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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of Poly Culture Group Corporation Limited (the “**Company**”, “**Poly Culture**”, “**our**” or “**we**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021. The results have been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, Interim Financial Reporting issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended June 30, 2022 – unaudited**(Expressed in Renminbi (“RMB”))*

		Six months ended June 30,	
		2022	2021
	<i>Note</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	4	924,271	1,503,165
Cost of sales		<u>(632,862)</u>	<u>(1,019,679)</u>
Gross profit		291,409	483,486
Other net income		18,472	42,742
Changes in fair value of other equity securities		15,737	10,114
Selling and distribution expenses		(172,899)	(181,403)
Administrative expenses		<u>(228,404)</u>	<u>(224,558)</u>
(Loss)/profit from operations		(75,685)	130,381
Finance income		42,236	55,627
Finance costs		(108,380)	(115,341)
Share of profits less losses of associates		(26,327)	(39,737)
Share of profits less losses of joint ventures		<u>(8,943)</u>	<u>(4,666)</u>
(Loss)/profit before taxation	6	(177,099)	26,264
Income tax	7	<u>(10,476)</u>	<u>(25,976)</u>
(Loss)/profit for the period		<u>(187,575)</u>	<u>288</u>
Attributable to:			
Equity shareholders of the Company		(170,983)	10,519
Non-controlling interests		<u>(16,592)</u>	<u>(10,231)</u>
(Loss)/profit for the period		<u>(187,575)</u>	<u>288</u>
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (RMB)	8	<u>(0.69)</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2022 – unaudited

(Expressed in RMB)

Six months ended June 30,

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	<u>(187,575)</u>	288
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	–	(1,095)
Exchange differences on translation of financial statements of subsidiaries outside the PRC	<u>24,406</u>	<u>(3,785)</u>
Total comprehensive income for the period	<u><u>(163,169)</u></u>	<u><u>(4,592)</u></u>
Attributable to:		
Equity shareholders of the Company	<u>(147,381)</u>	8,142
Non-controlling interests	<u>(15,788)</u>	<u>(12,734)</u>
Total comprehensive income for the period	<u><u>(163,169)</u></u>	<u><u>(4,592)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2022 – unaudited

(Expressed in RMB)

		At June 30, 2022	At December 31, 2021
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		437,627	462,081
Right-of-use assets		656,888	761,999
Intangible assets		47,922	44,355
Goodwill		76,865	76,865
Long-term prepayments		2,040	2,152
Interests in associates		588,113	614,440
Interests in joint ventures		392,893	409,087
Other financial assets		290,913	265,073
Deferred tax assets		44,532	38,674
		<u>2,537,793</u>	<u>2,674,726</u>
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Current assets			
Inventories		2,230,542	2,248,641
Trade and bills receivables	9	547,483	551,239
Consignor advances		1,470,338	1,527,198
Deposits, prepayments and other receivables		2,826,062	2,785,905
Current tax assets		3,219	5,318
Other financial assets		1,505,800	1,808,298
Restricted cash		27,649	27,649
Deposits with original maturities over three months		77,510	59,436
Cash and cash equivalents		981,482	1,607,593
		<u>9,670,085</u>	<u>10,621,277</u>
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at June 30, 2022 – unaudited
(Expressed in RMB)

		At June 30, 2022	At December 31, 2021
	Note	RMB'000	RMB'000
Current liabilities			
Trade and other payables	10	1,554,395	2,421,976
Contract liabilities		761,956	608,948
Lease liabilities		219,254	170,785
Interest-bearing borrowings		4,596,036	4,237,066
Current taxation		23,385	23,548
		<u>7,155,026</u>	<u>7,462,323</u>
Net current assets		<u>2,515,059</u>	<u>3,158,954</u>
Total assets less current liabilities		<u>5,052,852</u>	<u>5,833,680</u>
Non-current liabilities			
Trade and other payables	10	8,658	8,700
Lease liabilities		705,744	819,089
Interest-bearing borrowings		842,000	1,348,000
Deferred revenue		604	669
Deferred tax liabilities		36,554	32,882
		<u>1,593,560</u>	<u>2,209,340</u>
NET ASSETS		<u>3,459,292</u>	<u>3,624,340</u>
CAPITAL AND RESERVES			
Share capital		246,316	246,316
Reserves		2,866,874	3,011,012
Total equity attributable to equity shareholders of the Company		<u>3,113,190</u>	<u>3,257,328</u>
Non-controlling interests		<u>346,102</u>	<u>367,012</u>
TOTAL EQUITY		<u>3,459,292</u>	<u>3,624,340</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited (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. 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**”). These financial statements were authorised for issue on August 29, 2022.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 are unaudited.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract*

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

None of these developments has had a material effect on how the Group's results and financial position for the current period have been prepared or presented in these unaudited condensed consolidated interim financial statements.

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	224,895	341,409
– Revenue from performance and theatre management	508,886	803,952
– Revenue from cinema investment and management	139,382	251,618
– Revenue from other services	18,271	4,455
	<u>891,434</u>	<u>1,401,434</u>
Revenue from other sources		
– Revenue from art business and auction	24,335	86,509
– Revenue from performance and theatre management	4,207	7,902
– Revenue from cinema investment and management	4,295	7,320
	<u>924,271</u>	<u>1,503,165</u>

There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2022 and 2021.

5 SEGMENT REPORTING

(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, current tax assets, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of current taxation, 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 corporate 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, depreciation and amortisation, finance income, finance costs and unallocated corporate expenses are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation and amortisation, finance income and finance costs.

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 six months ended June 30, 2022 and 2021 is set out below:

	Six months ended June 30, 2022			
	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	224,895	508,886	134,083	867,864
Over time	24,335	4,207	9,594	38,136
Revenue from external customers and reportable segment revenue	249,230	513,093	143,677	906,000
Reportable segment (loss)/ profit (adjusted EBITDA)	(2,310)	(10,771)	13,139	58
Depreciation and amortisation	(20,522)	(14,042)	(61,776)	(96,340)
Finance income	36,549	5,814	399	42,762
Finance costs	(78,699)	(447)	(28,395)	(107,541)
As at June 30, 2022				
Reportable segment assets	8,314,896	1,105,546	1,173,537	10,593,979
Reportable segment liabilities	6,642,567	756,624	1,569,922	8,969,113

Six months ended June 30, 2021

	Art business and auction <i>RMB'000</i>	Performance and theatre management <i>RMB'000</i>	Cinema investment and management <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition				
Point in time	341,409	803,952	245,380	1,390,741
Over time	86,509	7,902	13,558	107,969
Revenue from external customers and reportable segment revenue	<u>427,918</u>	<u>811,854</u>	<u>258,938</u>	<u>1,498,710</u>
Reportable segment profit (adjusted EBITDA)	<u>131,456</u>	<u>13,786</u>	<u>75,669</u>	<u>220,911</u>
Depreciation and amortisation	(19,725)	(13,697)	(70,404)	(103,826)
Finance income	48,233	5,897	3,542	57,672
Finance costs	(110,464)	(331)	(33,522)	(144,317)
As at June 30, 2021				
Reportable segment assets	10,140,712	1,041,849	1,434,767	12,617,328
Reportable segment liabilities	8,350,464	676,775	1,697,904	10,725,143

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	906,000	1,498,710
Revenue from other services	18,271	4,455
	<u>924,271</u>	<u>1,503,165</u>
Consolidated revenue (<i>note 4</i>)	<u>924,271</u>	<u>1,503,165</u>
(Loss)/profit		
Reportable segment profit (adjusted EBITDA)	58	220,911
Revenue from other services	18,271	4,455
Unallocated corporate net income	21,963	16,708
Share of profits less losses of associates	(26,327)	(39,737)
Share of profits less losses of joint ventures	(8,943)	(4,666)
Changes in fair value of other equity securities	15,737	10,114
Depreciation and amortisation	(101,690)	(104,771)
Finance income	42,236	55,627
Finance costs	(108,380)	(115,341)
Unallocated corporate expenses	(30,024)	(17,036)
	<u>(177,099)</u>	<u>26,264</u>
Consolidated (loss)/profit before taxation	<u>(177,099)</u>	<u>26,264</u>

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Assets		
Reportable segment assets	10,593,979	11,744,204
Elimination of inter-segment receivables	(4,703,212)	(4,937,863)
Other equity securities	280,946	265,073
Interests in associates	588,113	614,440
Interests in joint ventures	392,893	409,087
Current tax assets	3,219	5,318
Deferred tax assets	44,532	38,674
Unallocated corporate assets	5,007,408	5,157,070
	<u>12,207,878</u>	<u>13,296,003</u>
Liabilities		
Reportable segment liabilities	8,969,113	9,974,640
Elimination of inter-segment payables	(4,703,212)	(4,937,863)
Current taxation	23,385	23,548
Deferred tax liabilities	36,554	32,882
Unallocated corporate liabilities	4,422,746	4,578,456
	<u>8,748,586</u>	<u>9,671,663</u>

(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.

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	Six months ended June 30, 2022 RMB'000	2021 RMB'000	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Mainland China	858,323	1,405,921	2,177,185	2,338,853
Others	65,948	97,244	25,163	32,126
	<u>924,271</u>	<u>1,503,165</u>	<u>2,202,348</u>	<u>2,370,979</u>

6 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	335,457	328,181
Contributions to defined contribution retirement plans	47,164	43,946
	<u>382,621</u>	<u>372,127</u>

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Depreciation		
– property, plant and equipment	32,529	36,227
– right-of-use assets	66,216	66,660
Amortisation	2,945	1,884
Impairment losses recognised/(reversed) in administrative expenses		
– trade and bills receivables	582	516
– deposits, prepayments and other receivables	(628)	(807)

7 INCOME TAX

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Current tax	11,667	28,489
Deferred tax	(1,191)	(2,513)
	<u>10,476</u>	<u>25,976</u>

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic earnings per share is based on loss attributable to ordinary equity shareholders of the Company of RMB170,983,000 for the six months ended June 30, 2022 (six months ended June 30, 2021: profit attributable to ordinary equity shareholders of the Company of RMB10,519,000) and the weighted average number of ordinary shares in issue during the period of 246,316,000 shares.

(b) Diluted (loss)/earnings per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2022 and 2021. Accordingly, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share.

9 TRADE AND BILLS RECEIVABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Trade and bills receivables for sale of goods and rendering of services, net of credit loss allowance, due from:		
– related parties	5,736	4,621
– third parties	<u>541,747</u>	<u>546,618</u>
Financial assets measured at amortised cost	<u><u>547,483</u></u>	<u><u>551,239</u></u>

Aging analysis

As of the end of the reporting period, the ageing 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, 2022 RMB'000	At December 31, 2021 RMB'000
Within 1 month	96,180	108,280
1 to 3 months	2,814	16,627
3 to 6 months	30,662	22,727
6 to 12 months	64,940	68,822
Over 1 year	<u>352,887</u>	<u>334,783</u>
	<u><u>547,483</u></u>	<u><u>551,239</u></u>

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

10 TRADE AND OTHER PAYABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Current		
Trade payables to		
– related parties	54,600	52,899
– third parties	98,336	114,480
	<u>152,936</u>	<u>167,379</u>
Interest payables		
– related parties	13,984	8,500
– third parties	13,231	41,735
Payables for staff related costs	88,079	53,149
Payables for other taxes and surcharges	39,562	57,539
Dividends payable	11,290	10,343
Payment to consignors	636,349	1,570,939
Deposits received	130,781	108,625
Payables on acquisition of non-controlling interests	22,791	65,275
Other accruals and payables		
– related parties	154,373	55,633
– third parties	291,019	282,859
	<u>1,554,395</u>	<u>2,421,976</u>
Financial liabilities measured at amortised cost		
Non-current		
Pension contribution	8,658	8,700
	<u>8,658</u>	<u>8,700</u>

As of the end of the reporting period, the ageing analysis of trade payables presented based on the invoice date is as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Within 12 months	87,151	108,876
Over 12 months	65,785	58,503
	<u>152,936</u>	<u>167,379</u>

11 DIVIDENDS

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.

12 IMPACTS OF COVID-19 PANDEMIC

The outbreak of the coronavirus disease (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. 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

I. Segment Business Information

In the first half of 2022, China's economy withstood the pressure, started stabilizing and turning for the better, with a year-on-year GDP growth of 2.5%, continuing the trend of steady recovery. However, compared with other industries, the cultural industry is more affected by repeated COVID-19 pandemic, cyclical economic fluctuations and macro-economic policy controlling. The COVID-19 pandemic restricted offline cultural consumption activities, and the growth rate of the operating income of enterprises in cultural and related industries above designated size across the country has slowed down significantly. Affected by the COVID-19 pandemic, the three principal businesses of Poly Culture have experienced temporary closure at different degree, resulting in a decline in operating results. In terms of artwork operation and auction business, spring auction has been postponed to late July. In terms of performance and theatre management business, Poly Culture strictly implemented the requirements of prevention and control of the COVID-19 pandemic, the actual number of performances reduced to 2,968. In terms of cinema investment and management business, our cinemas were mainly located in Beijing, Shanghai, Shenzhen and other regions which severely affected by the outbreak of the COVID-19 pandemic, resulting in the failure of several cinemas to open. Poly Culture actively responded to the unfavorable situation, took the initiative to seek development, and innovated and laid out its work in many aspects. Meanwhile, Poly Culture focused on promoting special work such as state-owned enterprise reform, lean management, and comprehensive governance. The brand image and social influence of Poly Culture continued to improve, and all work made positive progress.

Artwork operation and auction business

Beijing Poly International Auction Co., Ltd. (“**Poly Auction Beijing**”) organized the “Welcome to the New Year (Sanya) Boutique Auction” and launched the “Jin Dwen Dwen Charity Auction Special Session”. All the auction proceeds were donated to the China Youth Development Foundation, which aroused the praise of all sectors of society. The total turnover of the 2022 spring auction was RMB1.754 billion, and 28 items, the transaction value of each exceeds more than RMB10 million, were successfully auctioned. Poly Auction (Hong Kong) Limited (“**Poly Auction Hong Kong**”) achieved a total turnover of HK\$1 billion in the tenth anniversary auction of Poly Hong Kong, of which online auction increased by 3.5 times compared with last spring auction. Beijing Poly Art Centre Co., Ltd. (“**Beijing Art Center**”) overcame the impact of the COVID-19 pandemic to hold a total of 10 exhibitions of various types. Poly Culture (North America) Investment Co., Ltd. (“**Poly Culture North America**”) cooperated with the Vancouver Art Gallery to hold the online art exhibition- “Why Landscape- Exploring the Beauty of Chinese Painting” (為何山水—探尋中國畫的美) to promote the cultural exchange between China and the West.

Performance and theatre management business

Beijing Poly Theatre Management Corporation Limited (“**Poly Theatre Management**”) has newly taken over two grand theaters, with 75 theaters under operation and management. In terms of the operation of performances, the dance poetic drama “The Journey of a Legendary Landscape Painting” (《只此青綠》) was performed 18 times in a row, setting a record since the tour. The premiere of the Chinese version of the stage play “Frankenstein” (《弗蘭肯斯坦》) received enthusiastic response. In terms of originality, the musical, the glory of the king’s “Picking the Stars” (《摘星辰》) was premiered successfully, realizing the organic integration of Chinese original digital IP and stage art. In addition, Poly Theatre Management jointly produced the drama “Skins” (《皮囊》), “Wotou Hall” (《窩頭會館》), “A Lifelong Journey” (《人世間》) and the musical “Bloom” (《綻放》). In terms of large-scale cultural performances, Poly Theatre Management won the bid for the opening and closing ceremonies of the 15th Anhui Games, the 8th Paralympic Games and the 9th Minority Games. In addition, Poly Cloud Theatre has opened up a new situation of performing arts on the cloud. As of June 30, 2022, there were 22 new dramas and 19 live plays, and the number of viewers exceeded 750,000.

Cinema investment and management business

Poly Film Investment Co., Ltd. (“**Poly Film**”) currently operates 67 direct-operated studios, focusing on the main theme films, and jointly produced the film “The Battle at Lake Changjin II” (《長津湖之水門橋》), which won the box office championship in the Spring Festival of 2022. The TV series “A Lifelong Journey” (《人世間》) achieved excellent ratings, and the TV series “To Our Dreamland of Ice” (《冰雪之名》) presented the Winter Olympics. In addition, Poly Film jointly released the films “My Heart is Flying” (《我心飛揚》) and “A Man of the People” (《鄧小平小道》), which received good social response. Poly Film actively explored the “Cinema+” mode, making full use of idle venues to open children’s concerts, talk shows, VR films, screenplays, etc., which promotes business innovation and seeks new growth points.

In terms of the art education business, Poly Art Education Investment Co., Ltd. (“**Poly Art Education**”) actively explored the teaching and marketing mode of online and offline integration, and offered “Poly Cloud Classroom”, which provided a total of 124 lectures. The preparatory program of the Royal Northern College of Music has officially entered Poly Art Education, and substantial progress has been made in the business expansion of studying abroad. Poly WeDo insisted on “suspending classes but not stopping learning”, ensuring that nearly 700 students’ online and offline courses were seamlessly connected. Poly WeDo successfully held “The Master 2022 Poly WeDo Spring Concert” (《大師有約2022保利WeDo春季音樂會》), and the operating income rose against the trend.

In terms of the cultural asset operation and management business, 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) was officially unveiled at the beginning of the year to support the construction of Hainan Free Trade Port.

In 2022, Poly Culture actively explored digital business and accelerated its transformation and upgrading. Poly Culture actively promoted the integration and application of 5G technology, and participated in the research and development of cloud project on national digital film database and the 5G function upgrading of rural film projection server. Poly Culture strove to promote the construction of digital management platform, realized the online and intelligent scheduling of theaters, and promoted the application of theater management system (TMS). Poly Culture accelerated the exploration of digital art business. In the spring auction of 2022, Poly Culture launched the “Star Realm” (星境) series of digital art commemorative collections for the first time, which promoted the transformation of digital membership and gave digital art a higher cultural value.

II. ANALYSIS AND DISCUSSION OF RESULTS

Revenue

Total revenue decreased by 38.5% from RMB1,503.2 million for the six months ended June 30, 2021 to RMB924.3 million for the six months ended June 30, 2022, primarily due to the outbreak of COVID-19 pandemic since early 2022, which has resulted in a decrease in revenue during the six months ended June 30, 2022.

After the COVID-19 pandemic has been mitigated, the Group has gradually resumed business according to the relevant requirements of the government. In July 2022, the Group achieved successful spring auctions in Beijing and Hong Kong which were postponed respectively. The Group also resumed its performances and cinema business gradually during the six months ended June 30, 2022.

The respective segment revenue for the six months ended June 30, 2022 and 2021 is as follows:

	Six months ended June 30,		<i>% of change</i>
	2022	2021	
	<i>RMB in millions</i>	<i>RMB in millions</i>	
Art Business and Auction	249.2	427.9	(41.8)
Performance and Theatre Management	513.1	811.9	(36.9)
Cinema Investment and Management	143.7	258.9	(44.5)

Gross profit

Gross profit decreased by 39.7% from RMB483.5 million for the six months ended June 30, 2021 to RMB291.4 million for the six months ended June 30, 2022, mainly due to the outbreak of the COVID-19 pandemic at the beginning of 2022, resulting in a decrease in gross profit for the six months ended June 30, 2022. Gross profit margin decreased from 32.2% for the six months ended June 30, 2021 to 31.5% the six months ended June 30, 2022, which remained relatively stable.

Other net income

Other net income (mainly including government grants) decreased from RMB42.7 million for the six months ended June 30, 2021 to RMB18.5 million for the six months ended June 30, 2022.

Selling and distribution expenses

Selling and distribution expenses decreased by 4.7% from RMB181.4 million for the six months ended June 30, 2021 to RMB172.9 million for the six months ended June 30, 2022, primarily due to the decrease in travel costs and office costs.

Administrative expenses

Administrative expenses increased by 1.7% from RMB224.6 million for the six months ended June 30, 2021 to RMB228.4 million for the six months ended June 30, 2022, basically in line with the previous year.

Reportable segment (loss)/profit

Reportable segment profit was RMB0.1 million for the six months ended June 30, 2022 compared with the reportable segment profit of RMB220.9 million for the six months ended June 30, 2021.

The respective reportable segment (loss)/profit of the Group for the six months ended June 30, 2022 and 2021 is as follows:

	Six months ended June 30,	
	2022	2021
	<i>RMB in millions</i>	<i>RMB in millions</i>
Art Business and Auction	(2.3)	131.5
Performance and Theatre Management	(10.8)	13.8
Cinema Investment and Management	13.1	75.7

Finance income

Finance income decreased by 24.1% from RMB55.6 million for the six months ended June 30, 2021 to RMB42.2 million for the six months ended June 30, 2022, mainly due to the control of the consignor advances by the Group, resulting in the decrease in corresponding interest income.

Finance costs

Finance costs decreased by 6.0% from RMB115.3 million for the six months ended June 30, 2021 to RMB108.4 million for the six months ended June 30, 2022, primarily due to the decrease in the average amount of bank loans, debentures and bonds.

Income tax

Income tax decreased by 59.6% from RMB26.0 million for the six months ended June 30, 2021 to RMB10.5 million for the six months ended June 30, 2022. The income tax expense is incurred as certain companies are still profitable during the period, but the overall decrease in profits led to a decrease in taxable income.

(Loss)/profit for the period

The loss for the six months ended June 30, 2022 amounted to RMB187.6 million compared with the profit of RMB0.3 million for the six months ended June 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2022, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2022, the Group's cash and cash equivalents amounted to RMB981.5 million (2021: RMB1,607.6 million), decreased by 38.9% as compared to that of December 31, 2021.

For the six months ended June 30, 2022, the net cash outflow from operating activities amounted to RMB286.0 million, compared with the net cash inflow of RMB450.2 million for the six months ended June 30, 2021, primarily due to that the spring auction with significant impact on net cash flow from operating activities has been postponed to the second half of the year. The net cash inflow from investing activities amounted to RMB20.8 million, representing an increase of RMB115.3 million as compared with the net cash outflow RMB94.5 million for the six months ended June 30, 2021. The net cash outflow from financing activities amounted to RMB362.9 million, representing a decrease of RMB674.1 million as compared with the net cash inflow of RMB311.2 million for the six months ended June 30, 2021, which mainly arising from the repayment of bank loans, short-term debentures and bonds. The decrease in cash and cash equivalents was approximately RMB626.1 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 5.3% from RMB462.1 million as at December 31, 2021 to RMB437.6 million as at June 30, 2022. The decrease is mainly due to the depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets decreased by 9.0% from RMB10,621.3 million as at December 31, 2021 to RMB9,670.1 million as at June 30, 2022, primarily due to the decrease of cash and cash equivalent. Current liabilities decreased by 4.1% from RMB7,462.3 million as at December 31, 2021 to RMB7,155.0 million as at June 30, 2022. The decrease of current liability is primarily due to the decrease of the payment to consignors.

Inventories

Our inventories decreased by 0.8% from RMB2,248.6 million as at December 31, 2021 to RMB2,230.5 million as at June 30, 2022, primarily due to the disposals of artwork collections.

Consignor advances

The consignor advances decreased by 3.7% from RMB1,527.2 million as at December 31, 2021 to RMB1,470.3 million as at June 30, 2022, primarily due to the collecting of consignor advances, also the Group intended to control the scale of the consignor advances.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 1.5% from RMB2,785.9 million as at December 31, 2021 to RMB2,826.1 million as at June 30, 2022, basically in line with the previous year.

INDEBTEDNESS

As at June 30, 2022, we incurred interest-bearing borrowings of RMB5,438.0 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans decreased from RMB2,900.9 million as at December 31, 2021 to RMB2,523.1 million as at June 30, 2022 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.

As at the date of this announcement, other than disclosed in this announcement, 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 RMB15.0 million and RMB22.9 million, respectively, for the six months ended June 30, 2022 and June 30, 2021.

OTHER FINANCIAL INDICATORS

Our gearing ratio which is calculated by dividing the total debts by total assets decreased from 72.7% as at December 31, 2021 to 71.7% as at June 30, 2022 mainly due to the payment to consignors and the repayment of bank loans.

EMPLOYEE REMUNERATION AND POLICY

As at June 30, 2022, the Group had 7,640 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 June 30, 2022, 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)

The outbreak of the COVID-19 pandemic since early 2020 has brought more uncertainties to the Group's business environment. The current global COVID-19 pandemic is still spreading and the huge impact of the outbreak on the world economy will continue to develop and evolve. While the international environment remains complex, it will be difficult for overseas businesses to return to normal for a while. Looking back at home, China's economy has continued its steady recovery. However, as cultural consumption is an optional consumption, the recovery of cultural industry often lags behind other industries, and depends on the strong stimulation of policies. It will take time for cultural

consumption to return to the pre-epidemic levels. 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, 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 and launch online business when focusing on its three existing principal businesses, and explore more profit growth engines.

Unpredictability of demand of the market for artworks

The demand for artworks is influenced by various factors, including the overall economic and political environment, changes in the collecting categories that are most sought after and preferences of collectors. For example, in our auction operation, a decrease in market demand may cause a decline in artworks auction turnover, which could result in lower the commission income of the Company. 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 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 improve 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

Due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the contracts we entered into with overseas customers may also be in the value denominated in the Euro or the U.S. dollar. Therefore, exchange rate fluctuation (especially among 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

In the second half of 2022, facing the complicated internal and external situation, Poly Culture will strengthen its confidence, overcome difficulties, take management promotion as the core, take transformation and upgrading as the goal, take new business development as the breakthrough and thoroughly analyze industry trends to timely grasp the policy direction, reorganize the business processes, strengthen internal and external collaboration, strive to reduce capital costs, grab performance, stabilize revenue and increase benefits, and strive to achieve breakeven.

In terms of the artwork operation and auction business, the Company will, under the permission of the prevention and control of the COVID-19 pandemic, fully mobilize resources to carry out investment promotion work such as collection and promotion of auctioned items, vigorously carry out cloud collection, strive to properly make the spring auction and the autumn auction, and keep the total auction turnover leading. The Company will continuously improve the quality and quantity of the items to be auctioned online, strengthen the mutual promotion of online and offline auctions, increase the research and development of digital art auctions, and strive to make online auctions and digital art auctions a new growth point.

In terms of the performance and theater management business, as for cinema line management, the Company will steadily expand the scale of theaters, and properly handle the renewal of expired theaters, the bidding of grand theater projects, and the development of new theaters in key cities. In terms of the production of contents, the Company will strengthen the production capacity of original plays and promote the creation and arrangement of new plays in an orderly manner. In addition, the Company will accelerate the implementation of immersive performing arts projects and Chinese New Year stage plays. In terms of the operation of performances, the Company will launch activities such as “Celebrating the 20th Victory and Holding the Red Theme Performance Season” and “Celebrating the 100th Anniversary of the Founding of the Communist Youth League of China” with the Party’s 20th Congress as the main line, and properly conduct the tour of key repertoires such as the large-scale symphonic music poetic drama “A Thousand Li of Rivers and Mountains” (《千里江山》). In terms of international business, the Company will, under the new situation of COVID-19 pandemic prevention and control, strive to improve its ability to acquire overseas high-quality repertoire resources, promote substantive international cooperation, and further accelerate its strategic layout of overseas business.

In terms of the cinema investment and management business, the Company will strengthen the management of cinemas, strictly control operating costs and promote cross-industry cooperation. The Company will properly organize the relevant units of the 12th Beijing International Film Festival and hold the 20th anniversary celebration of Poly Film.

In terms of the art education business, the Company will properly conduct campus operation and management, increase marketing efforts, fully grasp the summer business window, and achieve accurate drainage according to customer preferences. The Company will broaden online revenue channels, expand corporate customers, and launch various types of customized art courses. The art education company will continue to improve its operating performance, and Poly WeDo will further improve its profit level.

In terms of the cultural and financial business, the Company will steadily carry out related businesses according to the general requirements of financial business stipulated by the SASAC. The art investment company will focus on the existing project management, strictly control risks and ensure the sound operation of the project. The cultural industry fund company will play a platform role and continue to provide financial support for the overall development of Poly Culture.

In terms of the cultural asset operation and management business, the Company will steadily promote the Artwork Trading Center Project of Hainan Free Trade Zone, deepen the operation plan, and push more projects to be implemented as soon as possible, so as to make new contributions to the Company's development.

SUBSEQUENT EVENT

There has been no significant subsequent event from June 30, 2022 to the date of this announcement.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ye Weiming has resigned as an independent non-executive Director, chairman of the remuneration and assessment committee of the Board and a member of the audit committee of the Board for personal work reasons with effect from June 21, 2022. On June 21, 2022, the 2021 annual general meeting of the Company passed a resolution to appoint Mr. Fung Edwin as an independent non-executive Director of the fourth session of the Board. His appointment has already been effective from the date of approval by the general meeting of shareholders of the Company until the expiration of the term of office of the fourth session of the Board; on the same day, the third meeting of the fourth session of the Board passed a resolution to appoint Mr. Fung Edwin as the chairman of the remuneration and assessment committee of the Board and a member of the audit committee of the Board.

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 period from January 1, 2022 to June 30, 2022 (the "**Reporting Period**"), the Company had complied with all applicable code provisions as set out in the Corporate Governance Code (the "**CG 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 code of conduct regarding securities transactions by all Directors and supervisors. The Company has also established guidelines no less exacting than 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 have complied with the standards specified in the Model Code during the six months ended June 30, 2022. The Company has also made specific inquiries to relevant employees about their compliance with the guidelines on transactions of the Company’s securities, without noticing any violation of the guidelines.

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 Reporting Period.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended June 30, 2022.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed and confirmed the Company’s interim results announcement for the six months ended June 30, 2022, the 2022 Interim Report and the unaudited interim financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the HKExnews website of the HKSE (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn).

The Company's 2022 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders and will be published on the HKExnews website of the HKSE (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn).

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

Beijing, the PRC, August 29, 2022

As at the date of this announcement, the executive directors of the Company 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. Fung Edwin.