He Real Estate Development Co., Ltd. (鄭州保利永和地產開發有限公司), a company with limited liability incorporated in the PRC in August 2015

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

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