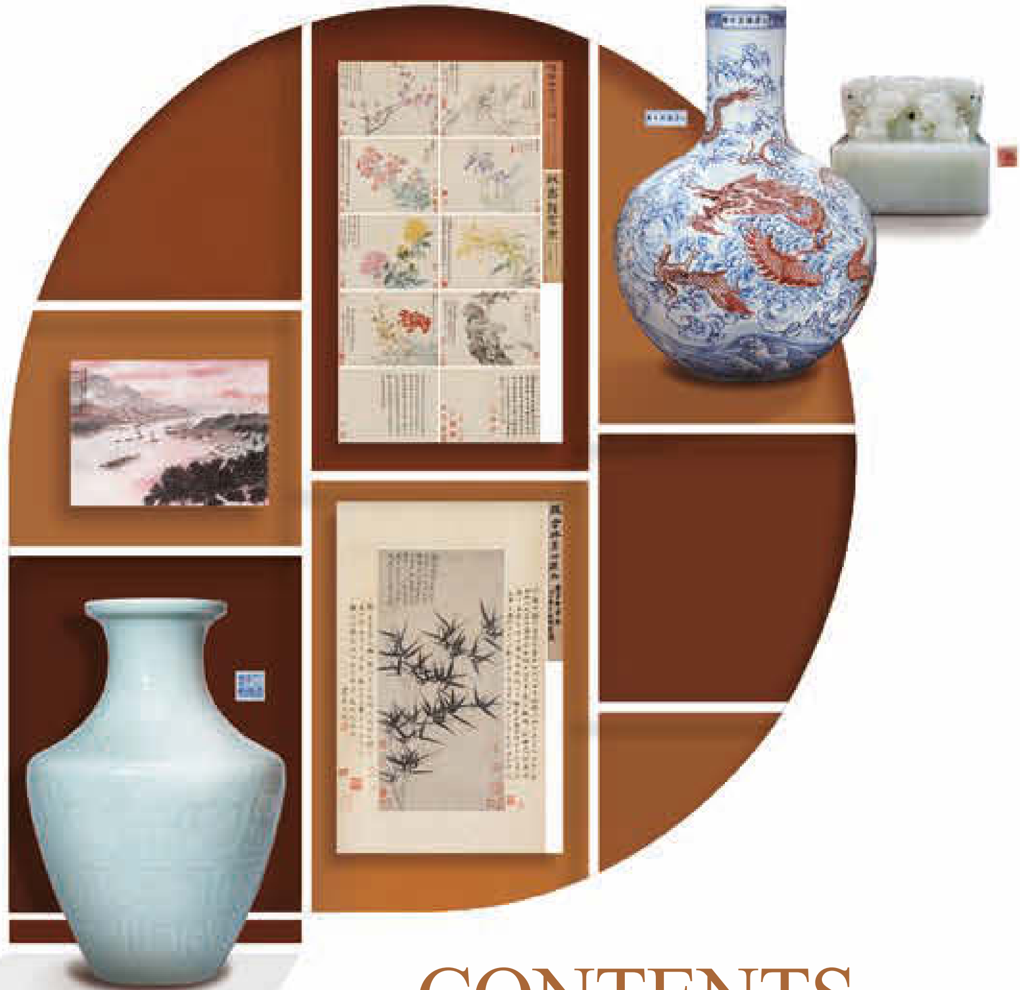
保利文化集團股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636

2019
INTERIM REPORT



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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[1]
Mr. Li Weiqiang[2]

Non-executive Directors

Mr. Wang Keling
Mr. Huang Geming

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. Leung Suet Lun
31st Floor, Tower 2, Times Square, 1 Matheson
Street, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Ms. Wang Wei
Ms. Leung Suet Lun

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

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1 Mr. Hu Jiaquan resigned on June 21, 2019.
2 Mr. Li Weiqiang was appointed on June 21, 2019.

Financial Highlight

	Six months ended June 30, 2019 RMB'000	2018 RMB'000
Revenue	**1,749,946**	1,673,763
Profit from operations	**207,919**	216,651
Profit before taxation	**174,069**	229,855
Income tax	**(54,493)**	(65,269)
Profit for the period	**119,576**	164,586
Profit attributable to:		
Equity Shareholders of the Company	**81,799**	99,578
Non-controlling interests	**37,777**	65,008
Earnings per share		
Basic and diluted earnings per share (RMB)	**0.33**	0.4
Total comprehensive income for the period	**125,639**	164,275
Total comprehensive income attributable to:		
Equity Shareholders of the Company	**87,001**	98,624
Non-controlling interests	**38,638**	65,651

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Total non-current assets	**3,762,272**	2,535,580
Total current assets	**8,757,283**	7,910,528
Total assets	**12,519,555**	10,446,108
Total current liabilities	**5,763,550**	4,310,307
Total non-current liabilities	**1,837,593**	1,133,940
Total liabilities	**7,601,143**	5,444,247
Net Assets	**4,918,412**	5,001,861
Total equity attributable to the equity Shareholders of the Company	**4,283,735**	4,318,448
Non-controlling interests	**634,677**	683,413
Total equity	**4,918,412**	5,001,861

The financial information of the Group for the six months ended June 30, 2019 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, 2019 were unaudited.

I. SEGMENT BUSINESS INFORMATION

In the first half of 2019, under the leadership of the Board, Poly Culture maintained steady development in existing principal businesses and stepped up innovation in business development. We steadily moved forward in all fronts.

Yongzheng Period, Qing Dynasty A magnificently rare blue and white with copper red "dragon" bottle vase, TIANQIUPING sold at RMB 147,200,000

Early Ming Dynasty A sitting statue of Tongguan Emperor, painted in gold and lacquer sold at HK$55,460,000

Art business and auction business

Auction turnover in the first half of 2019 of the Company reached RMB3.652 billion, continuing to lead the global auction market of Chinese artworks.

Despite the adverse market environment, Poly Auction Beijing rose to challenges and achieved positive developments. Spring auction turnover hit a total of RMB2.872 billion, slightly higher than the same period of previous year. Among which, auction turnover of antiques and works of art reached a record high of RMB1.081 billion. Special auctions such as "Song Enthusiasm (佞宋)" and "The Throne of Absolute Freedom (逍遙座)" received warm response. A magnificently rare blue and white with copper red "dragon" bottle vase, TIANQIUPING, in Yongzheng Period, Qing Dynasty (清雍正禦制青花釉裡紅雲海騰龍大天球瓶) was sold for RMB147.2 million.

Poly Auction Hong Kong recorded a turnover of HK$939 million in the first half of 2019, ranking No.3 in Hong Kong market.

Poly Art Centre actively organized many influential art exhibitions, which effectively boosted the brand of "Poly".

Culture and Creativity Company actively consolidated museums, cultural, tourism and scenic zones, as well as other IP resources, and built an early-stage IP resource pool. It also vigorously explored the online marketing channel. Moreover, Culture and Creativity Company has teamed up with Poly Theatre, Poly Film and other entities to launch nearly 30 "Poly Cool Boxes (保利酷盒)".

Poly Cool Boxes

Poly Stellaroemia Art Exhibition

Nationwide Tour of "Super Vocal (《聲入人心》)" Concert

Musical Plays "Cinderella (《灰姑娘》)"

Performance and theatre management business

In terms of theatre line expansion, Poly Theatre Management recently took over 4 theatres, including Yunnan Grand Theatre (雲南省大劇院), Baoding Guan Hanqing Grand Theatre (保定關漢卿大劇院), Xi'an Silk Road International Cultural and Art Center Grand Theatre (西安絲路國際文化藝術中心大劇院) and Suqian Suyu Grand Theatre (宿遷宿豫大劇院). Moreover, Zibo Poly Grand Theatre (淄博保利大劇院), Baoding Guan Hanqing Grand Theatre and Yuhang Grand Theatre (余杭大劇院) completed their opening premieres. At present, Poly Theatre Management is operating and managing 66 theatres at 58 cities in 21 provinces, autonomous regions and municipalities across China, with over 120 auditoriums housing and over 130,000 seats.

In terms of performance and creative work production, Poly Theatre Management has organized the tour of original child play "New Year Castle Party of Beier (《貝兒的新年城堡派對》)", "The Little One in the Forbidden City (《故宮裡的小不點》)", as well as the Chinese versions of musical plays "Cinderella (《灰姑娘》)" and "The Perfect Little Witch (《素敵小魔女》)". Upon the invitation of the Cultural Affairs Bureau of Macau, "The Little One in the Forbidden City" was staged twice in the Grand Auditorium of Macao Cultural Centre, which promoted the cultural exchange in the Guangdong-Hong Kong-Macao Greater Bay Area. Poly Theatre Management also partnered Hunan TV to create the nationwide tour of "Super Vocal (《聲入人心》)" concert, which built a solid reputation.

In terms of ticketing platform, Poly Ticketing completed connection with 66 theatres' systems under Poly, and the official website, WeChat ticketing service and mobile app were launched simultaneously.

Sixth Edition of Art Shows and Performances of National Primary and Secondary School Students

Cinema investment management business

In the first half of 2019, Poly Film opened 2 cinemas in Xinyu, Jiangxi and Tangzhen, Shanghai. Poly Film now has 73 directly-operated cinemas, and achieved box office income in a total amount of RMB400 million.

New businesses progressed proactively

In terms of art education, Poly WeDo, the brand under Beijing Poly Music Art Development Co., Ltd., continued to improve its education system, with a focus on enhancing the operation of existing campuses and boosting brand reputation. Poly WeDo Music Children's Chorus (保利童聲合唱團) was invited to perform together with the Chorus of Girls from Berlin, Germany (德國柏林少女合唱團) in Forbidden City Concert Hall, which promoted the international musical art exchange. Poly WeDo Suzhou Teen Orchestra (保利WeDo蘇州青少年交響樂團) won the First Prize in Primary School Category B of Art Performance under the Sixth Edition of Art Shows and Performances of National Primary and Secondary School Students, which was organized by the Ministry of Education.

In terms of cultural tourism, Poly Performing worked with the Palace Museum to hold the "Lantern Festival Night at Forbidden City (紫禁城上元之夜)" event. Through cutting-edge photoelectric technology, the event lightened ancient buildings in the Forbidden City on a large scale. The event, which received very positive feedback from the public, was reported by lots of media. In May 2019, Poly Performing hosted the "Chengdu Music Grand Show · Chengdu Art Music Festival (成都音樂盛典 • 成都ART音樂節)", an event where light arts were blended with music. The event was a great success and won recognition from local government and audiences.

In terms of cultural finance, Poly Art Investment and Poly Ronghe continued to support the art business and auction.

Digital Domain's Virtual Human: Teresa Teng

Other important matters

On March 22, 2019, the Company and Digital Domain entered into the Shares Subscription Agreement, pursuant to which the Company has conditionally agreed to subscribe for 5,323,600,000 shares of Digital Domain at the Subscription Price of HK$0.104 per Subscription Share. Upon the completion of the Subscription, the Company directly held approximately 16.61% of the total number of enlarged issued shares of Digital Domain, thereby becoming its largest shareholder. For details, please refer to the announcement dated March 22, 2019. On July 25, 2019, Digital Domain placed 2,005,000,000 additional shares. As at the date of this report, the Company directly held approximately 15.63% of the total number of issued shares of Digital Domain.

The Subscription will help the Company to strengthen its cultural and technological strength, enhance its innovation ability, market image and customer base, and facilitate the cinema investment and management, performance and theatre management, art business and auction, art education, cultural tourism and the operation and management of cultural assets.

II. ANALYSIS AND DISCUSSION OF RESULTS

Revenue

Total revenue increased by 4.5% from RMB1,673.8 million for the six months ended June 30, 2018 to RMB1,749.9 million for the six months ended June 30, 2019, primarily due to the expansion of theatre network.

The respective segment revenue of the Group for the six months ended June 30, 2019 and 2018 is as follows:

	Six months ended June 30,		% of change
	2019	2018	increase/
	RMB in millions	RMB in millions	(decrease)
Art Business and Auction	**498.8**	564.2	(11.6)
Performance and Theatre Management	**820.7**	686.3	19.6
Cinema Investment and Management	**419.5**	418.3	0.3

Gross profit

Gross profit increased by 6.0% from RMB581.6 million for the six months ended June 30, 2018 to RMB616.4 million for the six months ended June 30, 2019. Gross profit margin increased from 34.7% for the six months ended June 30, 2018 to 35.2% for the six months ended June 30, 2019.

Other net income

Other net income decreased from RMB21.2 million for the six months ended June 30, 2018 to RMB16.9 million for the six months ended June 30, 2019, mainly due to the reduction in government grants.

Selling and distribution expenses

Selling and distribution expenses increased by 11.1% from RMB171.5 million for the six months ended June 30, 2018 to RMB190.5 million for the six months ended June 30, 2019, primarily due to 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.

Administrative expenses

Administrative expenses increased by 11.2% from RMB221.7 million for the six months ended June 30, 2018 to RMB246.5 million for the six months ended June 30, 2019, 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 4.9% from RMB292.5 million for the six months ended June 30, 2018 to RMB306.8 million for the six months ended June 30, 2019.

The respective reportable segment profit of the Group for the six months ended June 30, 2019 and 2018 is as follows:

	Six months ended June 30,		% of change
	2019	2018	increase/
	RMB in millions	RMB in millions	(decrease)
Art Business and Auction	**151.4**	186.2	(18.7)
Performance and Theatre Management	**44.6**	32.0	39.4
Cinema Investment and Management	**110.8**	74.3	49.1

Finance income

Finance income increased by 131.0% from RMB17.4 million for the six months ended June 30, 2018 to RMB40.2 million for the six months ended June 30, 2019, mainly due to the increase in interest income from consignor advances.

Finance costs

Finance costs increased by 747.5% from RMB8.0 million for the six months ended June 30, 2018 to RMB67.8 million for the six months ended June 30, 2019, mainly due to the corporate bonds with an aggregate principal amount of RMB400 million and RMB300 million, issued at September 7, 2018 and December 5, 2018 and the application of IFRS 16.

Income tax

Income tax decreased by 16.5% from RMB65.3 million for the six months ended June 30, 2018 to RMB54.5 million for the six months ended June 30, 2019, primarily due to decrease in taxable income.

Profit for the period

As a result of the foregoing, profit for the period decreased by 27.3% from RMB164.6 million for the six months ended June 30, 2018 to RMB119.6 million for the six months ended June 30, 2019, and net profit margin decreased from 9.8% for the six months ended June 30, 2018 to 6.8% for the six months ended June 30, 2019.

Liquidity and Capital Resources

During the six months ended June 30, 2019, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2019, the Group's cash and cash equivalents amounted to RMB1,214.2 million (December 31, 2018: RMB1,407.8 million), decreased by 13.8% as compared to that of December 31, 2018.

During the six months ended June 30, 2019, the net cash outflow from operating activities amounted to RMB68.0 million (net cash outflow for the six months ended June 30, 2018 was RMB538.7 million). The net cash outflow from investing activities amounted to RMB590.0 million (net cash inflow for the six months ended June 30, 2018 was RMB18.6 million). The net cash inflow from financing activities amounted to RMB464.9 million (net cash inflow from financing activities for the six months ended June 30, 2018 was RMB186.9 million). As such there was a decrease in cash and cash equivalents of approximately RMB193.6 million as compared to the end of last year.

Changes to Key Items in Consolidated Statement of Financial Position

Property, plant and equipment

Property, plant and equipment mainly include, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 12.2% from RMB820.1 million as at December 31, 2018 to RMB719.7 million as at June 30, 2019. The main reason of the decrease is that the property, plant and equipment classified as operating leases under International Accounting Standards 17 at December 31, 2018 are recognized as right-of-use assets due to the application of IFRS 16 at June 30, 2019.

Current assets and current liabilities

Primarily due to the expansion of our business, the current assets increased by 10.7% from RMB7,910.5 million as at December 31, 2018 to RMB8,757.3 million as at June 30, 2019. Current liabilities increased by 33.7% from RMB4,310.3 million as at December 31, 2018 to RMB5,763.6 million as at June 30, 2019. The increase of current liability is primarily attributed to the increase in interest-bearing borrowings as a result of business expansion.

Inventories

Our inventories increased by 4.7% from RMB2,101.1 million as at December 31, 2018 to RMB2,200.4 million as at June 30, 2019, primarily due to the increase in inventories of artwork collections.

Consignor advances

The consignor advances increased by 3.6% from RMB967.0 million as at December 31, 2018 to RMB1,002.1 million as at June 30, 2019, primarily due to our efforts to attract high quality auction artworks from well-known collectors.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 25.5% from RMB1,354.3 million as at December 31, 2018 to RMB1,699.5 million as at June 30, 2019, primarily due to the increase in prepayments and receivables for auctioned artwork.

Indebtedness

As at June 30, 2019, we incurred interest-bearing borrowings of RMB3,759.3 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans increased from RMB2,088.6 million as at December 31, 2018 to RMB2,268.9 million as at June 30, 2019 due to the expansion of business operation. The Group issued RMB200 million debentures in April 2, 2019 at coupon rate of 3.60%, with a term of 270 days, nominal value per unit of RMB100.

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, 2019, our maximum exposure amounted to RMB104.0 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 primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB53.2 million and RMB69.4 million, respectively, for the six months ended June 30, 2019 and June 30, 2018.

Other Financial Indicators

Our debt-to-equity ratio which is calculated by dividing the interest-bearing debts by total equity increased from 63.3% as at December 31, 2018 to 76.4% as at June 30, 2019.

Employee Remuneration and Policy

As at June 30, 2019, the Group had 8,008 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. As at June 30, 2019, there has been no material change to our remuneration policy and training plans.

III. RISK FACTORS

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

(1) Market Risk

Uncertainties in the global economy (in particular economy of China)

In the first half of 2019, global economy faced many challenges, such as the mounting unilateralism which has a broad influence, sluggishness in European economy, setbacks in Brexit, steady but slowing growth in US economy, tightening financial environment, ongoing Sino-US trade dispute and continuing tenseness in global economy. For the domestic situation, in the first half of 2019, China's GDP increased by 6.3%, lower than 6.8% growth recorded in the first half of 2018. Domestic and overseas economic environment remained complicated and challenging. The uncertainties and destabilizing factors in external environment were increasing, and domestic economic development remained imbalanced and subdued. The economy had been facing new downward pressure. The operation performance of the Company's art business and auction segment is particularly exposed to the risks arising from volatilities in domestic and overseas economic and financial environment. In order to mitigate the negative impact of the economic volatilities, the Company will integrate the brand and resources of Poly Culture, actively develop innovative business models when focusing on its three existing principal businesses, and explore more profit growth engines.

Unpredictability of demand 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 operation, 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 the market changes, understand rotation rules of hotspots in the artwork sector and work out countermeasures appropriately. 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.

(2) 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 a number of industry professionals to provide authentication and valuation services of artworks, 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 standard to improve the audience's experience and enhance our brand recognition, thereby improving our profitability. We strive to attract the best talents 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 talents for important positions and enhance the loyalty of current key talents.

(3) All our business segments face competition

For the art business and auction segment, we put efforts in competing with key auction houses in the local and foreign markets throughout the operation chain. The competition may possibly reduce our commission income, and increase our costs in sourcing, purchasing and selling artworks, as well as expenses in industry 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.

(4) 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 denominated in foreign currency in the future, and the contracts we entered into with overseas customers may also be in the value denominated in the Euro or the U.S. dollar. Therefore, exchange rate fluctuation (especially among the RMB, the Euro and the 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 negative impact of changes in the interest rates on the finance costs respectively during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

Poly Culture's general work principles in the second half of 2019 include: staying true to the original self, focusing on its missions, striving to fulfill the annual operating targets, fully aligning itself to the annual work priorities and driving the Company to grow larger, better, and stronger.

Produced by Poly Culture and Creativity

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 its core competitiveness. It will give play to the overall advantages to maintain the market position. In addition, it will also proactively develop the overseas market and explore the "global presence" through merger and acquisition and international cooperation. 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 conscientiously 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 meantime, Poly Auction Hong Kong will expand its financing channels, make proper capital arrangements, exert great effort 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-end customers, thus effectively complementing and supporting Poly Culture's entire artwork industry chain.

Produced by Poly Culture and Creativity

Art business and auction business will adhere to the boutique strategy, enhance cost management and control, build a modernized human resource management system, focus on the Autumn auction and solidify its leading position. Poly Art Centre will keep a close eye on the developments in markets and intensify its efforts in proprietary sales. The Culture and Creativity Company will actively sign deals and convert quality IP into popular products. It will continue promoting the "Poly Cool Boxes", improving channels and strengthening efforts in marketing, so as to boost Poly's brand in the culture and creative industry.

Performance and Theatre Management Business

When expanding its scale, Poly Theatre Management will also enhance content construction. It will duly proceed with the renewal of entrusted management contracts and continue to follow up with new theatre management projects. The performance and theatre management business will strive to promote original child plays such as, "Magic Show – Sky Wheel" (《舞臺魔術秀——摩天輪》) and "The heads of the twelve Chinese Zodiac statues" (《十二生肖之獸首傳奇》). The performance and theatre management business will also fully leverage the exemplary impact of international premium shows such as "Matilda" (《瑪蒂爾達》) and "The Perfect Little Witch" (《素敵小魔女》). It will also boost the quality and scale of the national tour of original child plays so as to build a strong Poly brand among family audiences. Poly Ticketing will boost its daily operation, enrich and optimize functions and performance, integrate resources, explore new partners, and work hard to move toward the goal of building China's biggest theatre ticket and performance marketing platform.

Cinema Investment Management Business

Poly Film will reduce costs and enhance efficiency in the cinema operation and management. It will improve service quality and build high-end cinemas. Poly Film will also steadily expand its scale, promote capital operation and pursue further growth by leveraging opportunities in the capital market.

New Businesses

Poly WeDo will continue to improve the course system, promote the building of campuses in Nanjing and Chongqing, and ensure the successful hosting of the 2019 "Aiqin Cup" ("愛琴杯") International Violoncello Competition and the organization of summer camps with characteristics.

The Company will enhance business coordination, properly design contents and products relating to the Urban Culture and Creativity Centre, and establish a new model of innovative development. It will carry out business coordination with Digital Domain to promote the integrated development of culture and science, and study the plan for chained operation of museums.

Poly Art Investment, Poly Ronghe and Poly Culture Industrial Fund will further advance key projects, expand their business scales and support development of principal businesses.

2019 "Aiqin Cup" ("愛琴杯") International Violoncello Competition

Digital Domain

COMPLIANCE WITH 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, 2019, 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, 2019. 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 19, 2019, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2019, the 2019 interim report and the unaudited interim financial statements for the six months ended June 30, 2019 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 2018 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, 2019 were published on the websites of the Stock Exchange for information disclosure (www.hkexnews.hk) and the Company on (www.polyculture.com.cn) August 19, 2019.

INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of interim dividend for the six months ended June 30, 2019.

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, 2019.

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

On June 30, 2019, 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, 2019, 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, 2019 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, 2019, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2019. 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

Mr. Hu Jiaquan has resigned from his position as an executive Director of the Company due to personal work arrangement, effective from June 21, 2019. Same day, Mr. Li Weiqiang was appointed as an executive Director at the annual general meeting of the Company until the date of expiry of the term of office of the third session of the Board of the Company.

The biographical details of Mr. Li Weiqiang are set out below pursuant to the Rule 13.51(2) of the Listing Rules:

Mr. Li Weiqiang, aged 47, holds a doctoral degree in management and is a senior economist and a member of the Communist Party of China. Mr. Li Weiqiang joined Poly Group in July 1997, serving as the project manager of the Integrated Planning Department. Mr. Li Weiqiang has served successively as the head of the Finance Department and the Planning and Development Department of Poly Culture and Arts Co., Ltd. since January 2002. Since August 2004, he has served successively as the manager, deputy head and head of the Enterprise Development Department of Poly Group. In November 2016, he was appointed as the secretary to the board and head of the Board Office of Poly Group. In August 2017, he was appointed as the president of the Strategy Research Institute of Poly Group. In December 2017, he was appointed as a director of Straco Corporation Limited (stock code: S85.SG) in Singapore. Mr. Li Weiqiang graduated from the Department of Applied Physics of Nanchang Vocational and Technical Teachers College in July 1994, majoring in electronic appliances. In July 1997, he obtained a master’s degree in economics from the Department of Postgraduates of Beijing College of Commerce, majoring in business administration. In January 2014, he obtained a doctoral degree in management from University of International Business and Economics Business School, majoring in business administration.

Save as disclosed above, the Company did not appoint or dismiss any Director, Supervisor or Senior Management for the six months ended June 30, 2019. 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, 2019 to the date of this report, the Company has no significant subsequent event.

“Lantern Festival Night at Forbidden City” event

Poly WeDo Suzhou Teen Orchestra won the First Prize in Primary School Category B of Art Performance

On February 19, 2019, Poly Performing worked with the Palace Museum and other entities to hold the “Lantern Festival Night at Forbidden City” event. Through cutting-edge photoelectric technology, the event lightened ancient buildings in the Forbidden City on a large scale. The event received very positive feedback from the public.

On April 15, 2019, Poly WeDo Suzhou Teen Orchestra won the First Prize in Primary School Category B of Art Performance under the Sixth Edition of Art Shows and Performances of National Primary and Secondary School Students, which was organized by the Ministry of Education.

From April 27 to 30, 2019, the 14th China (Yiwu) Cultural Products Trade Fair was held at Yiwu International Expo Centre. In the fair, Poly Culture attended the fair with its six major business segments, including Poly Auction, artwork, Poly Animation, Poly Digital Theatre, Poly Digital Museum and Poly Culture and Creativity. Furthermore, Poly Culture launched boutique auctions, Poly “Stellaroemia”, Poly Amination Show, Poly Digital Theatre - Teresa Teng Holographic Musical Show, Poly Digital Museum and other important exhibitions and thematic activities, all of which made Poly Culture a major highlight in the fair.

Corporate Social Responsibilities

On May 18, 2019, Poly Culture was shortlisted in the 11th "Top 30 Culture Enterprises of China" jointly organized by Guangming Daily and Economic Daily under the leadership of the Publicity Department of the Communist Party of China.

On July 5, 2019, the "Summer Vacation Art Festival – Open A Gate to Art World" ("打開藝術之門 – 暑期藝術節"), hosted by Beijing Municipal Culture and Tourism Bureau and undertaken by Beijing Poly Forbidden City Theatre Management Corporation Limited was opened. The art festival was a charitable cultural and art project particularly designed for the young people. Over 70 performances, 11 art summer camps and 12 lectures were held in the festival, and were promoted in over 60 theatres at more than 50 Chinese cities via Poly Culture's theatre line. The festival has become the largest and most reputable charitable art festival for the young people in China.

Stellaroemia Modern Art Exhibition

Organizing committee of the 9th Beijing International Film Festival

The first performance of "Cantonese Music Assembly"

Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2019 – unaudited (Expressed in RMB)

		Six months ended June 30	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	4	**1,749,946**	1,673,763
Cost of sales		**(1,133,514)**	(1,092,174)
Gross profit		**616,432**	581,589
Other net income	6	**16,908**	21,206
Selling and distribution expenses		**(190,518)**	(171,459)
Administrative expenses		**(246,480)**	(221,699)
Changes in fair value of equity securities not held for trading		**11,577**	7,014
Profit from operations		**207,919**	216,651
Finance income		**40,170**	17,411
Finance costs	7(a)	**(67,827)**	(7,992)
Share of losses of associates		**(10,094)**	(1,443)
Share of profits less losses of joint ventures		**3,901**	5,228
Profit before taxation	7	**174,069**	229,855
Income tax	8	**(54,493)**	(65,269)
Profit for the period		**119,576**	164,586
Attributable to:			
Equity shareholders of the Company		**81,799**	99,578
Non-controlling interests		**37,777**	65,008
Profit for the period		**119,576**	164,586
Earnings per share			
Basic and diluted earnings per share (RMB)	9	**0.33**	0.40

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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, 2019 – unaudited (Expressed in RMB)

	Six months ended June 30	
	2019	2018 (Note)
	RMB'000	RMB'000
Profit for the period	**119,576**	164,586
Other comprehensive Income/(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	**6,063**	(311)
Total comprehensive income for the period	**125,639**	164,275
Attributable to:		
Equity shareholders of the Company	**87,001**	98,624
Non-controlling interests	**38,638**	65,651
Total comprehensive income for the period	**125,639**	164,275

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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, 2019 – unaudited (Expressed in RMB)

	Note	**At June 30, 2019**	At December 31, 2018 (Note)
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**719,705**	820,094
Right-of-use assets	10	**1,022,496**	–
Intangible assets		**34,066**	31,806
Goodwill		**161,892**	161,892
Long-term prepayments		**2,715**	2,827
Other financial assets	11	**551,050**	725,335
Interest in associates	12	**712,134**	242,384
Interest in joint ventures	13	**520,174**	516,273
Deferred tax assets		**38,040**	34,969
		3,762,272	2,535,580
Current assets			
Other financial assets	11	**2,028,379**	1,622,932
Inventories	14	**2,200,362**	2,101,117
Trade receivables	15	**443,403**	328,682
Consignor advances	16	**1,002,128**	967,041
Deposits, prepayments and other receivables	17	**1,699,480**	1,354,274
Restricted cash		**14,527**	11,278
Deposits with original maturities over three months		**130,583**	93,611
Current tax assets		**24,215**	23,788
Cash and cash equivalents	18	**1,214,206**	1,407,805
		8,757,283	7,910,528
Current liabilities			
Interest-bearing borrowings	19	**3,009,311**	2,109,372
Contract Liabilities		**627,844**	497,448
Lease liabilities	3(d)	**159,105**	–
Trade and other payables	20	**1,923,898**	1,625,018
Current taxation		**43,392**	78,469
		5,763,550	4,310,307

Condensed Consolidated Statement of Financial Position

at June 30, 2019 – unaudited (Expressed in RMB)

	Note	At June 30, 2019 RMB'000	At December 31, 2018 (Note) RMB'000
Net current assets		**2,993,733**	3,600,221
Total assets less current liabilities		**6,756,005**	6,135,801
Non-current liabilities			
Interest-bearing borrowings	19	**750,000**	1,058,039
Lease liabilities	3(d)	**1,056,676**	–
Deferred revenue		**4,028**	14,332
Deferred tax liabilities		**20,252**	17,594
Trade and other payables	20	**6,637**	43,975
		1,837,593	1,133,940
NET ASSETS		**4,918,412**	5,001,861
CAPITAL AND RESERVES			
Share capital	21(b)	**246,316**	246,316
Reserves		**4,037,419**	4,072,132
Total equity attributable to equity shareholders of the Company		**4,283,735**	4,318,448
Non-controlling interests		**634,677**	683,413
Total Equity		**4,918,412**	5,001,861

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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, 2019 – unaudited (Expressed in RMB)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	21(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
Changes in equity for the six months ended December 31, 2018:										
Profit for the period		–	–	–	–	142,414	–	142,414	61,283	203,697
Other comprehensive income		–	–	–	–	–	16,458	16,458	5,511	21,969
Total comprehensive income for the period		–	–	–	–	142,414	16,458	158,872	66,794	225,666
Appropriation of reserve		–	–	–	30,654	(30,654)	–	–	–	–
Capital contributions from non-controlling equity owners		–	–	–	–	–	–	–	4,600	4,600
Dividends declared by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	(55,941)	(55,941)
Balance At December 31, 2018 (note)		246,316	1,982,448	(4,270)	158,361	1,916,056	19,537	4,318,448	683,413	5,001,861

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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, 2019 – unaudited (Expressed in RMB)

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	PRC statutory reserve	Retained profits	Exchange reserve	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance At December 31, 2018 (note)		**246,316**	**1,982,448**	**(4,270)**	**158,361**	**1,916,056**	**19,537**	**4,318,448**	**683,413**	**5,001,861**
Impact on initial application of IFRS 16	3	**-**	**-**	**-**	**-**	**(79,348)**	**-**	**(79,348)**	**(1,451)**	**(80,799)**
Adjusted balance at January 1, 2019		**246,316**	**1,982,448**	**(4,270)**	**158,361**	**1,836,708**	**19,537**	**4,239,100**	**681,962**	**4,921,062**
Changes in equity for the six months ended June 30, 2019:										
Profit for the period		**-**	**-**	**-**	**-**	**81,799**	**-**	**81,799**	**37,777**	**119,576**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**5,202**	**5,202**	**861**	**6,063**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**81,799**	**5,202**	**87,001**	**38,638**	**125,639**
Capital contributions from non-controlling equity owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,050**	**1,050**
Dividends declared by subsidiaries to non-controlling equity owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(86,973)**	**(86,973)**
Dividends approved in respect of the previous year	20(a)	**-**	**-**	**-**	**-**	**(42,366)**	**-**	**(42,366)**	**-**	**(42,366)**
Balance At June 30, 2019		**246,316**	**1,982,448**	**(4,270)**	**158,361**	**1,876,141**	**24,739**	**4,283,735**	**634,677**	**4,918,412**

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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 Cash Flows

for the six months ended June 30, 2019 – unaudited (Expressed in RMB)

		Six months ended June 30	
		2019	2018 (Note)
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from/(used in) operations		**21,829**	(431,689)
Tax paid		**(89,819)**	(107,059)
Net cash used in operating activities		**(67,990)**	(538,748)
Investing activities			
Payment for the purchase of property, plant and equipment		**(53,188)**	(69,353)
Payments for an investment		**(479,845)**	–
Other cash flows arising from investing activities		**(57,014)**	87,913
Net cash (used in)/generated from investing activities		**(590,047)**	18,560
Financing activities			
Proceeds from loans and borrowings		**1,869,704**	1,921,336
Repayment of loans and borrowings		**(1,282,000)**	(1,628,429)
Capital element of lease rentals paid		**(55,281)**	–
Interest element of lease rentals paid		**(29,039)**	–
Other cash flows arising from financing activities		**(38,478)**	(106,022)
Net cash generated from financing activities		**464,906**	186,885
Net decrease in cash and cash equivalents		**(193,131)**	(333,303)
Cash and cash equivalents at January 1	18	**1,407,805**	1,719,504
Effect of foreign exchange rates changes		**(468)**	(648)
Cash and cash equivalents at June 30	18	**1,214,206**	1,385,553

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, 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 have 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 19, 2019.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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"). The interim financial statements is unaudited.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach, measure the carrying amount of right-of-use asset as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets as disclosed in note 23(b).

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting *(Continued)*

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group mainly leases out a number of items of properties as the lessor of operating leases.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.38%-5.00%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before December 31, 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at December 31, 2018 as an alternative to performing an impairment review.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Transitional impact *(Continued)*

The following table reconciles the operating lease commitments as disclosed in note 22(b) as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019:

	January 1, 2019 RMB'000
Operating lease and other commitments at December 31, 2018	1,807,979
Less: commitments relating to non-lease elements at 31 December 2018	(209,495)
Operating lease commitments at December 31, 2018	1,598,484
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before December 31, 2019	(15,639)
Less: total future interest expenses	(387,362)
Present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019	1,195,483
Add: finance lease liabilities recognised as at December 31, 2018	56,680
Total lease liabilities recognised at January 1, 2019	1,252,163

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if IFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at January 1, 2019) or at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at December 31, 2018, on a lease-by-lease basic.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "trade and other payables", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Transitional impact *(Continued)*

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at December 31, 2018 RMB'000	**Capitalisation of operating lease contracts** RMB'000	**Carrying amount at January 1, 2019** RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Deposits, prepayments and other receivables	1,354,274	(2,936)	1,351,338
Total current assets	7,910,528	(2,936)	7,907,592
Property, plant and equipment	820,094	(63,276)	756,818
Right-of-use assets	–	1,067,648	1,067,648
Deferred tax assets	34,969	154	35,123
Total non-current assets	2,535,580	1,004,526	3,540,106
Trade and other payables (current)	1,625,018	(128,094)	1,496,924
Lease liabilities (current)	–	155,702	155,702
Current liabilities	4,310,307	27,608	4,337,915
Net current assets	3,600,221	(30,544)	3,569,677
Total assets less current liabilities	6,135,801	973,982	7,109,783
Trade and other payables (non-current)	43,975	(41,680)	2,295
Lease liabilities (non-current)	–	1,096,461	1,096,461
Total non-current liabilities	1,133,940	1,054,781	2,188,721
Net assets	5,001,861	(80,799)	4,921,062
Retained profits	1,916,056	(79,348)	1,836,708
Non-controlling interests	683,413	(1,451)	681,962
Total equity	5,001,861	(80,799)	4,921,062

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At June 30, 2019 RMB'000	At January 1, 2019 RMB'000
Included in "Right-of-use assets":		
Properties leased for own use, carried at depreciated cost	**967,292**	1,004,372
Plant, machinery and equipment, carried at depreciated cost	**55,204**	63,276
	1,022,496	1,067,648

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At June 30, 2019		At January 1, 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**159,105**	**164,215**	155,702	160,930
After 1 year but within 2 years	**150,455**	**161,658**	150,054	161,455
After 2 years but within 5 years	**365,862**	**425,816**	374,989	435,956
After 5 years	**540,359**	**829,749**	571,418	886,715
	1,056,676	**1,417,223**	1,096,461	1,484,126
	1,215,781	**1,581,438**	1,252,163	1,645,056
Less: total future interest expenses		**(365,657)**		(392,893)
Present value of lease liabilities		**1,215,781**		1,252,163

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at January 1, 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended June 30, 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	Six months ended on June 30, 2019				Six months ended on June 30, 2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended June 30, 2019 impacted by the adoption of IFRS 16:					
Profit from operations	207,919	56,393	75,947	188,365	216,651
Finance costs	(67,827)	27,752	–	(40,075)	(7,992)
Profit before taxation	174,069	84,145	75,947	182,267	229,855
Profit for the period	119,576	84,145	75,947	127,774	164,586
Reportable segment profit (adjusted EBITDA) for the six months ended June 30, 2019 (note 5(a)) impacted by the adoption of IFRS 16:					
– Art business and auction	151,417	–	18,916	132,501	186,164
– Performance and theatre management	44,572	–	2,515	42,057	32,041
– Cinema circuits management	110,816	–	52,589	58,227	74,322
– Total	306,805	–	74,020	232,785	292,527

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

	Six months ended on June 30, 2019			Six months ended on June 30, 2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (note 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended June 30, 2019 impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operations	21,829	(75,412)	(53,583)	(431,689)
Net cash used in operating activities	(67,990)	(75,412)	(143,402)	(538,748)
Capital element of lease rentals paid	(55,281)	47,660	(7,621)	–
Interest element of lease rentals paid	(29,039)	27,752	(1,287)	–
Net cash generated from financing activities	464,906	75,412	540,318	186,885

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	**496,070**	557,777
– Revenue from performance and theatre management	**817,901**	685,444
– Revenue from cinema investment and management	**408,849**	410,120
– Revenue from other services	**13,687**	11,444
	1,736,507	1,664,785
Revenue from rental services		
– Revenue from performance and theatre management	**2,801**	815
– Revenue from cinema investment and management	**10,638**	8,163
	1,749,946	1,673,763

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, 2019:

– 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, other equity investment, 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, changes in fair value of equity securities not held for trading, depreciation and amortisation, finance income, finance costs, unallocated head office and corporate expenses and expected credit losses 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.

5 SEGMENT REPORTING *(Continued)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended June 30, 2019 and 2018 are set out below:

	Six months ended June 30, 2019			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	390,723	820,702	373,122	1,584,547
Over time	105,347	–	46,365	151,712
Revenue from external customers	496,070	820,702	419,487	1,736,259
Inter-segment revenue	2,735	–	–	2,735
Reportable segment revenue	498,805	820,702	419,487	1,738,994
Reportable segment profit	151,417	44,572	110,816	306,805
Depreciation and amortisation	(22,095)	(7,055)	(90,036)	(119,186)
Finance income	41,733	5,062	451	47,246
Finance costs	(57,922)	(186)	(45,020)	(103,128)
Reportable segment assets	8,220,667	977,412	2,079,631	11,277,710
Reportable segment liabilities	6,558,785	613,698	2,301,459	9,473,942

5 SEGMENT REPORTING *(Continued)*

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

	Six months ended June 30, 2018 (Note 2)			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	440,032	686,259	374,707	1,500,998
Over time	117,745	–	43,576	161,321
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

Note 1: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2019 and 2018.

Note 2: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

5 SEGMENT REPORTING *(Continued)*

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

	Six months ended June 30	
	2019	2018 (Note)
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**1,738,994**	1,668,765
Elimination of inter-segment revenue	**(2,735)**	(6,446)
Revenue from other services	**13,687**	11,444
Consolidated revenue	**1,749,946**	1,673,763
Profit		
Reportable segment profit	**306,805**	292,527
Revenue from other services	**13,687**	11,444
Unallocated head office and corporate other net income	**17,564**	4,864
Share of losses of associates	**(10,094)**	(1,443)
Share of profits less losses of joint ventures	**3,901**	5,228
Changes in fair value of equity securities not held for trading	**11,577**	7,014
Depreciation and amortisation	**(123,400)**	(75,751)
Finance income	**40,170**	17,411
Finance costs	**(67,827)**	(7,992)
Unallocated head office and corporate expenses	**(18,314)**	(23,447)
Consolidated profit before taxation	**174,069**	229,855

5 SEGMENT REPORTING *(Continued)*

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

	At June 30, 2019	At December 31, 2018 (Note)
	RMB'000	RMB'000
Assets		
Reportable segment assets	**11,277,710**	9,248,883
Elimination of inter-segment receivables	**(3,781,759)**	(3,119,411)
Equity securities not held for trading	**171,050**	159,364
Interests in associates	**712,134**	242,384
Interests in joint ventures	**520,174**	516,273
Deferred tax assets	**38,040**	34,969
Unallocated head office and corporate assets	**3,582,206**	3,363,646
Consolidated total assets	**12,519,555**	10,446,108
Liabilities		
Reportable segment liabilities	**9,473,942**	7,214,403
Elimination of inter-segment payables	**(3,781,759)**	(3,119,411)
Current taxation	**43,392**	78,469
Deferred tax liabilities	**20,252**	17,594
Unallocated head office and corporate liabilities	**1,845,316**	1,253,192
Consolidated total liabilities	**7,601,143**	5,444,247

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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 financial instruments and 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**	
			At June 30,	At December 31,
	2019	2018	**2019**	2018
		(Note)		(Note)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**1,621,653**	1,503,802	**3,086,353**	1,763,463
Others	**128,293**	169,961	**86,829**	11,813
	1,749,946	1,673,763	**3,173,182**	1,775,276

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

6 OTHER NET INCOME

	Six months ended June 30	
	2019	2018
	RMB'000	RMB'000
Government grants	**9,841**	12,305
Dividend income from equity securities not held for trading	**3,806**	2,938
Net foreign exchange gain/(loss)	**460**	(571)
Net loss on disposal of property, plant and equipment	**(16)**	(190)
Others	**2,817**	6,724
	16,908	21,206

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30	
	2019	2018
		(Note)
	RMB'000	RMB'000
Interest on interest-bearing borrowings	**39,035**	8,824
Interest on lease liabilities	**29,039**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**68,074**	8,824
Less: interest expense capitalised into property, plant and equipment	**247**	832
	67,827	7,992

(b) Staff costs

	Six months ended June 30	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and other benefits	**357,634**	326,918
Contributions to defined contribution retirement plans	**40,394**	34,096
	398,028	361,014

7 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items

	Six months ended June 30	
	2019	2018
		(Note)
	RMB'000	RMB'000
Depreciation		
– owned property, plant and equipment	**57,708**	74,542
– right-of-use assets	**64,465**	–
Amortisation	**1,227**	1,209
Impairment losses/(recovery)		
– trade receivables	**878**	302
– deposits, prepayments and other receivables	**84**	(67)
Operating lease charges	**15,458**	112,623

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

8 INCOME TAX

	Six months ended June 30	
	2019	2018
	RMB'000	RMB'000
Current tax – PRC corporate income tax	**53,553**	52,914
Current tax – Other regions	**1,189**	11,935
Deferred taxation	**(249)**	420
	54,493	65,269

Notes:

(i) The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2018: 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.

(Expressed in RMB unless otherwise indicated)

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB81,799,000 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB99,578,000) 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	
	2019	2018
	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, 2019 and 2018. Accordingly, diluted earnings per share is the same as the basic earnings per share.

10 RIGHT-OF-USE ASSETS

As discussed in note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

During the six months ended June 30, 2019, the Group entered into a number of lease agreements for use of buildings and warehouses, and therefore recognised the additions to right-of-use assets of RMB18,862,000.

11 OTHER FINANCIAL ASSETS

Current	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Financial assets measured at amortised cost		
– Loans granted under financing arrangements		
– Within 1 year or on demand (note (ii))	**1,988,416**	1,569,685
– Loans to an associate	**27,963**	41,247
– Loans to a joint venture	**12,000**	12,000
	2,028,379	1,622,932
Non-current		
Financial assets measured at amortised cost		
– Loans granted under financing arrangements		
– After 1 year but within 2 years (note (ii))	**380,000**	565,971
Financial assets measured at FVPL		
– Equity securities not held for trading (note (i))	**171,050**	159,364
	551,050	725,335
	2,579,429	2,348,267

Notes:

(i) In 2016, The Company entered into a Capital Increase Agreement with Poly Finance Company Limited ("Poly Finance"), a related party, to acquire 5% of Poly Finance equity interest by cash injection.

(ii) Poly Culture North America Investment Corporation Limited ("Poly North America") and Poly Ronghe Financial Leasing Corporation Limited ("Poly Ronghe") granted term loans to third parties secured by works of art which bear interest from 6.8% to 15% per annum.

12 INTEREST IN ASSOCIATES

On March 22, 2019, the Company and Digital Domain entered into the Shares Subscription Agreement, pursuant to which the Company has conditionally agreed to subscribe for 5,323,600,000 shares of Digital Domain at the Subscription Price of HK$0.104 per Subscription Share. Upon the completion of the Subscription, the Company will directly hold 16.61% of the total number of enlarged issued shares of Digital Domain.

13 INTEREST IN JOINT VENTURES

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Unlisted shares, at cost	**529,926**	529,926
Share of net assets	**(9,752)**	(13,653)
Total	**520,174**	516,273

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

			Proportion of ownership interest		
Name of joint venture	**Form of business structure**	**Place of incorporation and operation**	**Group's effective interest**	**Held by the Company**	**Principal activities**
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 Hua Xi Culture Plaza 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

13 INTEREST IN JOINT VENTURES *(Continued)*

			Proportion of ownership interest		
Name of joint venture	Form of business structure	Place of incorporation and operation	Group's effective interest	Held by the Company	Principal activities
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.

14 INVENTORIES

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

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Antiques, works of art	**1,641,848**	1,564,367
Calligraphy, painting and sculptures	**474,680**	459,386
Small value items for resale	**8,723**	8,033
Low value materials	**3,363**	3,258
Drama rights	**15,719**	12,517
Film production	**56,029**	53,556
	2,200,362	2,101,117

14 INVENTORIES *(Continued)*

(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	
	2019	2018
	RMB'000	RMB'000
Carrying amount of inventories sold	**37,858**	68,571

15 TRADE RECEIVABLES

	At June 30, 2019	At December 31, 2018
	RMB'000	RMB'000
Trade receivables for sale of goods and rendering of services due from:		
– related parties	**4,540**	3,088
– third parties	**438,863**	325,594
Financial assets measured at amortised cost	**443,403**	328,682

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, 2019	At December 31, 2018
	RMB'000	RMB'000
Within 1 month	**109,325**	78,770
1 to 3 months	**29,066**	18,777
3 to 6 months	**53,299**	36,312
6 to 12 months	**66,450**	94,078
Over 1 year	**185,263**	100,745
	443,403	328,682

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

16 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, 2019, 11.16% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2018: 10.9%).

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

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Prepayments for auctioned artwork	**944,857**	774,458
Receivables for auctioned artwork	**184,399**	55,012
Rental deposits	**27,160**	24,631
Guarantee deposits	**54,562**	53,419
Interest receivables from consignor advances on auction artwork	**106,663**	89,437
Advances to staff for business related activities	**32,072**	13,445
Investment deposit	**30,000**	30,000
Investment in film production	**89,125**	89,125
Others	**70,452**	71,705
Financial assets measured at amortised cost	**1,539,290**	1,201,232
Prepayments for purchase of inventories	**59,815**	104,020
Prepayments for performance	**81,976**	31,596
Others	**20,026**	18,969
	161,817	154,585
	1,701,107	1,355,817
Less: allowance for doubtful debts	**1,627**	1,543
Deposits, prepayments and other receivables, net of loss allowance	**1,699,480**	1,354,274

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.

18 CASH AND CASH EQUIVALENTS

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Cash at bank and on hand	**1,214,206**	1,407,805

19 INTEREST-BEARING BORROWINGS

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

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Current Interest-bearing borrowings		
Bank loans		
– Unsecured	**2,218,861**	2,030,582
Borrowings from joint ventures (note (i))	**92,450**	76,790
Borrowings from an associate	**18,000**	2,000
Borrowings from a related party (note (ii))	**180,000**	–
Debentures (note (iii))	**200,000**	–
Bonds (note (iv))	**300,000**	–
	3,009,311	2,109,372
Non-current Interest-bearing borrowings		
Bonds (note (iv))	**700,000**	1,000,000
Bank loans		
– Unsecured	**50,000**	58,039
	750,000	1,058,039
	3,759,311	3,167,411

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.

19 INTEREST-BEARING BORROWINGS *(Continued)*

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

Notes:

(i) The borrowings from joint ventures bear interest at 2.40% and 3.20% per annum, are unsecured and repayable in 2019.

(ii) The borrowings from related party bear interest at 4.65% per annum, are unsecured and repayable in 2020.

(iii) On April 2, 2019, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being December 27, 2019), nominal value per unit of RMB100 and coupon rate of 3.60% 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. On September 7, 2018 and December 5, 2018, the Company issued corporate bonds with an aggregate principal amount of RMB400 million and RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.92% and 4.70% per annum respectively.

(b) At June 30, 2019, the Interest-bearing borrowings were repayable as follows:

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Within 1 year or on demand	**3,009,311**	2,109,372
After 1 year but within 2 years	**50,000**	358,039
After 2 years but within 3 years	**700,000**	700,000
	3,759,311	3,167,411

20 TRADE AND OTHER PAYABLES

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Current		
Trade payables to		
– related parties	**70,594**	75,827
– third parties	**105,721**	245,678
	176,315	321,505
Interest payables		
– related parties	**8,497**	8,497
– third parties	**33,417**	21,854
Payables for staff related costs	**101,690**	49,876
Payables for other taxes and surcharges	**32,340**	72,046
Dividends payable	**96,867**	307
Other accruals and payables		
– related parties	**10,421**	10,531
– third parties	**1,425,212**	1,114,854
Financial liabilities measured at amortised cost	**1,884,759**	1,599,470
Receipts in advance		
– related parties	**20,000**	20,000
– third parties	**19,139**	5,548
	39,139	25,548
	1,923,898	1,625,018
Non-current		
Payable for purchase of equipment		
– related parties	**–**	1,603
– third parties	**6,637**	42,372
	6,637	43,975

As at June 30, 2019, all current trade and other payables of the Group are expected to be settled within one year or are repayable on demand.

21 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	
	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.172 per ordinary share (six months ended June 30, 2018: RMB0.207 per ordinary share)	**42,366**	50,987

(b) Share capital

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

	At June 30, 2019		At December 31, 2018	
	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.

21 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from January 1, 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 36% to 62% on January 1, 2019 when compared to its position as at December 31, 2018.

Considering the impact of the application of IFRS 16, during 2019, the Group reassessed the range at which it maintains its adjusted net debt-to-capital ratio to be 62% to 76% (2018: 18% to 36%). In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

21 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	**June 30, 2019**	January 1, 2019 (Note)	December 31, 2018 (Note)
		RMB'000	RMB'000	RMB'000
Current liabilities:				
Interest-bearing borrowings		**3,009,311**	2,109,372	2,109,372
Lease liabilities		**159,105**	155,702	–
		3,168,416	2,265,074	2,109,372
Non-current liabilities:				
Interest-bearing borrowings		**750,000**	1,058,039	1,058,039
Lease liabilities		**1,056,676**	1,096,461	–
		1,806,676	2,154,500	1,058,039
Total debt		**4,975,092**	4,419,574	3,167,411
Add: Proposed dividends	20(a)	**–**	42,366	42,366
Less: Cash and cash equivalents	17	**(1,214,206)**	(1,407,805)	(1,407,805)
Adjusted net debt		**3,760,886**	3,054,135	1,801,972
Total equity		**4,918,412**	4,921,062	5,001,861
Proposed dividends	20(a)	**–**	(42,366)	(42,366)
Adjusted capital		**4,918,412**	4,878,696	4,959,495
Adjusted net debt-to-capital ratio		**76%**	62%	36%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 3.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

The fair value of unlisted equity instruments is determined based on our share of the fair value of the individual asset and liability of the investee, which are mainly monetary assets and monetary liabilities.

During the six months ended June 30, 2019, all unlisted equity securities are belong to Level 3, 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 assets and liabilities carried at amortised cost were not materially different from their fair values as at December 31, 2018 and June 30, 2019.

23 COMMITMENTS

(a) 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, 2019 RMB'000	At December 31, 2018 RMB'000
Contracted for	**140,154**	59,226
Authorised but not contracted for	**477,008**	805,875
	617,162	865,101

(b) At December 31, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties RMB'000	**Others** RMB'000
Within 1 year	200,466	188
After 1 year but within 5 years	613,403	312
After 5 years	993,610	–
	1,807,479	500

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

24 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 interest-bearing borrowings granted to the Company's subsidiaries as follows:

	At June 30, 2019 RMB'000	At December 31, 2018 RMB'000
Financial guarantees to banks and other financial institutions for subsidiaries	**1,982,531**	1,818,621

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, 2019 RMB'000	At December 31, 2018 RMB'000
Trust related	**104,000**	154,000

25 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, 2019. After consulting the legal professional advice, the Group's management believes such litigation will not have a significant impact to the Group.

26 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, 2019 and 2018:

(a) Name and relationship with related parties

During the six months ended June 30, 2019 and 2018, 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
Poly Culture Industry Investment Fund Co., Ltd. ("Poly Investment Fund") 保利文化產業基金管理有限公司	Associate of the Group
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
Beijing Xijie XingX International Cinema Corporation Limited ("Joint ventures") 北京希傑星星國際影城有限公司	Joint venture of the Group
Nanning XingX Cinema Investment & Management Corporation Limited ("Joint ventures") 南京星星影城榮盛有限公司	Joint venture of the Group
Hubei XingX Hongji Cinema Corporation Limited ("Joint ventures") 湖北星星宏基置業有限公司	Joint venture of the Group
Changsha Poly Cinema Corporation Limited ("Joint ventures") 長沙希傑星星影城有限公司	Joint venture of the Group
Foshan XingX Entertainment Corporation Limited ("Joint ventures") 佛山市星星文化傳播有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited ("Joint ventures") 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 ("Joint ventures") 希傑星星（撫順）影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited ("Joint ventures") 希傑星星（上海）影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited ("Joint ventures") 中山希傑星星影城有限公司	Joint venture of the Group
Wuhan Xijie XingX Tiandi Cinema Corporation Limited ("Joint ventures") 武漢希傑星星天地影城有限公司	Joint venture of the Group

26 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	
	2019	2018
	RMB'000	RMB'000
Sales to		
Poly Group and its affiliates	**2,409**	1,037
Service provided to		
Poly Group and its affiliates	**1,817**	31
Receiving Service (note (iii))		
Poly Group and its affiliates	**130,475**	132,099
Receiving Service		
Eastern Poly	**84**	–
Rental from		
Poly Group and its affiliates	**4,550**	16,308
Rental from		
Eastern Poly	**333**	–
Property management services (note (iv))		
Poly Group and its affiliates	**4,765**	4,885
Interest income from		
Poly Group and its affiliates	**2,399**	1,150
Interest income from		
Eastern Poly	**249**	–
Borrowings from		
Joint ventures	**15,660**	–
Borrowings from		
Poly Investment Fund	**18,000**	–
Borrowings from		
Poly Group and its affiliates	**180,000**	100,000
Borrowing costs to		
Poly Group and its affiliates	**6,518**	3,000

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended June 30	
	2019	2018
	RMB'000	RMB'000
Borrowing costs to		
Joint ventures	**1,237**	949
Borrowing costs to		
Poly Investment Fund	**374**	–
Interest expenses (note (v))		
Poly Group and its affiliates	**48**	40
Repayment of loans		
Poly Group and its affiliates	**–**	100,000
Repayment of loans		
Poly Investment Fund	**2,000**	–
Repayment of loans		
Associates	**13,284**	–
Loans to		
Eastern Poly	**–**	3,000

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

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

26 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, 2019 RMB'000	At December 31, 2018 RMB'000
Cash and cash equivalents (note)		
Poly Group and its affiliates	**358,077**	329,622
Deposits with original maturities over three months (note)		
Poly Group and its affiliates	**102,251**	51,584
Interest-bearing borrowings		
Poly Group and its affiliates	**330,000**	150,000
Interest-bearing borrowings (note 18(a))		
Joint ventures	**92,450**	76,790
Interest-bearing borrowings (note 18(a))		
Associates	**18,000**	2,000
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**50,841**	49,765
Deposits, prepayments and other receivables		
Joint ventures	**3,766**	3,821
Deposits, prepayments and other receivables		
Associates	**679**	380
Trade receivables		
Poly Group and its affiliates	**4,540**	3,088
Trade and other payables		
Poly Group and its affiliates	**89,512**	96,158
Trade and other payables		
Associates	**20,000**	20,300
Contract Liabilities		
Poly Group and its affiliates	**420**	730
Loans to		
A Joint venture	**12,000**	12,000
Loans to		
Associates	**27,963**	41,247

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

Note:

The Board announces that on June 28, 2018, 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 3.3% according to the period of bank deposits.

(d) Lease of the properties and machinery

The Group has initially applied IFRS16 as from January 1, 2019. Based on IFRS16, the minimum amount of rent payable by the Group to its joint ventures and Poly Group's affiliates under the terms of the arrangements in connection with its use of properties and machinery had resulted in recognition of a lease liability with the balance of RMB275 thousand and RMB95,683 thousand, and a right-of-use asset with the balance of RMB558 thousand and RMB81,877 thousand as at June 30, 2019, respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB47 thousand and RMB7,302 thousand, interest expense of RMB2 thousand and RMB2,418 thousand, respectively, and variable lease payments of RMB2,651 thousand in its consolidated statement of comprehensive income of Poly Group's affiliates for the six months ended June 30, 2019.

The total amounts of lease payments and service charges incurred under the lease arrangement by the Group to its joint ventures and Poly Group's affiliates for the six months ended June 30, 2019 were RMB381 thousand and RMB18,076 thousand (for the six months ended June 30, 2018: RMB0 and RMB16,308 thousand), respectively. The related payable balance to Poly Group's affiliates included in the balance of amounts due to related parties as at June 30, 2019 was RMB4,096 thousand (December 31, 2018: RMB5,287 thousand).

(e) 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, 2019, there was no material outstanding contribution to post-employment benefit plans.

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event from June 30, 2019 to the date of this report.

28 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

Definitions

"Audit Committee"	the Audit Committee of the Board of Directors
"Board" or "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
"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
"Culture and Creativity Company"	Ningyi Culture and Creativity Development (Shenzhen) Company (凝一文化創意發展（深圳）有限公司)
"Digital Domain"	Digital Domain Holdings Limited (數字王國集團有限公司)
"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
"H Shares"	overseas listed foreign Shares in our ordinary share capital, with a nominal value of RMB1.00 each
"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
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

"International Accounting Standards"	International Accounting Standards and its notes
"Latest Practicable Date"	August 23, 2019, 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 Art Investment"	Beijing Poly Art Investment Management Co., Ltd. (北京保利藝術投資管理有限公司)
"Poly Auction Beijing"	Beijing Poly International Auction Co., Ltd. (北京保利國際拍賣有限公司)
"Poly 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 Performing"	Beijing Poly Performing Arts Co., Ltd. (保利演出有限公司)
"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)
"Poly Ticketing"	Beijing Poly Ticket Development Co., Ltd. (北京保利票務發展有限公司)

Definitions

"PRC" or "China" or "People's Republic of China"	the People's Republic of China which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Reporting Period"	for the six months ended June 30, 2019
"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

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

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