



保利文化集团股份有限公司

POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636



2022

INTERIM REPORT

CONTENTS

Corporate Profile	2
Financial Highlight	3
Management Discussion and Analysis	4
Corporate Governance	15
Other Information	17
Condensed Consolidated Statement of Profit or Loss	19
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	23
Condensed Consolidated Statement of Cash Flows	26
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	27
Definitions	55

Corporate Profile

REGISTERED NAME OF THE COMPANY

Poly Culture Group Corporation Limited

REGISTERED OFFICE

District A, 20/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC

HEAD OFFICE IN THE PRC

Districts A, B and C, 11/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Bo (*Chairman*)
Mr. Zhang Xi
Mr. Jiang Yingchun
Mr. Xu Bei

Non-executive Directors

Ms. Zhang Hong
Mr. Fu Chengrui

Independent Non-executive Directors

Ms. Li Xiaohui
Mr. Sun Hua
Mr. Fung Edwin

AUTHORIZED REPRESENTATIVES

Mr. Wang Bo
Districts A, B and C, 11/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC

Ms. Ng Sau Mei
31st Floor, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

JOINT COMPANY SECRETARIES

Ms. Wang Wei
Ms. Ng Sau Mei

AUDITORS

PRC Auditor

Baker Tilly China Certified Public Accountants
Building 12, Foreign Cultural and Creative Garden,
No. 19 Chegongzhuang West Road, Haidian District,
Beijing, PRC

International Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance
8th Floor, Prince's Building, 10 Chater Road, Central,
Hong Kong

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

Beijing Tianyuan Law Firm
10th Floor, Pacific Insurance Building, 28 Fengsheng
Hutong, Xicheng District, Beijing, PRC

PRINCIPAL BANKS

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

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

H SHARE REGISTRAR

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

STOCK CODE

03636

INVESTOR ENQUIRIES

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Revenue	924,271	1,503,165
(Loss)/profit from operations	(75,685)	130,381
(Loss)/profit before taxation	(177,099)	26,264
Income tax	(10,476)	(25,976)
(Loss)/profit for the period	(187,575)	288
Attributable to:		
Equity shareholders of the Company	(170,983)	10,519
Non-controlling interests	(16,592)	(10,231)
(Loss)/earnings per share		
Basic and diluted (loss)/earnings per share (RMB)	(0.69)	0.04
Total comprehensive income for the period	(163,169)	(4,592)
Total comprehensive income attributable to:		
Equity shareholders of the Company	(147,381)	8,142
Non-controlling interests	(15,788)	(12,734)
	At June 30,	At June 30,
	2022	2021
	RMB'000	RMB'000
Total non-current assets	2,537,793	2,674,726
Total current assets	9,670,085	10,621,277
Total assets	12,207,878	13,296,003
Total current liabilities	7,155,026	7,462,323
Total non-current liabilities	1,593,560	2,209,340
Total liabilities	8,748,586	9,671,663
Net Assets	3,459,292	3,624,340
Total equity attributable to the equity shareholders of the Company	3,113,190	3,257,328
Non-controlling interests	346,102	367,012
Total equity	3,459,292	3,624,340

The financial information of the Group for the six months ended June 30, 2022 was extracted from page 19 to 54 of this report, which set forth details of the basis of presentation for the unaudited condensed consolidated financial statements. The condensed consolidated financial statements of the Group for the six months ended June 30, 2022 were unaudited.

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

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 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. Poly Art Centre 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. 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

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 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. 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.

Management Discussion and Analysis

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,		
	2022 RMB in millions	2021 RMB in millions	% of change
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)

Management Discussion and Analysis

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 RMB in millions	2021 RMB in millions
Art Business and Auction	(2.3)	131.5
Performance and Theatre Management	(10.8)	13.8
Cinema Investment and Management	13.1	75.7

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

(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 consolidate and enhance its industry position.

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.

Management Discussion and Analysis

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.

COMPLIANCE WITH THE 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 Reporting Period, the Company had complied with all applicable code provisions as set out in the Corporate Governance Code 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, namely Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin.

AUDIT COMMITTEE

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

The Audit Committee consists of three Directors: Ms. Li Xiaohui (independent non-executive Director), Mr. Fung Edwin (independent non-executive Director) and Mr. Fu Chengrui (non-executive Director). Ms. Li Xiaohui currently serves as the chairlady of the Audit Committee.

On August 29, 2022, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2022, the 2022 interim report and the unaudited interim financial statements of the Group for the six months ended June 30, 2022 prepared in accordance with International Accounting Standards.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibilities for preparing financial statements of the Company. During the Reporting Period, the Company has published the 2021 annual report in strictly compliance with related provisions.

SHARE CAPITAL

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

INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2022 were published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn) on August 29, 2022.

INTERIM DIVIDEND

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

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 six months ended June 30, 2022.

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

As at June 30, 2022, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken on deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2022, to the knowledge of the Directors, the interests or short positions of the following persons (not being Directors, Supervisors or chief executive of the Company) in the Shares or underlying Shares, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Type of Shares	Capacity	Number of Shares/ underlying Shares held (Note 1)	Percentage of the relevant class of share capital (%) (Note 2)	Percentage of the total share capital (%) (Note 2)
Poly Group (Note 3)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (L)	100.00	63.69
Poly International	Domestic Shares	Beneficial owner	50,197,900 (L)	32.00	20.38
Li Shuming	H Shares	Beneficial owner	7,130,100 (L)	7.97	2.89

Notes:

- "L" stands for long positions.
- The percentage is calculated with the number of the relevant class of Shares issued as at June 30, 2022 divided by the total number of Shares.
- Poly Group directly holds 106,670,500 Shares and holds 100% of the equity interest of Poly International, which in turn holds 50,197,900 Shares. Accordingly, Poly Group is deemed to be interested in 50,197,900 Shares held by Poly International under the SFO.

Save as disclosed above, as at June 30, 2022, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2022. So far as the Directors are aware, there are no litigation or claim which are pending or threatened against the Company.

CHANGE 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.

Save as disclosed above, the Company did not appoint or dismiss any other Director, Supervisor or senior management during the six months ended June 30, 2022. Meanwhile, there is no other information about the Directors, Supervisors or chief executive of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSEQUENT EVENT

Mr. Zhang Xi, the chairman and executive Director of the fourth session of the Board of Directors, resigned as the chairman of the Company and the chairman of the strategy committee of the Board due to age reason with effect from September 9, 2022. Meanwhile, Mr. Zhang Xi resigned as the executive Director, which will take effect on the date of approval of the appointment of new executive director at the shareholders' general meeting of the Company. Mr. Wang Bo, the general manager of the Company, ceased to serve as the general manager of the Company due to work arrangements with effect from September 9, 2022. On September 9, 2022, the Board of Directors passed the resolution on election of Mr. Wang Bo, an executive Director, as the chairman of the fourth session of the Board of Directors, and as the chairman of the strategy committee of the fourth session of the Board of Directors in replacement of Mr. Zhang Xi. The term of office of Mr. Wang Bo took effect from the date of passing the resolution by the Board of Directors until the term of office of this session of the Board of Directors expires. On the same day, the Board of Directors passed the resolution on appointment of Mr. Guo Wenpeng as the general manager of the Company.

Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Revenue	4	924,271	1,503,165
Cost of sales		(632,862)	(1,019,679)
Gross profit		291,409	483,486
Other net income	6	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		(228,404)	(224,558)
(Loss)/profit from operations		(75,685)	130,381
Finance income		42,236	55,627
Finance costs	7(a)	(108,380)	(115,341)
Share of profits less losses of associates		(26,327)	(39,737)
Share of profits less losses of joint ventures		(8,943)	(4,666)
(Loss)/profit before taxation	7	(177,099)	26,264
Income tax	8	(10,476)	(25,976)
(Loss)/profit for the period		(187,575)	288
Attributable to:			
Equity shareholders of the Company		(170,983)	10,519
Non-controlling interests		(16,592)	(10,231)
(Loss)/profit for the period		(187,575)	288
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (RMB)	9	(0.69)	0.04

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
(Loss)/profit for the period	(187,575)	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	24,406	(3,785)
Total comprehensive income for the period	(163,169)	(4,592)
Attributable to:		
Equity shareholders of the Company	(147,381)	8,142
Non-controlling interests	(15,788)	(12,734)
Total comprehensive income for the period	(163,169)	(4,592)

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

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

	Note	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		437,627	462,081
Right-of-use assets	10	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	11	392,893	409,087
Other financial assets	12	290,913	265,073
Deferred tax assets		44,532	38,674
		2,537,793	2,674,726
Current assets			
Inventories	13	2,230,542	2,248,641
Trade and bills receivables	14	547,483	551,239
Consignor advances	15	1,470,338	1,527,198
Deposits, prepayments and other receivables	16	2,826,062	2,785,905
Current tax assets		3,219	5,318
Other financial assets	12	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	17	981,482	1,607,593
		9,670,085	10,621,277
Current liabilities			
Trade and other payables	18	1,554,395	2,421,976
Contract liabilities		761,956	608,948
Lease liabilities		219,254	170,785
Interest-bearing borrowings	19	4,596,036	4,237,066
Current taxation		23,385	23,548
		7,155,026	7,462,323

Condensed Consolidated Statement of Financial Position

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

	Note	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Net current assets		2,515,059	3,158,954
Total assets less current liabilities		5,052,852	5,833,680
Non-current liabilities			
Trade and other payables	18	8,658	8,700
Lease liabilities		705,744	819,089
Interest-bearing borrowings	19	842,000	1,348,000
Deferred revenue		604	669
Deferred tax liabilities		36,554	32,882
		1,593,560	2,209,340
NET ASSETS		3,459,292	3,624,340
CAPITAL AND RESERVES			
Share capital	20(b)	246,316	246,316
Reserves		2,866,874	3,011,012
Total equity attributable to equity shareholders of the Company		3,113,190	3,257,328
Non-controlling interests		346,102	367,012
TOTAL EQUITY		3,459,292	3,624,340

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	PRC			Non-controlling interests	Total equity	
				statutory reserve	Retained profits	Exchange reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2021	246,316	1,982,448	(26,356)	158,361	1,477,572	(161)	3,838,180	697,352	4,535,532
Changes in equity for the six months ended June 30, 2021:									
Profit/(loss) for the period	-	-	-	-	10,519	-	10,519	(10,231)	288
Other comprehensive income	-	-	(1,095)	-	-	(1,282)	(2,377)	(2,503)	(4,880)
Total comprehensive income for the period	-	-	(1,095)	-	10,519	(1,282)	8,142	(12,734)	(4,592)
Acquisition of non-controlling interests	-	-	(419,141)	-	-	-	(419,141)	(292,621)	(711,762)
Share of other changes of investments accounted for using the equity method	-	-	134	-	-	-	134	-	134
Capital contributions from non-controlling equity owners	-	-	-	-	-	-	-	900	900
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(6,387)	(6,387)
Balance at June 30, 2021	246,316	1,982,448	(446,458)	158,361	1,488,091	(1,443)	3,427,315	386,510	3,813,825

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	PRC			Exchange reserve	Non-controlling interests	Total equity
				statutory reserve	Retained profits	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at July 1, 2021	246,316	1,982,448	(446,458)	158,361	1,488,091	(1,443)	3,427,315	386,510	3,813,825
Changes in equity for the six months ended									
December 31, 2021:									
(Loss)/profit for the period	-	-	-	-	(150,021)	-	(150,021)	12,332	(137,689)
Other comprehensive income	-	-	(1,653)	-	-	(10,587)	(12,240)	(294)	(12,534)
Total comprehensive income for the period	-	-	(1,653)	-	(150,021)	(10,587)	(162,261)	12,038	(150,223)
Acquisition of non-controlling interests	-	-	(6,182)	-	-	-	(6,182)	6,182	-
Share of other changes of investments accounted for using the equity method	-	-	(1,544)	-	-	-	(1,544)	-	(1,544)
Decrease in non-controlling interests due to disposal of a subsidiary	-	-	-	-	-	-	-	(6,000)	(6,000)
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(31,718)	(31,718)
Balance at December 31, 2021	246,316	1,982,448	(455,837)	158,361	1,338,070	(12,030)	3,257,328	367,012	3,624,340

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC			Exchange reserve RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000			
Balance at January 1, 2022	246,316	1,982,448	(455,837)	158,361	1,338,070	(12,030)	3,257,328	367,012	3,624,340
Changes in equity for the six months ended June 30, 2022:									
Loss for the period	-	-	-	-	(170,983)	-	(170,983)	(16,592)	(187,575)
Other comprehensive income	-	-	-	-	-	23,602	23,602	804	24,406
Total comprehensive income for the period	-	-	-	-	(170,983)	23,602	(147,381)	(15,788)	(163,169)
Capital contributions from non-controlling equity owners	-	-	3,243	-	-	-	3,243	1,657	4,900
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(6,779)	(6,779)
Balance at June 30, 2022	246,316	1,982,448	(452,594)	158,361	1,167,087	11,572	3,113,190	346,102	3,459,292

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow

for the six months ended June 30, 2022 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash (used in)/generated from operations		(274,189)	488,503
Tax paid		(11,829)	(38,323)
Net cash (used in)/generated from operating activities		(286,018)	450,180
Investing activities			
Payment for the purchase of property, plant and equipment		(15,026)	(22,911)
Net proceeds/(payment) for consignor advances		56,860	(131,641)
Other cash flows (used in)/generated from investing activities		(21,020)	60,076
Net cash generated from/(used in) investing activities		20,814	(94,476)
Financing activities			
Proceeds from loans and borrowings		3,144,763	2,144,684
Repayment of loans and borrowings		(3,295,912)	(1,603,114)
Capital element of lease rentals paid		(35,327)	(51,550)
Interest element of lease rentals paid		(16,446)	(24,564)
Acquisition of non-controlling interests		(42,484)	(76,016)
Other cash flows used in financing activities		(117,495)	(78,205)
Net cash (used in)/generated from financing activities		(362,901)	311,235
Net (decrease)/increase in cash and cash equivalents		(628,105)	666,939
Cash and cash equivalents at January 1	17	1,607,593	1,329,147
Effect of foreign exchange rates changes		1,994	1,199
Cash and cash equivalents at June 30	17	981,482	1,997,285

The notes on pages 27 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

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

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

2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on August 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*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (Continued)

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

	Six months ended June 30,	
	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
	891,434	1,401,434
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
	924,271	1,503,165

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

5 SEGMENT REPORTING (Continued)**(a) Segment results, assets and liabilities** (Continued)

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			Total RMB'000
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management 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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

5 SEGMENT REPORTING (Continued)**(a) Segment results, assets and liabilities** (Continued)

	Six months ended June 30, 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	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				
	427,918	811,854	258,938	1,498,710
Reportable segment profit (adjusted EBITDA)				
	131,456	13,786	75,669	220,911
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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	906,000	1,498,710
Revenue from other services	18,271	4,455
Consolidated revenue (note 4)	924,271	1,503,165
(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)
Consolidated (loss)/profit before taxation	(177,099)	26,264

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	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
Consolidated total assets	12,207,878	13,296,003
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
Consolidated total liabilities	8,748,586	9,671,663

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

5 SEGMENT REPORTING (Continued)**(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	
	Six months ended June 30,		At June 30,	At December 31,
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	858,323	1,405,921	2,177,185	2,338,853
Others	65,948	97,244	25,163	32,126
	924,271	1,503,165	2,202,348	2,370,979

6 OTHER NET INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Government grants	17,454	13,779
Dividend income from other equity securities	-	6,594
Net foreign exchange (loss)/gain	(5,597)	4,456
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	4,008	(234)
Compensation income from litigation claim (note)	-	14,692
Others	2,607	3,455
	18,472	42,742

Note: Compensation income from litigation claim represents the Group's claim for loss suffered from the construction schedule delay to a lessor.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Interest expenses	86,915	90,890
Interest on lease liabilities	21,465	24,566
Total interest expense on financial liabilities not at fair value through profit or loss	108,380	115,456
Less: interest expense capitalised into property, plant and equipment	-	115
	108,380	115,341

(b) Staff costs

	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
	382,621	372,127

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAXATION *(continued)***(c) Other items**

	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)

8 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)
	10,476	25,976

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2021: 25%), except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

Two subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation. Three subsidiaries of the Group are incorporated and carried out business in Hong Kong and are subject to Hong Kong Profits Tax at 16.5%, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021. One subsidiary of the Group is incorporated and carried out business in Macau and are subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdiction.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

9 (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.

10 RIGHT-OF-USE ASSETS

During the six months ended June 30, 2022, the Group entered into a number of lease agreements for use of offices and warehouses, and therefore recognised the additions to right-of-use assets of RMB14,576,000.

During the six months ended June 30, 2022, the Group leased a number of cinemas which contain variable lease payment terms that are based on net cinema box office income from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in China where the Group operates. The Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

10 RIGHT-OF-USE ASSETS (continued)

	Six months ended June 30, 2022			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Cinemas-China	27,783	3,175	(2,951)	28,007

	Six months ended June 30, 2021			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Cinemas-China	48,055	7,597	(5,253)	50,399

11 INTERESTS IN JOINT VENTURES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Unlisted shares, at cost	472,450	507,476
Impairment loss	(36,935)	(61,636)
Share of profits less losses, net of dividends	(42,622)	(36,753)
Total	392,893	409,087

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

11 INTERESTS IN JOINT VENTURES (continued)

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

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
Anyang Bao Xin Property Corporation Limited 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Shenzhen Hua Xi Culture Plaza Investment Development Corporation Limited 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	50%	Investment holding
Beijing Eastern Poly Culture and Art Corporation Limited 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Poly Armstrong (Beijing) International Arts & Communication Co., Ltd 保利斯特朗(北京)國際藝術傳播有限公司	Incorporated	The PRC	51%	–	Theatre operation management
Xijie XingX (Tianjin) International Cinema Corporation Limited 希傑星星(天津)國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Beijing Xijie XingX International Cinema Corporation Limited 北京希傑星星國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Fushun) Cinema Corporation Limited 希傑星星(撫順)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Shanghai) Cinema Corporation Limited 希傑星星(上海)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Zhongshan Xijie XingX Cinema Corporation Limited 中山希傑星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Changsha Xijie XingX Cinema Corporation Limited 長沙希傑星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Nanjing XingX Rongsheng Cinema Corporation Limited 南京星星榮盛影城有限公司	Incorporated	The PRC	60%	–	Cinema operation management
Foshan XingX Xijie Cinema Corporation Limited 佛山星星希傑影城有限公司	Incorporated	The PRC	80%	–	Cinema operation management

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

12 OTHER FINANCIAL ASSETS

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Current		
Financial assets measured at amortised cost		
– Finance lease receivable (note (i))		
– Within 1 year	1,729	–
– Loans granted under financing arrangements (note (ii))	1,472,146	1,779,643
– Loans to associates	13,655	13,655
– Loans to a joint venture	18,270	15,000
	1,505,800	1,808,298
Non-current		
Financial assets measured at amortised cost		
– Finance lease receivable (note (i))		
– After 1 year but within 2 years	1,157	–
– Over 2 years	8,810	–
Financial assets measured at FVPL		
– Other equity securities (note (iii))	280,946	265,073
	290,913	265,073
	1,796,713	2,073,371

Notes:

- (i) Hangzhou Poly Cinema Co., Ltd., a subsidiary of the Group, subleased properties under finance lease. The term of finance lease entered into is 9 years.
- (ii) Poly Culture (North America) Investment Co., Ltd. and Poly Ronghe Financial Leasing Corporation Limited, subsidiaries of the Group, granted term loans to third parties secured by works of art which bear interest from 9% to 14% per annum. Loans granted generally represent 20%-50% of the collateral's estimated value.
- (iii) Other equity securities represents 5% equity interest in Poly Finance Company Limited ("Poly Finance").

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

13 INVENTORIES

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

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Antiques, works of art	1,642,138	1,675,027
Calligraphy, painting and sculptures	520,167	521,778
Small value items for resale	5,274	8,404
Low value materials	2,375	2,507
Drama rights	43,161	23,496
Film production	17,427	17,429
	2,230,542	2,248,641

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	50,579	32,002

14 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	541,747	546,618
Financial assets measured at amortised cost	547,483	551,239

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

14 TRADE AND BILLS RECEIVABLES (Continued)**Aging 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:

	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	352,887	334,783
	547,483	551,239

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

15 CONSIGNOR ADVANCES

The Group provides certain qualified collectors and art dealers with advances secured by works of art which are held by the Group as collateral. If the work of art is sold in auction, the proceeds received from the buyer, after deducting commission, advances, interest and relevant taxes, will be paid to the consignor. If the secured work of art remains unsold, the consignor will be required to repay the advance together with interest before the work of art is returned to the consignor. The advances granted generally do not exceed 30% of the collateral's estimated value.

As at June 30, 2022, 8.5% of the consignor advances was due from the largest debtor related to art business and auction (as at December 31, 2021: 8.2%).

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Prepayments for auctioned artwork	1,528,656	1,847,070
Receivables for auctioned artwork	113,701	70,098
Deposits	68,317	64,951
Interest receivables from consignor advances on auction artwork	260,282	197,885
Advances to staff for business related activities	41,438	9,177
Loans to third parties	61,304	60,321
Others	106,484	71,537
Financial assets measured at amortised cost	2,180,182	2,321,039
Prepayments for purchase of inventories	553,580	389,770
Prepayments for performance	95,244	87,471
VAT recoverable	12,889	23,032
Others	49,798	30,852
	711,511	531,125
	2,891,693	2,852,164
Less: allowance for doubtful debts	65,631	66,259
	2,826,062	2,785,905

17 CASH AND CASH EQUIVALENTS

	At June 30 2022 RMB'000	At December 31 2021 RMB'000
Cash at bank and on hand	981,482	1,607,593

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

18 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
	152,936	167,379
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
Financial liabilities measured at amortised cost	1,554,395	2,421,976
Non-current		
Pension contribution	8,658	8,700
	8,658	8,700

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

18 TRADE AND OTHER PAYABLES (continued)

	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
	152,936	167,379

19 INTEREST-BEARING BORROWINGS

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

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Current interest-bearing borrowings		
Bank loans		
– Unsecured	2,481,087	2,852,930
Borrowings from joint ventures (note (i))	85,635	92,265
Debentures	–	1,000,000
Bonds (note (ii))	500,000	–
Borrowings from Poly Group's subsidiaries (note (iii))	297,114	191,271
Borrowings from the controlling equity owner (note (iv))	1,231,600	100,000
Borrowings from a non-controlling equity owner	600	600
	4,596,036	4,237,066
Non-current interest-bearing borrowings		
Bonds (note (ii))	800,000	1,300,000
Bank loans		
– Unsecured	42,000	48,000
	842,000	1,348,000
	5,438,036	5,585,066

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

19 INTEREST-BEARING BORROWINGS (continued)**(a) The analysis of the carrying amount of interest-bearing borrowings of the Group is as follows:** (Continued)

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

Notes:

- (i) The borrowings from joint ventures bear interest at 2.40% and 3.20% per annum, are unsecured with a maturity period of one year.
- (ii) On February 28, 2020, the Company issued a mid-term note with an aggregate principal amount of RMB500 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 3.60% per annum respectively. On April 22, 2021 and November 17, 2021, the Company issued corporate bonds with an aggregate principal amount of RMB500 million and RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.57% and 4.38% per annum respectively.
- (iii) The borrowings from Poly Group's subsidiaries bear interest at 4.35% and 5.35% per annum, are unsecured with a maturity period of one year.
- (iv) The borrowings from the controlling equity owner bear interest at 3.25% and 4.85% per annum, are unsecured with a maturity period of 180 days and one year.

(b) At June 30, 2022, the interest-bearing borrowings were repayable as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Within 1 year or on demand	4,596,036	4,237,066
After 1 year but within 2 years	542,000	500,000
After 2 years but within 3 years	300,000	848,000
	5,438,036	5,585,066

20 CAPITAL, RESERVES AND DIVIDENDS**(a) 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (continued)**(b) Share capital**

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

	At June 30, 2022		At December 31, 2021	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1/June 30/ December 31	246,316	246,316	246,316	246,316

(c) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**Financial assets and liabilities measured at fair value**

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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

During the periods ended June 30, 2022 and December 31, 2021, the fair value measure of all unlisted equity securities falls into Level 3 of the fair value hierarchy, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**Financial assets and liabilities measured at fair value** (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Other equity securities:		
At January 1	265,073	238,733
Additions	136	432
Changes in fair value during the period/year	15,737	25,908
At June 30/December 31	280,946	265,073

22 COMMITMENTS

Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Contracted for	244,511	78,083
Authorised but not contracted for	475,794	595,072
	720,305	673,155

23 CONTINGENT ASSETS AND LIABILITIES

A number of outstanding litigations against the Group had arisen in the normal course of its business as at June 30, 2022. After consulting the legal professional advice, the Group's management believes that such litigation will not have a significant financial impact on the Group.

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions during the six months ended June 30, 2022 and 2021:

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(a) Name and relationship with related parties**

During the six months ended June 30, 2022 and 2021, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation 中國保利集團公司 (“Poly Group”)	Parent and ultimate holding company
Poly Group’s subsidiaries 中國保利集團公司附屬公司	Under common control
Poly Culture Industry Investment Fund Co., Ltd. (“Poly Investment Fund”) 保利文化產業基金管理有限公司	Associate of the Group
Yixing Chengdong Cultural Tourism Investment Development Co., Ltd. (“Yixing Chengdong”) 宜興城東文化旅遊投資開發有限公司	Associate of the Group
Cixi Poly Jinchen Culture development Co., Ltd. (“Cixi Poly”) 慈溪保利錦辰文化發展有限公司	Associate of the Group
Poly Art Education Investment Co., Ltd. (“Poly Art Education”) 保利藝術教育投資有限公司	Associate of the Group
Ningyi Cultural Creative Development (Shenzhen) Co., Ltd. (“Ningyi Development”) 凝一文化創意發展(深圳)有限公司	Associate of the Group
Beijing Poly New Stage Performance Production Co., Ltd. (“Poly New Stage”) 北京保利新舞台演出制作有限公司	Associate of the Group
Beijing Eastern Poly Culture and Art Corporation Limited (“Eastern Poly”) 北京東方保利文化藝術有限公司	Joint venture of the Group
Beijing Xijie XingX International Cinema Corporation Limited (“Joint ventures”) 北京希傑星星國際影城有限公司	Joint venture of the Group
Nanning XingX Cinema Investment & Management Corporation Limited (“Joint ventures”) 南京星星影城榮盛有限公司	Joint venture of the Group
Changsha Poly Cinema Corporation Limited (“Joint ventures”) 長沙希傑星星影城有限公司	Joint venture of the Group
Foshan XingX Entertainment Corporation Limited (“Joint ventures”) 佛山市星星文化傳播有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited (“Joint ventures”) 希傑星星(天津)國際影城有限公司	Joint venture of the Group
Xijie XingX (Fushun) Cinema Corporation Limited (“Joint ventures”) 希傑星星(撫順)影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited (“Joint ventures”) 希傑星星(上海)影城有限公司	Joint venture of the Group
Hubei XingX Hongji Property Corporation Limited (“Joint ventures”) 湖北星星宏基置業有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited (“Joint ventures”) 中山希傑星星影城有限公司	Joint venture of the Group
Poly Armstrong (Beijing) International Art & Communication Co., Ltd. (“Poly Armstrong”) 保利斯特朗(北京)國際藝術傳播公司	Joint venture of the Group

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(b) Significant transactions with related parties**

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

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Service provided to Poly Group and its subsidiaries	4,618	1,415
Receiving service (note (iii)) Poly Group and its subsidiaries	39,761	83,122
Receiving service Joint venture	100	337
Receiving service Associates	–	2,608
Rental from Poly Group and its subsidiaries	1,232	282
Rental from Joint venture	–	333
Property management services (note (iv)) Poly Group and its subsidiaries	5,251	2,443
Interest income from Poly Group and its subsidiaries	4,369	3,300
Interest income from Joint venture	366	264
Interest income from Associates	274	198

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(b) Significant transactions with related parties** (Continued)

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Borrowings from Poly Group and its subsidiaries	1,361,600	400,000
Borrowing costs to Poly Group and its subsidiaries	12,861	10,579
Borrowing costs to Joint ventures	1,218	1,338
Borrowing costs to Associates	-	252
Repayment of loans from Poly Group and its subsidiaries	124,157	200,000
Repayment of loans from Associates	-	20,000
Repayment of loans to Joint ventures	6,630	-
Loans to Associates	-	640
Loans to Joint ventures	3,270	-

Notes:

- (i) Poly Group's subsidiaries refer to the entities which are under common control by the same ultimate holding company with the Group, and are not the parent or associates of the Group.
- (ii) The Directors are of the opinion that these related party transactions are arising in the Group's normal course of business.
- (iii) Receiving service mainly refers to the box office income distributed to Chongqing Poly Wanhe Cinema Circuit Corporation Limited ("Poly Wanhe Cinema Circuit"). Pursuant to the Cinema Box Office Income Sharing Framework Agreement signed between the Group and Poly Wanhe Cinema Circuit, Poly Wanhe Cinema Circuit provided new film prints to the Group, and the Group then arranged movie screening in the cinemas. Both parties agree to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Wanhe Cinema Circuit may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(b) Significant transactions with related parties** (Continued)

Notes: (continued)

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

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

Details of the outstanding balances with related parties are as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Cash and cash equivalents (note) Poly Group and its subsidiaries	76,542	540,901
Deposits with original maturities over three months (note) Poly Group and its subsidiaries	62,000	40,465
Deposits, prepayments and other receivables Poly Group and its subsidiaries	25,683	25,174
Deposits, prepayments and other receivables Joint ventures	9,887	5,419
Deposits, prepayments and other receivables Associates	4,543	4,608
Trade and bills receivables Poly Group and its subsidiaries	5,736	4,621
Trade and other payables Poly Group and its subsidiaries	75,582	76,873
Trade and other payables Associates	143,037	39,467

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(c) Outstanding balances, including commitment, with related parties** (Continued)

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Trade and other payables		
Joint ventures	4,338	692
Contract Liabilities		
Poly Group and its subsidiaries	1,270	695
Other financial assets (note 12)		
Joint venture	18,270	15,000
Other financial assets (note 12)		
Associates	13,655	13,655
Interest-bearing borrowings		
Poly Group and its subsidiaries	1,528,714	291,271
Interest-bearing borrowings (note 19(a))		
Joint ventures	85,635	92,265

Note:

The Board announces that the Company and Poly Finance entered into the Financial Services Agreement, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services to the Group pursuant to the terms and conditions under the Financial Services Agreement. The maximum daily deposit balance for deposit services is RMB0.6 billion and there is no limit of daily lending balance for credit lending services. The interest rates of Poly Finance are ranged from 1.43% to 3.3% according to the period of bank deposits.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Lease of the properties and machinery

Based on IFRS16, the minimum amount of rent payable by the Group to its joint ventures and Poly Group's subsidiaries under the terms of the arrangements in connection with its use of properties and machinery had resulted in recognition of a lease liability with the balance of RMB0 and RMB101,742,000, and a right-of-use asset with the balance of RMB607,000 and RMB83,964,000 as at June 30, 2022 (December 31, 2021: RMB0 and RMB118,768,000, and a right-of-use asset with the balance of RMB66,000 and RMB111,762,000), respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB123,000 and RMB12,994,000 and interest expense of Nil and RMB1,115,000 (June 30, 2021: depreciation of right-of-use asset of RMB172,000 and RMB8,514,000 and interest expense of Nil and RMB1,376,000), respectively, and variable lease payments of RMB858,000 in its consolidated statement of comprehensive income of Poly Group's subsidiaries for the six months ended June 30, 2022 (June 30, 2021: RMB1,963,000).

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event from June 30, 2022 to the date of the interim financial statements.

26 IMPACTS 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.

“Audit Committee”	the Audit Committee of the Board of Directors
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“Company”	Poly Culture Group Corporation Limited (保利文化集團股份有限公司), a joint stock limited company incorporated in the PRC on December 14, 2010, the H Shares of which are listed on the Stock Exchange with the stock code of 03636
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares in our share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EUR” or “Euro”	euro, the lawful currency of the European Union countries
“Group”, “Poly Culture”, “we”, “us” or “our”	the Company and its Subsidiaries
“H Shares”	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“International Accounting Standards”	International Accounting Standards and its notes
“Latest Practicable Date”	September 15, 2022, being the latest practicable date for the inclusion of certain information in this report prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange (excluding the option market), which is independent of and operating in parallel with the GEM
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions

“Poly Art Centre”	Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司)
“Poly Auction Beijing”	Beijing Poly International Auction Co., Ltd. (北京保利國際拍賣有限公司)
“Poly Auction Hong Kong”	Poly Auction (Hong Kong) Limited (保利香港拍賣有限公司)
“Poly Film”	Poly Film Investment Co., Ltd. (保利影業投資有限公司)
“Poly Group”	China Poly Group Corporation (中國保利集團公司), a state-owned company incorporated in the PRC and our Controlling Shareholder, and (when the context requires) including its subsidiaries
“Poly Theatre Management”	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
“PRC” or “China” or “People’s Republic of China”	the People’s Republic of China which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Reporting Period”	for the six months ended June 30, 2022
“RMB or Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning as defined in Section 15 of the Companies Ordinance
“Supervisor(s)”	supervisor(s) of the Company

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

www.polyculture.com.cn