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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

The board of directors (the "Board") of Poly Culture Group Corporation Limited (the "Company", "Poly Culture", "our" or "we") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2016, together with the comparative figures for the corresponding period in 2015. The results have been prepared in accordance with the International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended June 30, 2016 – unaudited

(Expressed in Renminbi ("RMB"))

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2016 – unaudited

(Expressed in RMB)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	At June 30 2016 RMB'000	At December 31 2015 RMB'000
Non-current assets			
Property, plant and equipment		**605,305**	596,564
Long-term prepayments		**3,391**	3,504
Other financial assets		**485,579**	69,741
Interest in associates		**6,527**	4,211
Interest in joint ventures		**40,702**	32,533
Deferred tax assets		**10,085**	12,073
		1,151,589	718,626
Current assets			
Inventories		**1,715,877**	1,661,343
Trade and bills receivables	*10*	**112,012**	148,106
Consignor advances		**1,569,285**	1,027,364
Deposits, prepayments and other receivables		**993,707**	675,182
Restricted cash		**780**	1,000
Banks deposits with original maturities over three months		**73,989**	70,112
Cash and cash equivalents		**1,269,096**	1,415,268
		5,734,746	4,998,375
Current liabilities			
Bank loans		**387,671**	25,133
Trade and other payables		**2,029,010**	1,497,782
Current taxation		**32,800**	62,989
		2,449,481	1,585,904
Net current assets		**3,285,265**	3,412,471
Total assets less current liabilities		**4,436,854**	4,131,097

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At June 30, 2016 – unaudited
(Expressed in RMB)

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

NOTES

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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

2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on August 25, 2016.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

4 REVENUE

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

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

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

5 SEGMENT REPORTING

The Group manages its businesses by subsidiaries, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments for the six months ended June 30, 2016:

- Art business and auction: including auction, buy and sale of Chinese antiques, Chinese modern and contemporary calligraphy and painting, Chinese ancient calligraphy and painting, Chinese oil painting and sculpture and other Chinese cultural relics and artwork. It also provides artwork investment consultation and other services and earns interest revenue from consignor advances.

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

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

(a) Segment results, assets and liabilities

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended June 30, 2016 and 2015 are set out below:

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

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

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

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

	Six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Reportable segment profit	**241,574**	149,359
Revenue from other services	**8,568**	–
Unallocated head office and corporate other revenue and other net gain	**11,321**	2,693
Share of losses of joint ventures	**(1,831)**	(2,635)
Share of losses of associates	**(2,184)**	(762)
Depreciation	**(51,845)**	(41,321)
Finance income	**54,387**	42,946
Finance costs	**(4,060)**	(4,206)
Unallocated head office and corporate expenses	**(25,842)**	(14,932)
Consolidated profit before taxation	**230,088**	131,142

	At June 30,	At December 31,
	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**6,427,066**	5,430,647
Elimination of inter-segment receivables	**(2,421,204)**	(2,229,756)
Interest in joint ventures	**40,702**	32,533
Interest in associates	**6,527**	4,211
Other financial assets	**485,579**	69,741
Deferred tax assets	**10,085**	12,073
Unallocated head office and corporate assets	**2,337,580**	2,397,552
Consolidated total assets	**6,886,335**	5,717,001
Liabilities		
Reportable segment liabilities	**4,608,235**	3,733,397
Elimination of inter-segment payables	**(2,421,204)**	(2,229,756)
Current tax liabilities	**32,800**	62,989
Deferred tax liabilities	**203**	199
Unallocated head office and corporate liabilities	**491,836**	111,349
Consolidated total liabilities	**2,711,870**	1,678,178

(c) Geographic information

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

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

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

6 OTHER REVENUE AND OTHER NET INCOME

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

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Staff costs

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

(c) Other items

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

8 INCOME TAX

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

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

Notes:

(i) The Company and its PRC subsidiaries are subject to standard PRC corporate income tax rate of 25% (2015: 25%).

(ii) Two subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation. Three subsidiaries of the Group are incorporated and carried out business in Hong Kong and are subject to Hong Kong Profits Tax at 16.5%. One subsidiary of the Group is incorporated and carried out business in Macau and are subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB117,510,000 for the six months ended June 30, 2016 (six months ended June 30, 2015: RMB70,523,000) and the weighted average number of ordinary shares in issue as at the end of each interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Ordinary shares issued at January 1	**246,316,000**	246,316,000
Effect of issuance of shares	**–**	–
Weighted average number of ordinary shares at June 30	**246,316,000**	246,316,000

(b) Diluted earnings per share

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

10 TRADE AND BILLS RECEIVABLES

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

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

Aging analysis

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

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

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

11 DIVIDENDS

(a) 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.

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

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

12 SHARE CAPITAL

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

	At June 30, 2016		At December 31, 2015	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At January 1 / June 30 / December 31	**246,316**	**246,316**	246,316	246,316

13 SUBSEQUENT EVENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Segment Business Information

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

Art Business and Auction Business

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

In the first half of 2016, Beijing Poly International Auction Co., Ltd. ("Poly Auction Beijing") achieved an auction turnover of RMB3.14 billion, of which RMB2.858 billion was generated from the Spring Auction, ranking the first for 16 consecutive times in the domestic large-scale artwork auction, among which, 47 auctioned artworks and 113 auctioned artworks reached more than RMB10 million and more than RMB5 million in terms of turnover, respectively. "The Yun Zhong Jun and Da Si Ming (雲中君與大司命)" of Fu Baoshi was traded at RMB230 million, recording the highest auction price in global auctions of Chinese artwork in this spring. Poly International Auction (Xiamen) Co., Ltd. successfully held the Spring Auction and a boutique auction, with a turnover of RMB182 million.

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

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

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

Performance and Theatre Management Business

Beijing Poly Theatre Management Co., Ltd. ("Poly Theatre Management") steadily expanded the scale of its theatre network, improved the contents construction, actively developed industry chain, and maintained favorable growth.

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

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

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

Cinema Investment and Management Business

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

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

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

Art Education Business

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

Cultural Finance Business

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

Culture Tourism and Culture Asset Operation and Management Business

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

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

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

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

II. Results Analysis and Discussion

Overview of Our Operating Results

Revenue

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

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

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

Gross profit

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

Other net income

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

Selling and distribution expenses

Selling and distribution expenses increased by 18.1% from RMB119.4 million for the six months ended June 30, 2015 to RMB141.0 million for the six months ended June 30, 2016, primarily due to an increase in staff costs as a result of an increase in the headcount of selling and marketing employees.

Administrative expenses

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

Reportable segment profit

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

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

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

Finance income

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

Finance costs

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

Income tax

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

Profit for the period

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

Liquidity and Capital Resources

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

The net cash inflow from operating activities amounted to RMB315.3 million for the six months ended June 30, 2016 (net cash inflow for the six months ended June 30, 2015 was RMB307.2 million). The net cash outflow from investing activities amounted to RMB1,001.8 million, mainly arising from payment for consignor advances and granted loans. The net cash inflow from financing activities amounted to RMB539.5 million, mainly arising from the increase of bank loans. As such, there was still a decrease in cash and cash equivalents of approximately RMB147.0 million as compared to that at the end of last year.

Changes to Key Items in Consolidated Statement of Financial Position

Property, plant and equipment

Property, plant and equipment mainly include but not limited to cinema equipment and self-owned offices. Our property, plant and equipment increased by 1.5% from RMB596.6 million as at December 31, 2015 to RMB605.3 million as at June 30, 2016, primarily due to the expansion of our cinema network.

Current assets and current liability

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

Inventories

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

Consignor advances

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

Deposits, prepayments and other receivables

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

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

Indebtedness

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

Under artwork financing trust plans, we are obliged to fund the difference between the total expected monetary trust property and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees), if the borrower and its guarantor fail to repay such amounts. As at June 30, 2016, our maximum exposure amounted to RMB139.1 million.

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

Capital Expenditure

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

Employee Remuneration and Policy

As at June 30, 2016, our Group had 5,703 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board taking into consideration of the performance, experience and operational capacity of our employees. As at June 30, 2016, there has been no material change to our remuneration policy and training plans. Please refer to the Note 7 to the Financial Statements of this announcement for details of the employee remuneration of the Company.

Risks Relating to Fluctuation of Interest Rates

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

III. Outlook

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

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

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

Art business and auction business

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

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

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

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

Performance and theatre management business

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

Cinema investment and management business

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

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the six months ended June 30, 2016.

INTERIM DIVIDEND

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

SUBSEQUENT EVENT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet its business needs and shareholders' expectation. For the six months ended June 30, 2016, the Company had complied with all code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules, and had adopted most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors and Supervisors. Having made specific enquiries, the Company confirms that all Directors and Supervisors have complied with the required standard as set out in the Model Code for the six months ended June 30, 2016.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed and confirmed the Company's interim results announcement for the six months ended June 30, 2016, the 2016 Interim Report and the unaudited interim financial statements for the six months ended June 30, 2016 prepared in accordance with IAS 34 "Interim Financial Reporting".

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This interim results announcement will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn).

The Company's 2016 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn) in due course.

By order of the Board
Poly Culture Group Corporation Limited
Xu Niansha
Chairman

Beijing, the PRC
August 25, 2016

As at the date of this announcement, the executive Directors are Mr. Xu Niansha, Mr. Li Nan, Mr. Zhang Xi and Mr. Jiang Yingchun, the non-executive Directors are Mr. Wang Lin and Mr. Zhao Zigao, and the independent non-executive Directors are Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming.