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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3636)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Director(s)**") of Poly Culture Group Corporation Limited (the "**Company**", "**Poly Culture**" or "**we**") is pleased to announce the consolidated results extracted from the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended December 31, 2021. The results have been prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the International Financial Reporting Standards.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2021
(Expressed in Renminbi ("RMB"))

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**3,170,312**	2,323,775
Cost of sales		**(2,156,610)**	(1,571,727)
Gross profit		**1,013,702**	752,048
Other net income		**93,403**	63,970
Changes in fair value of other equity securities		**25,908**	23,402
Selling and distribution expenses		**(453,411)**	(375,487)
Administrative expenses		**(566,158)**	(650,685)
Profit/(loss) from operations		**113,444**	(186,752)
Finance income		**109,392**	154,179
Finance costs		**(228,944)**	(185,532)
Share of profits less losses of associates		**(82,726)**	(36,967)
Share of profits less losses of joint ventures		**(14,459)**	(19,840)
Loss before taxation	*6*	**(103,293)**	(274,912)
Income tax	*7*	**(34,108)**	(40,929)
Loss for the year		**(137,401)**	(315,841)
Attributable to:			
Equity shareholders of the Company		**(139,502)**	(354,489)
Non-controlling interests		**2,101**	38,648
Loss for the year		**(137,401)**	(315,841)
Loss per share			
Basic and diluted loss per share (RMB)	*8(a)*	**(0.57)**	(1.44)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2021

(Expressed in Renminbi ("RMB"))

	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(137,401)**	(315,841)
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	**–**	–
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	**(2,748)**	(3,700)
Exchange differences on translation of financial statements of subsidiaries outside the PRC	**(14,666)**	(45,606)
Total comprehensive income for the year	**(154,815)**	(365,147)
Attributable to:		
Equity shareholders of the Company	**(154,119)**	(392,174)
Non-controlling interests	**(696)**	27,027
Total comprehensive income for the year	**(154,815)**	(365,147)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2021

(Expressed in Renminbi ("RMB"))

	Note	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**462,081**	528,371
Right-of-use assets		**761,999**	826,639
Intangible assets		**44,355**	35,117
Goodwill		**76,865**	76,865
Long-term prepayments		**2,152**	2,375
Deposits, prepayments and other receivables		**–**	71,628
Interest in associates		**614,440**	701,323
Interest in joint ventures		**409,087**	439,045
Other financial assets		**265,073**	368,733
Deferred tax assets		**38,674**	30,177
		2,674,726	3,080,273
Current assets			
Inventories		**2,248,641**	2,302,336
Trade and bills receivables	*9*	**551,239**	447,033
Consignor advances		**1,527,198**	1,764,790
Deposits, prepayments and other receivables		**2,785,905**	2,668,941
Current tax assets		**5,318**	4,204
Other financial assets		**1,808,298**	2,193,058
Restricted cash		**27,649**	17,823
Deposits with original maturities over three months		**59,436**	50,892
Cash and cash equivalents		**1,607,593**	1,329,147
		10,621,277	10,778,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ***(Continued)***
as at December 31, 2021
(Expressed in Renminbi ("RMB"))

	Note	**2021** **RMB'000**	2020 RMB'000
Current liabilities			
Trade and other payables	*10*	**2,421,976**	1,755,690
Contract liabilities		**608,948**	562,818
Lease liabilities		**170,785**	188,593
Interest-bearing borrowings		**4,237,066**	5,378,851
Current taxation		**23,548**	29,792
		7,462,323	7,915,744
Net current assets		**3,158,954**	2,862,480
Total assets less current liabilities		**5,833,680**	5,942,753
Non-current liabilities			
Interest-bearing borrowings		**1,348,000**	500,000
Lease liabilities		**819,089**	875,460
Trade and other payables	*10*	**8,700**	406
Deferred revenue		**669**	4,885
Deferred tax liabilities		**32,882**	26,470
		2,209,340	1,407,221
NET ASSETS		**3,624,340**	4,535,532
CAPITAL AND RESERVES			
Share capital		**246,316**	246,316
Reserves		**3,011,012**	3,591,864
Total equity attributable to equity shareholders of the Company		**3,257,328**	3,838,180
Non-controlling interests		**367,012**	697,352
TOTAL EQUITY		**3,624,340**	4,535,532

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited (the "Company") was established in the People's Republic of China (the "PRC") on December 14, 2010 as a joint stock company with limited liability. Poly Culture Group Corporation Limited and its subsidiaries (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 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The adoption does not have significant effect on the financial position and financial performance of the Group.

Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 30, 2021 to June 30, 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

In accordance with the transitional requirements, the 2021 amendment has been applied retrospectively, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at January 1, 2021. Payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at January 1, 2021.

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.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	**644,528**	478,412
– Revenue from performance and theatre management	**1,867,419**	1,370,383
– Revenue from cinema investment and management	**452,827**	204,143
– Revenue from other services	**14,537**	15,967
	2,979,311	2,068,905
Revenue from other sources		
– Revenue from art business and auction	**160,719**	238,870
– Revenue from performance and theatre management	**14,343**	10,220
– Revenue from cinema investment and management	**15,939**	5,780
	3,170,312	2,323,775

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 5(a) and 5(c) respectively.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less and also for those performance obligations which are regarded as satisfied as invoiced.

There was no individual customer that represents more than 10 percent of the Group's revenue during the years ended December 31, 2021 and 2020.

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:

– Art business and auction: including auction, buy and sell 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 net income, share of profits less losses of associates, share of profits less losses of joint ventures, changes in fair value of other equity securities, impairment losses on non-current assets, depreciation and amortisation, finance income, finance costs and unallocated head office and corporate expenses are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation, amortisation, finance income and finance costs and impairment losses to non-current segment assets used by the segment in their operations.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as 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 years ended December 31, 2021 and 2020 is set out below:

	Year ended December 31, 2021			
	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	**644,622**	**1,867,419**	**440,260**	**2,952,301**
Over time	**160,625**	**14,343**	**28,506**	**203,474**
Revenue from external customers and reportable segment revenue	**805,247**	**1,881,762**	**468,766**	**3,155,775**
Reportable segment profit (adjusted EBITDA)	**201,072**	**42,186**	**135,054**	**378,312**
Depreciation and amortisation	**(42,994)**	**(27,624)**	**(148,579)**	**(219,197)**
Finance income	**90,472**	**12,572**	**8,394**	**111,438**
Finance costs	**(201,801)**	**(659)**	**(63,386)**	**(265,846)**
Impairment of				
– property, plant and equipment	**–**	**–**	**(24,670)**	**(24,670)**
– investment in joint ventures	**–**	**–**	**(1,140)**	**(1,140)**
Reportable segment assets	**9,513,141**	**946,787**	**1,284,276**	**11,744,204**
Reportable segment liabilities	**7,791,482**	**567,284**	**1,615,874**	**9,974,640**

	Year ended December 31, 2020			
	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	475,540	1,370,383	195,456	2,041,379
Over time	241,742	10,220	14,467	266,429
Revenue from external customers and reportable segment revenue	717,282	1,380,603	209,923	2,307,808
Reportable segment profit/(loss) (adjusted EBITDA)	229,587	16,032	(91,808)	153,811
Depreciation and amortisation	(46,621)	(22,882)	(167,910)	(237,413)
Finance income	140,909	12,282	977	154,168
Finance costs	(207,055)	(793)	(83,336)	(291,184)
Impairment of				
– property, plant and equipment	–	–	(59,096)	(59,096)
– intangible assets	–	–	(7,665)	(7,665)
– goodwill	–	–	(68)	(68)
– investment in joint ventures	–	–	(12,630)	(12,630)
Reportable segment assets	9,490,687	865,931	1,510,807	11,867,425
Reportable segment liabilities	7,730,631	494,762	1,749,158	9,974,551

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

	2021 *RMB'000*	2020 *RMB'000*
Revenue		
Reportable segment revenue	**3,155,775**	2,307,808
Revenue from other sources	**14,537**	15,967
Consolidated revenue *(Note 4)*	**3,170,312**	2,323,775
Profit/(loss)		
Reportable segment profit (adjusted EBITDA)	**378,312**	153,811
Revenue from other sources	**14,537**	15,967
Unallocated corporate net income	**19,216**	10,127
Share of profits less losses of associates	**(82,726)**	(36,967)
Share of profits less losses of joint ventures	**(14,459)**	(19,840)
Changes in fair value of other equity securities	**25,908**	23,402
Impairment losses on non-current assets	**(25,810)**	(83,225)
Depreciation and amortisation	**(221,677)**	(241,443)
Finance income	**109,392**	154,179
Finance costs	**(228,944)**	(185,532)
Unallocated corporate expenses	**(77,042)**	(65,391)
Consolidated loss before taxation	**(103,293)**	(274,912)

	2021	2020
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**11,744,204**	11,867,425
Elimination of inter-segment receivables	**(4,937,863)**	(4,503,486)
Other equity securities	**265,073**	238,733
Interests in associates	**614,440**	701,323
Interests in joint ventures	**409,087**	439,045
Current tax assets	**5,318**	4,204
Deferred tax assets	**38,674**	30,177
Unallocated corporate assets	**5,157,070**	5,081,076
Consolidated total assets	**13,296,003**	13,858,497
Liabilities		
Reportable segment liabilities	**9,974,640**	9,974,551
Elimination of inter-segment payables	**(4,937,863)**	(4,503,486)
Current taxation	**23,548**	29,792
Deferred tax liabilities	**32,882**	26,470
Unallocated corporate liabilities	**4,578,456**	3,795,638
Consolidated total liabilities	**9,671,663**	9,322,965

(c) Geographic information

The Group's operations are mainly located in the 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		**Non-current assets**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**3,014,153**	2,226,957	**2,338,853**	2,633,638
Others	**156,159**	96,818	**32,126**	47,725
	3,170,312	2,323,775	**2,370,979**	2,681,363

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**730,315**	660,716
Expenses recognised in respect of defined benefit retirement plan	**8,950**	–
Contributions to defined contribution retirement plans	**90,128**	16,034
	829,393	676,750

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 13% to 16% (2020: 13% to 16%) of average basic salaries of the employees in the cities where the Group operates. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The local government authorities are responsible for the entire retirement obligations payable to retired employees.

In addition, the Company and some of its PRC subsidiaries have implemented a supplementary defined contribution retirement scheme for the staffs on the voluntary basis. Under the scheme, the Company and its PRC subsidiaries are required to make contributions to the PRC Schemes at 5% to 8% of average basic salaries of the employees in the cities where the Group operates.

The Group announced post-employment benefit plan to its retired employees in the PRC. These benefits were only applicable to the qualifying employees. The actuarial valuations of the present value of the defined benefit obligations as at December 31, 2021 were carried out by an independent firm of actuaries, Willis Towers Watson, a member of China Association of Actuaries. The present value of the defined benefit obligations, and the related current service cost were measured using the projected unit credit method.

6 LOSS BEFORE TAXATION (Continued)

	2021	2020
	RMB'000	*RMB'000*
Depreciation		
– property, plant and equipment	**82,603**	102,892
– right-of-use assets	**135,042**	134,760
Amortisation	**4,032**	3,791
Impairment losses (reversed)/recognised in administrative expenses		
– trade and bills receivables	**2,426**	1,852
– deposits, prepayments and other receivables	**(10,184)**	45,910
– property, plant and equipment	**24,670**	59,096
– intangible assets	**–**	7,665
– goodwill	**–**	68
– interest in joint ventures	**1,140**	12,630
– interest in associates	**–**	3,766
Inventory provision	**–**	32,000

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2021	*2020*
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax		
Provision for the year	**23,877**	33,995
Under/(over)-provision in respect of prior years	**484**	(229)
	24,361	33,766
Current tax – Other regions		
Provision for the year	**14,060**	520
Over-provision in respect of prior years	**(2,128)**	(570)
	11,932	(50)
Deferred tax		
Origination and reversal of temporary differences	**(2,185)**	7,213
	34,108	40,929

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of RMB139,502,000 for the year ended December 31, 2021 (2020: loss attributable to ordinary equity shareholders of the Company of RMB354,489,000) and the weighted average number of ordinary shares in issue during the year of 246,316,000 shares (2020: 246,316,000 shares).

(b) Diluted loss per share

The Company did not have any potential dilutive shares throughout the years of 2021 and 2020. Accordingly, diluted loss per share is the same as the basic loss per share.

9 TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade and bills receivables for sale of goods and rendering of services, net of credit loss allowance, due from		
– related parties	**4,621**	2,512
– third parties	**546,618**	444,521
Financial assets measured at amortised cost	**551,239**	447,033

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

Ageing analysis

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**108,280**	136,261
1 to 3 months	**16,627**	10,626
3 to 6 months	**22,727**	45,150
6 to 12 months	**68,822**	71,992
Over 1 year	**334,783**	183,004
	551,239	447,033

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

10 TRADE AND OTHER PAYABLES

	December 31, 2021 *RMB'000*	December 31, 2020 *RMB'000*
Current		
Trade payables to		
– related parties	**52,899**	62,278
– third parties	**114,480**	105,018
	167,379	167,296
Interest payables		
– related parties	**8,500**	8,497
– third parties	**41,735**	33,748
Payables for staff related costs	**53,149**	59,942
Payables for other taxes and surcharges	**57,539**	63,982
Dividends payable	**10,343**	1,976
Payment to consignors	**1,570,939**	1,111,395
Deposits received	**108,625**	99,740
Payables on acquisition of non-controlling interests	**65,275**	–
Other accruals and payables		
– related parties	**55,633**	39,712
– third parties	**282,859**	169,402
Financial liabilities measured at amortised cost	**2,421,976**	1,755,690
Non-current		
Payable for purchase of equipment		
– third parties	**–**	406
Pension contribution	**8,700**	–
	8,700	406

As at December 31, 2021, the aging analysis of trade payables presented based on the invoice date is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within 12 months	**108,876**	106,030
Over 12 months	**58,503**	61,266
	167,379	167,296

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2021	2020
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of Nil per ordinary share (2020: Nil per ordinary share)	**–**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2021	2020
	RMB'000	*RMB'000*
Dividend in respect of the previous financial year, approved and paid during the year, of Nil per ordinary share (2020: RMB0.071 per ordinary share)	**–**	17,488

12 IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group and has put in place various contingency measures. The Group will improve the contingency measures as the COVID-19 pandemic situation evolves.

As far as the Group's businesses are concerned, the COVID-19 pandemic has an adverse effect on the Group's operations and financial position. The Group has initiated the above contingency measures to respond. However, due to factors such as a small recurrence of the domestic pandemic and insufficient supply of cultural content, it will take time for cultural consumption to return to pre-pandemic levels.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, Poly Culture has taken the initiative to adapt to the new normal of the pandemic. Keeping our mission in mind, all employees shouldered responsibilities, worked hard, forged ahead, overcame difficulties, and united efforts. While continuing to carry out pandemic prevention and control, all business segments strove to resume normal operations. The economic indicators improved significantly year-on-year, and the operational management and risk management and control capabilities improved notably. The Company achieved new results in high-quality development, and was named "Top 30 Cultural Enterprises of China" for the twelfth time.

I. SEGMENT BUSINESS INFORMATION

Steadily Develop Three Principal Businesses and Strengthen the Leading-edge

Art business and auction business

In 2021, the Group achieved a total turnover volume of approximately RMB11.1 billion and continued to lead the Chinese art auction market. In particular, the total turnover of the 2021 Spring Art Auction and the 2021 Autumn Auction of Beijing Poly International Auction Co., Ltd. ("**Beijing Poly Auction**") was RMB4,459 million and RMB3,350 million, respectively. The handscroll of painting "Conquest of the Western Regions" (平定西域獻俘禮圖) was sold at RMB414 million, breaking the auction record of ancient Chinese calligraphies and paintings in 2021 and becoming the world's third highest price for ancient Chinese calligraphies and paintings. The revolving vase with phoenix scene of Qianlong Period, Qing Dynasty (清乾隆「有鳳來儀百鳥朝鳳」轉心瓶) was sold at RMB266 million, breaking the world auction record for Chinese ceramic artwork. The large Dalbergia Odorifera single-plank tea table-style altar desk (黃花梨獨板架幾式巨型供案) was sold at RMB115 million, setting a new world record for auction of Chinese classic furniture. The Group ventured into NFT digital art exhibitions and offline and online auctions, recording a turnover of RMB7 million. In 2021, Poly Auction (Hong Kong) Limited (保利香港拍賣有限公司) ("**Poly Auction Hong Kong**") held two joint auctions with PHILLIPS with a total turnover of HK$1,372 million, setting a new auction record for 17 artists. The Group accelerated the construction of online auction channels and actively expanded the online auction business, recording an annual online auction turnover of RMB150 million. Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司) ("**Poly Art Centre**") held more than ten exhibitions in 2021, intensifying its efforts in proprietary sales. Beijing Poly Contemporary Art Co., Ltd. (北京保利當代藝術有限公司) ("**Poly Contemporary**") established a digital art research and development studio and actively expanded the business of "Poly Contemporary Digital Art Gallery" in Beijing, Shanghai, Shenzhen and other cities.

Performance and theatre management business

Performance and theatre management business continued to promote large-scale operations, actively integrated resources, strengthened its advantages, and diversified its business to maintain its industry-leading position. In terms of theater circuit management, in 2021, Beijing Poly Theatre Management Corporation Limited (“**Poly Theatre**”) achieved presence in 65 cities in 22 provinces, autonomous regions, and municipalities across the country. With 73 theatres under operation and management, it is the largest directly-operated theatre circuit in China. Despite the cancellation of several performances due to pandemic prevention and control, it still completed 9,500 performances throughout the year. As the “Standards for Theatre Operation and Management” independently developed by Poly Theatre were granted copyright by the National Copyright Administration, “Poly Standards” have become industry standards. In terms of content production, Poly Theatre has increased its efforts in original content production, investing in the production of 9 original plays including “When We Were Young” (《風華正茂》) and “Fude Lane” (《輔德裡》). Particularly, the drama “The Road We Have Taken” (《人間正道是滄桑》) won 3 nominations, including Best Play of the Year, Best Director and Best Screenplay, at the 5th Chinese Drama Festival, and eventually awarded the Best Screenplay and the Best Director. The national opera “Under the Ginkgo Tree” (《銀杏樹下》) won the Excellent Play at the 4th China Opera Festival. The full-sensory-immersion crux play “Medical Examiner Dr. Qin” (《法醫秦明》) was creatively launched and achieved first resident performance. In terms of ticketing platform construction, Poly Theatre accelerated the development of the Poly ticketing platform business, with the number of members of the ticketing system currently exceeding 8.7 million. Poly Theatre actively expanded the cooperation with other theatres and has signed contracts with 10 theatres in total, providing effective data support for marketing and promotion.

Cinema investment management business

Cinema investment management business grew in recovery and achieved breakthroughs in content production. Poly Film Investment Co., Ltd. (“**Poly Film**”) operated 68 directly-operated cinemas throughout 2021, and recorded direct-operating box office of RMB440 million, a year-on-year increase of 120%. Focusing on main-theme movies, Poly Film produced and distributed multiple films. The documentary film “A Journey Together” (《一起走過》), with the theme of anti-pandemic, was nominated for the Best Documentary at the China-US Film Festival and the Best Documentary at the Golden Rooster Awards. Poly Film optimized the cinema mix by closing, suspending and disposing of cinemas suffering continuous loss. It innovated the cinema business by tentatively launching a variety of business models such as small theatres for children’s drama, immersive VR movies, and in-room recorded dramas. Poly Film and China Huaxin Post and Telecom Co., Ltd. jointly developed a 5G transmission system for the cinema line movie source, and made the global commercial debut in Poly Tiananmen Cinema. Poly Film hosted the “Game Animation Film Unit” at the 11th Beijing International Film Festival, and helped to ensure the successful organization of the 11th Film Festival.

Continue to Promote New Businesses and Actively Expand New Modes

In terms of the art education business, Poly Art Education Investment Co., Ltd. (保利藝術教育投資有限公司) operated five campuses, expanded the Changzhou Poly International Art Center project, explored the business type of "Art + Technology" and tried the mode of "Self-operated + Cooperation". Facing the unfavorable situation of repeated suspension of classes due to the COVID-19 pandemic, Poly WeDo successfully turned losses into profits, actively carried out online teaching to ensure continuous operation, and strove to resume offline teaching and increase new students. Poly WeDo's students won championships in many national competitions such as the 15th National Youth Percussion Competition.

In terms of the cultural finance business, Poly Art Investment Management Co., Ltd. (保利藝術投資管理有限公司) ("**Poly Art Investment**") controlled risks, steadily conducted related businesses, and operated 5 artwork trust projects. Poly Ronghe Financing & Leasing Co., Ltd. (保利融禾融資租賃有限公司) continued to strongly support the auction business.

In terms of the cultural asset operation and management business, the Group established Hainan International Cultural Relics and Artwork Trading Center Co., Ltd. (海南國際文物藝術品交易中心有限公司) in Sanya to support the construction of Hainan Free Trade Port. Throughout the year of 2021, the Time Museum of Poly Art Investment held 22 exhibitions, lectures and activities that were academic, professional and interesting, seeking for the common development of social and economic benefits.

II. RESULTS ANALYSIS AND DISCUSSION

Revenue

Total revenue increased by 36.4% from RMB2,323.8 million for the year ended December 31, 2020 to RMB3,170.3 million for the year ended December 31, 2021, mainly due to the slowdown of the COVID-19 pandemic this year which mitigated the impact on the Group's operation and financial position. The art business and artwork collection resumed operation, and the Group held the Beijing Spring and Autumn Auctions. The Hong Kong Auction also resumed and generated substantial revenue. The Group also resumed its performance of theatre and cinema business gradually for the year ended December 31, 2021.

The respective segment revenue of the Group in 2021 and 2020 is as follows:

	Year ended December 31,		
	2021	2020	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**805.2**	717.3	12.3
Performance and Theatre Management	**1,881.8**	1,380.6	36.3
Cinema Investment and Management	**468.8**	209.9	123.3

Gross profit

Gross profit increased by 34.8% from RMB752.0 million for the year ended December 31, 2020 to RMB1,013.7 million for the year ended December 31, 2021. Gross profit margin decreased from 32.4% for the year ended December 31, 2020 to 32.0% for the year ended December 31, 2021.

Other net income

Other net income (mainly including government grants) increased from RMB64.0 million for the year ended December 31, 2020 to RMB93.4 million for the year ended December 31, 2021.

Selling and distribution expenses

Selling and distribution expenses increased by 20.7% from RMB375.5 million for the year ended December 31, 2020 to RMB453.4 million for the year ended December 31, 2021, primarily due to (i) the impact of COVID-19 pandemic mentioned above; and (ii) an increase in the number of theaters under our management and an increase in theater renovation costs.

Administrative expenses

Administrative expenses decreased by 13.0% from RMB650.7 million for the year ended December 31, 2020 to RMB566.2 million for the year ended December 31, 2021, primarily due to the decrease in impairment losses on non-current assets.

Reportable segment profit/(loss)

As a result of the slowdown of the COVID-19 pandemic during the year, reportable segment profit was RMB378.3 million for the year ended December 31, 2021 compared with the reportable segment profit of RMB153.8 million for the year ended December 31, 2020.

The respective reportable segment profit/(loss) of the Group in 2021 and 2020 is as follows:

	Year ended December 31,		
	2021	2020	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**201.1**	229.6	(12.4)
Performance and Theatre Management	**42.2**	16.0	>100
Cinema Investment and Management	**135.0**	(91.8)	<(100)

Finance income

Finance income decreased by 29.1% from RMB154.2 million for the year ended December 31, 2020 to RMB109.4 million for the year ended December 31, 2021, mainly due to a decrease in interest income from consignor advances.

Finance costs

Finance costs increased by 23.4% from RMB185.5 million for the year ended December 31, 2020 to RMB228.9 million for the year ended December 31, 2021, primarily due to the increase in the average amount of interest-bearing borrowings.

Income tax

Income tax decreased by 16.6% from RMB40.9 million for the year ended December 31, 2020 to RMB34.1 million for the year ended December 31, 2021, primarily due to the decrease in taxable income.

Loss for the year

As a result of the impact of the COVID-19 pandemic mentioned above, the loss for the year ended December 31, 2021 amounted to RMB137.4 million compared with the loss of RMB315.8 million for the year ended December 31, 2020, and net profit margin increased from -13.6% for the year ended December 31, 2020 to -4.3% for the year ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2021, the Group maintained a stable financial position and adequate liquidity. As at December 31, 2021, the Group's cash and cash equivalents amounted to RMB1,607.6 million (2020: RMB1,329.1 million), increased by 21.0% as compared to that as at December 31, 2020.

During the year ended December 31, 2021, the net cash inflow from operating activities amounted to RMB753.9 million, compared with the net cash outflow of RMB552.6 million for the year ended December 31, 2020. The net cash inflow from investing activities amounted to RMB280.4 million, compared with the net cash outflow of RMB7.4 million for the year ended December 31, 2020. The net cash outflow from financing activities of the Group was RMB751.8 million, compared with the net inflow of RMB738.8 million for the year ended December 31, 2020. The increase in cash and cash equivalents was approximately RMB282.5 million as compared to the end of last year.

CHANGES TO KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly include, but not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 12.5% from RMB528.4 million as at December 31, 2020 to RMB462.1 million as at December 31, 2021. The main reason for the decrease was impairment and depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets decreased by 1.5% from RMB10,778.2 million as at December 31, 2020 to RMB10,621.3 million as at December 31, 2021. Current liabilities decreased by 5.7% from RMB7,915.7 million as at December 31, 2020 to RMB7,462.3 million as at December 31, 2021. The decrease of current liabilities was primarily due to the decrease of interest-bearing borrowings.

Inventories

Our inventories decreased by 2.3% from RMB2,302.3 million as at December 31, 2020 to RMB2,248.6 million as at December 31, 2021, primarily due to the decrease in artwork collections.

Consignor advances

The consignor advances decreased by 13.5% from RMB1,764.8 million as at December 31, 2020 to RMB1,527.2 million as at December 31, 2021, primarily due to the collecting of consignor advances.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 1.7% from RMB2,740.6 million as at December 31, 2020 to RMB2,785.9 million as at December 31, 2021.

INDEBTEDNESS

As at December 31, 2021, we incurred interest-bearing borrowings of RMB5,585.1 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans decreased from RMB3,565.1 million as at December 31, 2020 to RMB2,900.9 million as at December 31, 2021, mainly due to the repayment of bank loans. On February 28, 2020, the Group issued mid-term note with an aggregate principal amount of RMB500 million with a term of three years (the maturity date being February 28, 2023), nominal value per unit of RMB100 and coupon rate of 3.60% per annum. On April 22, 2021 and November 17, 2021, the Company issued mid-term notes with an aggregate principal amount of RMB500 million and RMB300 million respectively with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.57% and 4.38% per annum respectively. On July 8, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 8, 2022), nominal value per unit of RMB100 and coupon rate of 3.30% per annum. On July 16, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 15, 2022), nominal value per unit of RMB100 and coupon rate of 3.31% per annum. On August 24, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB600 million with a term of 270 days (the maturity date being May 23, 2022), nominal value per unit of RMB100 and coupon rate of 3.10% per annum.

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

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB59.6 million and RMB34.2 million, respectively, for the years ended December 31, 2021 and 2020.

OTHER FINANCIAL INDICATORS

Our debt-to-asset ratio which is calculated by dividing the total debts by total assets increased from 67.3% as at December 31, 2020 to 72.7% as at December 31, 2021 due to the increase of trade and other payables.

EMPLOYEE REMUNERATION AND POLICY

As at December 31, 2021, the Group had 7,905 employees in total. The remuneration policy for our employees has been determined by the remuneration and assessment committee of the Board taking into consideration the performance, experience and operational capacity of our employees. As at December 31, 2021, 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, interest rate and exchange rate fluctuation risk.

1. Market Risk

Uncertainties in the operation environment

The outbreak of the COVID-19 pandemic since early 2020 has brought more uncertainties to the Group's operation environment. At present, the COVID-19 pandemic is still spreading around the world, and the enormous impact of the pandemic on the world economy will continue to develop and evolve. The external environment is becoming more complex, severe and uncertain. In 2021, China's GDP has grown by 8.1% year on year. China's economy has continued to recover steadily, but it still faces triple pressures of shrinking demand, supply shock and weakening expectations. The operation performance of our 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, on the premise of continuing to do a good job of pandemic prevention and control, actively resume work and production, integrate the brand and resources of Poly Culture, actively develop innovative business models when focusing on its three existing principal businesses, carry out the online operation and explore more profit growth engines.

Unpredictability of the market for artworks

The market 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, under our auction operation, a decrease in market demand may cause a decline in artworks auction turnover, which could result in lower commission income earned by us. In addition, in the 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 of artworks services, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on qualified employees to ensure that we can manage our theatres and cinemas with unified and high standards to improve the audience's experience, and enhance our brand recognition and profitability. We strive to attract the best talent through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation, further enlarge the pool of key management and professional talent, enhance the loyalty of key talent, and make innovations in the talent motivation mechanism.

3. All our business segments face competition

For the art business and auction segment, we mainly compete 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 recruitment of talent in the industry. In the performance and theatre management segment, we 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 cinema operators in regions where we operate cinemas. The Company will seek to gain a more 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 rate and exchange rate

Due to our expansion of overseas business, we may generate revenue in foreign currency in the future, and the contract we entered into with overseas customers may also be in the value denominated in Euro or U.S. dollar. Therefore, exchange rate fluctuation (especially among RMB, Euro and U.S. dollar) may increase our costs and decrease our profitability due to the decline in foreign exchange. We will keep an eye on policies and changes relating to the domestic and foreign financial markets, and adopt a specific financing pattern to partially offset impact of changes in the interest rates on the finance costs during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

Under the shadow of the COVID-19 pandemic and at the turning point of the century when changes accelerate evolution, China's economic development is now facing pressures from "demand shrinking, supply shock, and weakening expectations" in the context of more uncertain and complex external environment. In terms of economic efforts in 2022, "advancement" shall be achieved on the premise that "stability" is guaranteed. Through a comprehensive analysis on the situation, in 2022, Poly Culture will seek to fully implement and practice the Central Government's instructions, and insist on achieving advancement on the premise of maintaining stability, and search for quality within stability; look deep into the industrial trend to seize policy tendencies and grasp development opportunities by following the trend and planning ahead. The Group aims to stabilize the growth, promote the reform, control the risks, improve the quality and efficiency, strengthen the innovation, and dare to climb new heights by taking the 2022 business operation work philosophy as the guideline, and prioritize the recovery of business operation and achieving profits through fully implementing lean management, planning ahead, carefully deploying, and making full use of the grace period of the COVID-19 pandemic, thereby focusing on facilitating the production and operation, and improving the operation efficiency. By actively exploring new growth channels, the Group strives to create new growth points, reduce costs, and enhance efficiency; through proper fund management to guarantee overall liquidity, strengthen technical innovation, accelerate the in-depth fusion of traditional business with emerging technologies and concepts including Internet, big data, metaverse, a new type of business shall be formed and resources shall be integrated to promote the transformation and upgrading of the enterprise, diligently boost its position and discourse power within the industry, and continuously expand its social influence.

For art business and auction business, Poly Culture will maintain the positive momentum of 12 consecutive years of global leadership in total Chinese auction sales, further optimize the portfolio structure, study the market trends, precisely promote investment, seize the opportunity of the 10th anniversary of the establishment of its Poly Auction Hong Kong in 2022, properly carry out marketing and publicity to ensure that the leadership in sales and contribute more profits. Poly Art Centre will aim to achieve significant improvements in core operating indicators by focusing on de-stocking and debt reduction and continuously offering high-quality art exhibitions to enhance the brand image. The Group will facilitate the partnership with other cultural units, and strengthen its reporting and communication to the competent authorities to earn more support.

For the performance and theater management business, Poly Culture will continue to strengthen and improve its main businesses. For cinema management, we will continue to exert ourselves to renew expired theater contracts, and dig into and follow up new theater projects, in order to realize the growth of theater scale while maintaining stability; in terms of performance content, it will strengthen the platform construction and team building, reinforce brand cooperation, effectively enhance the production capacity of original productions, create cultural masterpieces, and tell the Chinese stories with passion and heart. The exemplary projects include the original musical "Catch the Stars" in partnership with Tencent's Arena of Valor, the original co-produced musical "Blossom" based on the true story of Role Model of the Times, Zhang Guimei. By actively seeking national policy support, lining up with institutions such as the Central Academy of Drama to foster more professional talents, continuously exploring new channels for international exchange and cooperation, establishing an international platform, launching the upstream and downstream services for ticket agency and performance brokerage, and exploring new types of business like cloud theaters, Poly Culture will establish a complete layout of the entertainment industry.

For the cinema investment management business, Poly Culture will intensify its exploration of business innovation, strengthen cross-industry collaboration, seek rent reduction and policy subsidies, enhance staffing structure, and improve service quality. By continuously promoting the disposal of loss-making cinemas and relieving operational burdens, Poly Culture will strive to turn losses into profits with a lighter footprint, in addition to accelerating the release of completed projects, stepping up the implementation of reserve projects, and realizing greater social and economic benefits.

For the art education business, in addition to operating its existing campuses and improving profitability, and strengthening its cooperation with the Central Conservatory of Music to enhance teacher training, Poly WeDo will constantly improve teaching quality, optimize student experience, consolidate the organization of influential events and continuously enhance the Poly WeDo brand.

For the cultural finance business, we will carry out the relevant business in a prudent manner in accordance with the overall requirements of the financial business. The art investment companies will strictly control risks and ensure the good operation of the projects. The financial leasing companies will strengthen the market environment and financial environment research and judgment, reduce scales and control risks. The cultural industry fund companies will serve as a platform to provide financial support for the development of Poly Culture's main businesses.

For the cultural asset operation and management business, the exploration and establishment of a replicable business development model will be accelerated, in addition to gathering assets and promoting more collaborative projects to be implemented as soon as possible.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

On November 2, 2021, the election of the fourth session of the Board was completed at the 2021 first extraordinary general meeting of the Company. Mr. Zhang Xi, Mr. Jiang Yingchun, Mr. Wang Bo, Mr. Xu Bei, Ms. Zhang Hong, Mr. Fu Chengrui, Ms. Li Xiaohui, Mr. Sun Hua and Mr. Yip Wai Ming were appointed as the Directors of the fourth session of the Board, with effect from the date of approval by the general meeting for a term of three years. The Directors may be re-elected after the expiry of their terms of office. Since the establishment of the new session of the Board, Mr. Xu Niansha ceased to serve as a Director due to age reason, Mr. Huang Geming, Mr. Li Weiqiang and Mr. Wang Keling ceased to serve as Directors due to work arrangement, and Mr. Li Boqian ceased to serve as a Director due to age and health reasons.

At the first meeting of the fourth session of the Board held immediately after the 2021 first extraordinary general meeting of the Company, the Board agreed to appoint Mr. Zhang Xi as the chairman of the fourth session of the Board, and appoint Mr. Jiang Yingchun as the vice chairman of the fourth session of the Board, with effect from November 2, 2021, whose terms of office will last until the expiry of the service term of the fourth session of the Board. On the same day, the Board agreed to appoint the members of the Audit Committee, Nomination Committee, Remuneration and Assessment Committee, Art Committee and Strategy Committee under the fourth session of the Board, with effect from November 2, 2021, whose terms of office will last until the expiry of the fourth session of the Board.

Supervisors

On November 2, 2021, the election of the fourth session of the board of supervisors of the Company (the "**Board of Supervisors**") was completed at the 2021 first extraordinary general meeting of the Company. Mr. Li Wenliang and Mr. Ma Wenxu were appointed as the shareholder supervisors of the fourth session of the Board of Supervisors, with effect from the date of approval by the general meeting for a term of three years. The supervisors may be re-elected after the expiry of their terms of office. Since the establishment of the new session of the Board of Supervisors, Mr. Chen Yuwen and Mr. Hou Hongxiang ceased to serve as supervisors of the Company due to work arrangement. Through democratic election procedures at the employee representative meeting of the Company, Mr. Wang Fuqiang was appointed as the employee representative supervisor of the fourth session of the Board of Supervisors for a term of three years, subject to re-election after the expiry of his term of office.

At the first meeting of the fourth session of the Board of Supervisors held immediately after the 2021 first extraordinary general meeting of the Company, the Board of Supervisors agreed to appoint Mr. Li Wenliang as the chairman of the fourth session of the Board of Supervisors, with effect from November 2, 2021, whose term of office will last until the expiry of the service term of the fourth session of the Board of Supervisors.

Senior Management

On August 31, 2021, the Board passed a resolution and agreed to appoint Mr. Wang Bo as the general manager of the Company. His appointment took effect from August 31, 2021 and the term of office will be three years; agreed to appoint Ms. Zhao Lin as the chief accountant of the Company. Her appointment took effect from August 31, 2021 and the term of office is three years.

On March 31, 2022, the Board passed a resolution to appoint Ms. Ng Sau Mei as the Company's joint company secretary, authorized representative and agent for service of process in Hong Kong. Before that, Ms. Leung Suet Lun had proposed to resign from her position as joint company secretary, authorized representative and agent for service of process in Hong Kong due to change of work allocation, with effect from March 31, 2022.

SUBSEQUENT EVENTS

The Board decided not to recommend distribution of any profits for the year ended December 31, 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. During the year ended December 31, 2021, save that the re-election of the Board and the Board of Supervisors took place in November 2021, upon the expiry of their three-year tenures, which deviated from code provision A.4.2 (current code provision B.2.2), the Company had complied with all applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report (revised on January 1, 2022 and renamed as the Corporate Governance Code) in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out therein.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors and supervisors. The Company has made specific enquiries with the Directors and supervisors, and all of the Directors and supervisors confirmed that they have complied with the required standard as set out in the Model Code during the year ended December 31, 2021.

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 during the year ended December 31, 2021.

PROFIT DISTRIBUTION

The Board decided not to recommend distribution of profits for the year ended December 31, 2021.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in this annual results announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF THE ANNUAL REPORT

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

The Company's 2021 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the Company's website (www.polyculture.com.cn) and the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course.

By order of the Board
Poly Culture Group Corporation Limited
Zhang Xi
Chairman

Beijing, the PRC, March 31, 2022

As of the date of this announcement, the executive Directors are Mr. Zhang Xi, Mr. Jiang Yingchun, Mr. Wang Bo and Mr. Xu Bei; the non-executive Directors are Ms Zhang Hong and Mr.Fu Chengrui; and the independent non-executive Directors are Ms. Li Xiaohui, Mr. Sun Hua, and Mr. Yip Wai Ming.