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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Poly Culture Group Corporation Limited (the “**Company**”, “**Poly Culture**”, “**our**” or “**we**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022. The results have been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”, issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended June 30, 2023 – unaudited

(Expressed in Renminbi (“RMB”))

		Six months ended June 30,	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	4	1,576,926	924,271
Cost of sales		<u>(1,151,020)</u>	<u>(632,862)</u>
Gross profit		425,906	291,409
Other net income		31,448	18,472
Changes in fair value of other equity securities		17,000	15,737
Selling and distribution expenses		(197,093)	(172,899)
Administrative expenses		<u>(267,254)</u>	<u>(228,404)</u>
Profit/(loss) from operations		10,007	(75,685)
Finance income		17,231	42,236
Finance costs		(107,086)	(108,380)
Share of profits less losses of associates		14,790	(26,327)
Share of profits less losses of joint ventures		<u>(379)</u>	<u>(8,943)</u>
Loss before taxation	6	(65,437)	(177,099)
Income tax	7	<u>(14,663)</u>	<u>(10,476)</u>
Loss for the period		<u>(80,100)</u>	<u>(187,575)</u>
Attributable to:			
Equity shareholders of the Company		(75,684)	(170,983)
Non-controlling interests		<u>(4,416)</u>	<u>(16,592)</u>
Loss for the period		<u>(80,100)</u>	<u>(187,575)</u>
Loss per share			
Basic and diluted loss per share (RMB)	8	<u>(0.31)</u>	<u>(0.69)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

for the six months ended June 30, 2023 – unaudited

(Expressed in RMB)

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	<u>(80,100)</u>	<u>(187,575)</u>
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	(2,115)	–
Exchange differences on translation of financial statements of subsidiaries outside the PRC	<u>19,374</u>	<u>24,406</u>
Total comprehensive income for the period	<u><u>(62,841)</u></u>	<u><u>(163,169)</u></u>
Attributable to:		
Equity shareholders of the Company	(58,841)	(147,381)
Non-controlling interests	<u>(4,000)</u>	<u>(15,788)</u>
Total comprehensive income for the period	<u><u>(62,841)</u></u>	<u><u>(163,169)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2023 – unaudited

(Expressed in RMB)

		At June 30, 2023	At December 31, 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		385,811	408,458
Right-of-use assets		542,412	600,165
Intangible assets		62,333	56,605
Goodwill		79,238	79,238
Long-term prepayments		1,815	1,927
Interest in associates		487,909	475,248
Interest in joint ventures		404,221	390,712
Other financial assets		311,434	295,265
Deferred tax assets		64,487	64,362
		<hr/>	<hr/>
		2,339,660	2,371,980
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Current assets			
Inventories		2,207,510	2,230,603
Trade and bills receivables	9	674,168	615,855
Consignor advances		1,178,023	1,208,209
Deposits, prepayments and other receivables		2,443,566	2,448,211
Current tax assets		1,438	44
Other financial assets		1,809,182	1,838,963
Restricted cash		85,089	24,190
Deposits with original maturities over three months		65,849	73,192
Cash and cash equivalents		1,212,213	1,129,670
		<hr/>	<hr/>
		9,677,038	9,568,937
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at June 30, 2023 – unaudited

(Expressed in RMB)

	<i>Note</i>	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Current liabilities			
Trade and other payables	10	2,128,962	1,862,896
Contract liabilities		702,404	651,927
Lease liabilities		194,667	207,095
Interest-bearing borrowings		4,482,374	4,027,133
Current taxation		14,539	49,672
		<u>7,522,946</u>	<u>6,798,723</u>
Net current assets		<u>2,154,092</u>	<u>2,770,214</u>
Total assets less current liabilities		<u>4,493,752</u>	<u>5,142,194</u>
Non-current liabilities			
Trade and other payables	10	8,470	8,553
Lease liabilities		611,140	645,842
Interest-bearing borrowings		591,000	1,134,000
Deferred revenue		1,222	222
Deferred tax liabilities		41,858	37,740
		<u>1,253,690</u>	<u>1,826,357</u>
NET ASSETS		<u>3,240,062</u>	<u>3,315,837</u>
CAPITAL AND RESERVES			
Share capital		246,316	246,316
Reserves		2,672,291	2,731,132
Total equity attributable to equity shareholders of the Company		<u>2,918,607</u>	<u>2,977,448</u>
Non-controlling interests		<u>321,455</u>	<u>338,389</u>
TOTAL EQUITY		<u>3,240,062</u>	<u>3,315,837</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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 31, 2023.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 (“**IFRS(s)**”). The interim financial statements are unaudited.

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform-Pillar Two model rules*

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

None of these new and amended IFRSs have had any material effect on how the Group's results and financial position for the current period have been prepared or presented.

4 REVENUE

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

Revenue mainly represents commission from auction services, the sales value of artworks and cultural relic collections, income from 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,	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from artwork operation and auction	242,838	224,895
– Revenue from performance and theatre management	1,055,501	508,886
– Revenue from cinema investment and management	233,936	139,382
– Revenue from other services	11,631	18,271
	<u>1,543,906</u>	<u>891,434</u>
Revenue from other sources		
– Revenue from artwork operation and auction	20,024	24,335
– Revenue from performance and theatre management	7,661	4,207
– Revenue from cinema investment and management	5,335	4,295
	<u>1,576,926</u>	<u>924,271</u>

There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2023 and 2022.

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 each reportable segments by the Group 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 relevant segment profit, management is also provided with segment information concerning depreciation and amortisation, finance income and finance costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended June 30, 2023 and 2022 is set out below:

	<u>Six months ended June 30, 2023</u>			
	<u>Artwork operation and auction RMB'000</u>	<u>Performance and theatre management RMB'000</u>	<u>Cinema investment and management RMB'000</u>	<u>Total RMB'000</u>
Disaggregated by timing of revenue recognition				
Point in time	242,838	1,054,878	228,948	1,526,664
Over time	<u>20,024</u>	<u>8,284</u>	<u>10,323</u>	<u>38,631</u>
Revenue from external customers and reportable segment revenue	<u><u>262,862</u></u>	<u><u>1,063,162</u></u>	<u><u>239,271</u></u>	<u><u>1,565,295</u></u>
Reportable segment profit (adjusted EBITDA)	<u><u>13,118</u></u>	<u><u>25,533</u></u>	<u><u>47,510</u></u>	<u><u>86,161</u></u>
Depreciation and amortisation	(21,219)	(18,611)	(51,837)	(91,667)
Finance income	9,749	4,811	850	15,410
Finance costs	(81,314)	(1,627)	(28,592)	(111,533)
As at June 30, 2023				
Reportable segment assets	8,040,132	1,271,478	1,061,670	10,373,280
Reportable segment liabilities	6,454,411	878,105	1,581,115	8,913,631

Six months ended June 30, 2022

	Artwork operation and auction <i>RMB'000</i>	Performance and theatre management <i>RMB'000</i>	Cinema investment and management <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition				
Point in time	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	<u>249,230</u>	<u>513,093</u>	<u>143,677</u>	<u>906,000</u>
Reportable segment (loss)/ profit (adjusted EBITDA)	<u>(2,310)</u>	<u>(10,771)</u>	<u>13,139</u>	<u>58</u>
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

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	1,565,295	906,000
Revenue from other sources	11,631	18,271
	<u>1,576,926</u>	<u>924,271</u>
Consolidated revenue (<i>note 4</i>)	<u>1,576,926</u>	<u>924,271</u>
Loss		
Reportable segment profit (adjusted EBITDA)	86,161	58
Revenue from other sources	11,631	18,271
Unallocated corporate net income	21,902	21,963
Share of profits less losses of associates	14,790	(26,327)
Share of profits less losses of joint ventures	(379)	(8,943)
Changes in fair value of other equity securities	17,000	15,737
Depreciation and amortisation	(97,897)	(101,690)
Finance income	17,231	42,236
Finance costs	(107,086)	(108,380)
Unallocated corporate expenses	(28,790)	(30,024)
	<u>(65,437)</u>	<u>(177,099)</u>
Consolidated loss before taxation	<u>(65,437)</u>	<u>(177,099)</u>

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Assets		
Reportable segment assets	10,373,280	10,529,049
Elimination of inter-segment receivables	(4,538,278)	(4,747,291)
Other equity securities	302,697	285,697
Interest in associates	487,909	475,248
Interest in joint ventures	404,221	390,712
Current tax assets	1,438	44
Deferred tax assets	64,487	64,362
Unallocated corporate assets	4,920,944	4,943,096
	<u>12,016,698</u>	<u>11,940,917</u>
Liabilities		
Reportable segment liabilities	8,913,631	8,939,396
Elimination of inter-segment payables	(4,538,278)	(4,747,291)
Current taxation	14,539	49,672
Deferred tax liabilities	41,858	37,740
Unallocated corporate liabilities	4,344,886	4,345,563
	<u>8,776,636</u>	<u>8,625,080</u>

(c) Geographic information

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

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

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	Six months ended June 30, 2023 RMB'000	2022 RMB'000	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Mainland China	1,539,405	858,323	1,954,370	1,994,056
Others	37,521	65,948	9,369	18,297
	<u>1,576,926</u>	<u>924,271</u>	<u>1,963,739</u>	<u>2,012,353</u>

6 LOSS BEFORE TAXATION

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

(a) Staff costs

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	455,995	335,457
Contributions to defined contribution retirement plans	51,624	47,164
	<u>507,619</u>	<u>382,621</u>

(b) Other items

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
– property, plant and equipment	31,471	32,529
– right-of-use assets	63,262	66,216
Amortisation	3,164	2,945
Impairment losses recognised/(reversed) in administrative expenses		
– trade and bills receivables	1,535	582
– deposits, prepayments and other receivables	(1,064)	(628)

7 INCOME TAX

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	9,989	11,667
Deferred tax	4,674	(1,191)
	<u>14,663</u>	<u>10,476</u>

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of RMB75,684,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: loss attributable to ordinary equity shareholders of the Company of RMB170,983,000) and the weighted average number of ordinary shares in issue during the period of 246,316,000 shares.

(b) Diluted loss per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2023 and 2022. Accordingly, diluted loss per share is the same as the basic loss per share.

9 TRADE AND BILLS RECEIVABLES

	At June 30 2023 RMB'000	At December 31 2022 RMB'000
Trade and bills receivables for sale of goods and rendering of services, net of credit loss allowance, due from:		
– related parties	6,910	7,174
– third parties	<u>667,258</u>	<u>608,681</u>
Financial assets measured at amortised cost	<u><u>674,168</u></u>	<u><u>615,855</u></u>

Ageing analysis

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

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Within 1 month	162,607	136,472
1 to 3 months	33,964	18,765
3 to 6 months	29,423	24,463
6 to 12 months	32,517	39,822
Over 1 year	<u>415,657</u>	<u>396,333</u>
	<u><u>674,168</u></u>	<u><u>615,855</u></u>

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

10 TRADE AND OTHER PAYABLES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Current		
Trade payables to		
– related parties	61,125	55,168
– third parties	206,053	135,457
	<u>267,178</u>	<u>190,625</u>
Interest payables		
– related parties	17,755	12,990
– third parties	7,281	30,386
Payables for staff-related costs	91,175	66,155
Payables for other taxes and surcharges	66,060	64,594
Dividends payable	12,919	12,544
Payment to consignors	1,067,549	892,768
Deposits received	148,969	144,531
Payables on acquisition of non-controlling interests	24,254	45,189
Other accruals and payables		
– related parties	154,112	155,173
– third parties	271,710	247,941
	<u>2,128,962</u>	<u>1,862,896</u>
Financial liabilities measured at amortised cost		
Non-current		
Pension contribution	8,470	8,553
	<u>8,470</u>	<u>8,553</u>

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

	At June 30 2023 RMB'000	At December 31 2022 RMB'000
Within 12 months	188,077	127,001
Over 12 months	79,101	63,624
	<u>267,178</u>	<u>190,625</u>

11 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the interim period

No interim dividend has been declared and recognised as a liability at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Segment Business Information

In the first half of 2023, in the face of the intricate and complicated domestic and international economic situations, Poly Culture, under the leadership of the Board and with the concerted efforts of the majority of cadres and employees, seized market opportunities, strengthened methods and measures, maintained strategic strength, and fully boosted its operations by focusing on the key work requirements of the whole year, and won the title of “Top 30 National Cultural Enterprises” for the thirteenth time.

Performance and theatre management business

In terms of circuit expansion, Beijing Poly Theatre Management Co., Ltd. (“**Poly Theatre**”) has newly taken over Quzhou Culture and Art Center (衢州市文化藝術中心) and Shanghai Youbang Grand Theatre (上海友邦大劇院) projects, with 78 theatres under operation and management. In terms of performance operation, Poly Theatre served as the general operator of the national tour of the dance drama “Wing Chun” (《詠春》) and introduced blockbuster plays such as the poetic dance drama “The Painting Journey – The Legend of a Panorama of Mountains and Rivers” (《只此青綠》) and the Vienna Symphony Orchestra Concert. In terms of original production, the jointly-produced key repertoires such as the musicals “Picking Stars” (《摘星辰》), the dance drama “Peacock” (《孔雀》) and “Blue Skirt Hem” (《藍色裙擺》) launched the tours. In terms of new business forms expansion, Shanghai MIFA 1862 continued to perform the full-sensory-immersion crux play “Medical Examiner Dr. Qin: Corpse Whisperer” (《法醫秦明—屍語者》), and the theatres in Shanghai, Lishui, Chongqing, Hangzhou and other places held cultural performances and activities by means of technological means and explored a new form of integration of culture and tourism.

The number of platform members of Beijing Poly Ticket Development Co., Ltd. (“**Poly Ticket**”) increased to 13.6 million. The ecology of Tik Tok was opened up to expand business income channel, and the “Cloud Theatre” entered a new stage of paid viewing. Poly Ticket achieved cross-platform linkage through Open API, and expanded the ticket agency for performance outside the circuit, thus the self-operating and distribution capabilities of the platform have been improved significantly.

Beijing Poly Performing Arts Co., Ltd. produced and planned the performance of the opening ceremony of Hangzhou West Lake Expo, which won favorable comments from all walks of life.

Artwork operation and auction business

Beijing Poly International Auction Co., Ltd. achieved a total turnover of RMB2.353 billion in the 2022 autumn auction and sold 35 consignors with the price of each exceeding RMB10 million. The total turnover of the 2023 spring auction was RMB2.13 billion, with one consignor exceeding RMB100 million, and 30 consignors with the price of each exceeding RMB10 million. Poly Auction Hong Kong Co., Ltd. facilitated the transaction of a natural emperor green jade bracelet with the price of HKD60 million at the 2023 spring auction, becoming the bracelet with the highest transaction price in the auction history, and launched the “online store” to explore and expand the online auction business. Poly (Xiamen) International Auction Co., Ltd. achieved a total turnover of RMB220 million in the 2023 spring auction, and the number of online and offline viewers and participants reached a record high. Beijing Poly Art Centre Co., Ltd., the art museum and CTG Travel held the “THE GRAND GATHERING OF THE CENTURY: Zodiac Heads from the Yuanmingyuan and Important Treasures” (盛世聚首天寶芳華——圓明園獸首暨文物展) in Hong Kong to help spread Chinese culture and tell the story of China to the world.

Cinema investment and management business

Poly Film Investment Co., Ltd. currently operates 67 direct-operated cinemas and jointly produced films such as “The Wandering Earth II” (《流浪地球2》), “Journey to the West” (《宇宙探索編輯部》) and “Born to Fly” (《長空之王》), which received good social response. The jointly-produced TV series “City of Youth” (《青春之城》) was broadcast on CCTV-1 and films such as “Space Knights” (《太空騎士》) and “Macau Action” (《澳門行動》) appeared at Beijing International Film Festival and China Film Investment and Financing Summit, further enriching the content reserve.

Art education business

Poly Art Education Investment Co., Ltd. (“**Poly Art Education**”) now operates 7 campuses, forming a closed-loop business of “learning, performance and competition” and held the Poly (Hangzhou) Youth International Music Festival and the second Poly Art Education Youth International Exhibition. Poly Art Education made a breakthrough in the study abroad business by reaching a cooperation with Trinity Laban Conservatoire of Music and Dance (英國聖三一拉邦音樂舞蹈學校) to start student enrollment of a dance undergraduate preparatory program. Poly WeDo Treble Choir was invited to participate in the 60th “Saijiqi” (賽吉齊) International Chorus Competition. Poly WeDo Suzhou Youth Symphony Orchestra won the second national prize of middle school instrumental music group. The string band won the first prize of Hummingbird Music Award in Beijing with the highest score.

In terms of the cultural asset operation and management business, the “Second China Hainan International Cultural Relics and Art Exhibition and China Overseas Cultural Relics Return Achievements Exhibition” (第二屆中國海南國際文物藝術品展覽暨中國海外文物回歸成果精品展) was held, and Cixi Poly Art Museum successfully held the exhibition of “Grassland Entering the Sea and Cultural Concentricity” (草原入海·文化同心).

II. Analysis and Discussion of Results

Revenue

Total revenue increased by 70.6% from RMB924.3 million for the six months ended June 30, 2022 to RMB1,576.9 million for the six months ended June 30, 2023, mainly due to the economic recovery in 2023 which led to the increase in consumption level of theatres and cinemas as compared with last year.

The respective segment revenue for the six months ended June 30, 2023 and 2022 is as follows:

	Six months ended June 30,		<i>% of change</i>
	2023	2022	
	<i>RMB in millions</i>	<i>RMB in millions</i>	
Artwork Operation and Auction	262.9	249.2	5.5
Performance and Theatre Management	1,063.2	513.1	>100
Cinema Investment and Management	239.3	143.7	66.5

Gross profit

Gross profit increased by 46.2% from RMB291.4 million for the six months ended June 30, 2022 to RMB425.9 million for six months ended June 30, 2023. Gross profit margin decreased from 31.5% for the six months ended June 30, 2022 to 27.0% for the six months ended June 30, 2023.

Other net income

Other net income increased from RMB18.5 million for the six months ended June 30, 2022 to RMB31.4 million for the six months ended June 30, 2023, mainly due to foreign exchange gain.

Selling and distribution expenses

Selling and distribution expenses increased by 14.0% from RMB172.9 million for the six months ended June 30, 2022 to RMB197.1 million for the six months ended June 30, 2023, primarily due to the corresponding increases in staff costs, business traveling and repair and maintenance costs after the economic recovery.

Administrative expenses

Administrative expenses increased by 17.0% from RMB228.4 million for the six months ended June 30, 2022 to RMB267.3 million for the six months ended June 30, 2023, primarily due to the corresponding increases in staff costs, business traveling and legal counsel fees after the economic recovery.

Reportable segment profit/(loss)

Reportable segment profit was RMB86.2 million for the six months ended June 30, 2023 as compared with the reportable segment profit of RMB0.1 million for the six months ended June 30, 2022.

The respective reportable segment profit/(loss) of the Group for the six months ended June 30, 2023 and 2022 is as follows:

	Six months ended June 30,		
	2023	2022	
	<i>RMB in millions</i>	<i>RMB in millions</i>	<i>% of change</i>
Artwork Operation and Auction	13.1	(2.3)	<(100)
Performance and Theatre Management	25.6	(10.8)	<(100)
Cinema Investment and Management	47.5	13.2	>100

Finance income

Finance income decreased by 59.2% from RMB42.2 million for the six months ended June 30, 2022 to RMB17.2 million for the six months ended June 30, 2023, mainly due to the Group's control over the scale of the consignor advances, the corresponding interest income decreased.

Finance costs

Finance costs decreased by 1.2% from RMB108.4 million for the six months ended June 30, 2022 to RMB107.1 million for the six months ended June 30, 2023, primarily due to the decrease in the average amount of interest-bearing borrowings.

Income taxes

Income taxes increased by 40.0% from RMB10.5 million for the six months ended June 30, 2022 to RMB14.7 million for the six months ended June 30, 2023, primarily due to increase in assessable income caused by the increase in the profit.

Loss for the period

The loss for the six months ended June 30, 2023 amounted to RMB80.1 million as compared with the loss of RMB187.6 million for the six months ended June 30, 2022, and the net profit margin changed from -20.3% for the six months ended June 30, 2022 to -5.1% for the six months ended June 30, 2023.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2023, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2023, the Group's cash and cash equivalents amounted to RMB1,212.2 million (2022: RMB1,129.7 million), increased by 7.3% as compared to that of December 31, 2022.

During the six months ended June 30, 2023, the net cash inflow from operating activities amounted to RMB351.7 million, as compared with the net cash outflow of RMB286.0 million for the six months ended June 30, 2022. The net cash inflow from investing activities amounted to RMB26.2 million, representing an increase of RMB5.4 million as compared with the net cash inflow of RMB20.8 million for the six months ended June 30, 2022. The net cash outflow from financing activities of the Group was RMB299.6 million, which representing a decrease of RMB63.3 million as compared with the net cash outflow of RMB362.9 million for the six months ended June 30, 2022. The increase in cash and cash equivalents was approximately RMB82.5 million as compared to that of December 31, 2022.

CHANGES TO KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly include, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 5.6% from RMB408.5 million as at December 31, 2022 to RMB385.8 million as at June 30, 2023. The main reason of the decrease is depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets increased by 1.1% from RMB9,568.9 million as at December 31, 2022 to RMB9,677.0 million as at June 30, 2023. Current liabilities increased by 10.7% from RMB6,798.7 million as at December 31, 2022 to RMB7,522.9 million as at June 30, 2023. The increase in current liabilities is primarily due to the increase of the payable to consignors.

Inventories

Our inventories decreased by 1.0% from RMB2,230.6 million as at December 31, 2022 to RMB2,207.5 million as at June 30, 2023.

Consignor advances

The consignor advances decreased by 2.5% from RMB1,208.2 million as at December 31, 2022 to RMB1,178.0 million as at June 30, 2023, primarily due to payment for consignors by the purchaser.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables decreased by 0.2% from RMB2,448.2 million as at December 31, 2022 to RMB2,443.6 million as at June 30, 2023.

INDEBTEDNESS

As at June 30, 2023, we incurred interest-bearing borrowings of RMB5,073.4 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans increased from RMB2,490.3 million as at December 31, 2022 to RMB2,900.5 million as at June 30, 2023. On April 22, 2021 and November 17, 2021, the Company issued corporate bonds 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 EXPENDITURES

Our capital expenditures primarily comprised of the purchases of property, plant and equipment and intangible assets which amounted to RMB26.5 million and RMB15.0 million, respectively, for the six months ended June 30, 2023 and 2022.

OTHER FINANCIAL INDICATORS

Our debt-to-asset ratio, which is calculated by dividing the total debts by total assets, increased from 72.2% as at December 31, 2022 to 73.0% as at June 30, 2023, mainly due to the increase in trade and other payables.

EMPLOYEE REMUNERATION AND POLICY

As at June 30, 2023, the Group had 8,104 employees in total. The remuneration policy for our employees has been determined by our remuneration and assessment committee of the Board by taking into consideration the performance, experience and operational capacity of our employees. As at June 30, 2023, there is 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)

Internationally, the century-old changes have accelerated, the global economic growth momentum has slowed down, the financial market has been turbulent, and the instability and uncertainty of the global economic situation have further intensified. Domestically, the society has fully resumed normal operation, the national economy has continued to recover, and the overall recovery is improving. However, China also facing new difficulties and challenges, mainly because the endogenous motivation of China's economy is still not strong, the problem of insufficient domestic demand is more prominent, and the market vitality is less than that expected. The operation performance of our artwork operation 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, continue to 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 points.

Unpredictability of demand for artworks

The demand for artworks is influenced by various factors, including the overall economic and political environment, changes in the collecting categories that are most sought after and preferences of collectors. For example, in our auction operation, a decrease in market demand may cause a decline in artworks auction turnover, which could lower the commission income of the Company. In addition, in the process of art business operations, we may not be able to collect favorable artworks at reasonable prices amidst keen market demands, and we may find it difficult to gain expected returns on selling the relevant artworks under declining market demands. We will keep an eye on the market changes, understand rotation rules of hotspots in the artwork sector and work out countermeasures appropriately. In particular, we will focus on expanding the portfolio of new international clients and business categories of artworks, as well as enhancing overseas sourcing so as to reduce the risks arising from volatility in the market demand.

(2) Risk of staff turnover

Our success has been substantially attributable to the contribution of the excellent management professionals. In terms of the artwork operation 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 industry 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 key positions and enhance the loyalty of current key talents to the Company.

(3) All our business segments face competition

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. For the artwork operation 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 reduce our commission income, increase our costs in sourcing, purchasing and selling artworks, as well as expenses in industry talent recruitment. 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 contract we entered into with overseas customers may also be in the value denominated in the Euro or the U.S. dollar. Therefore, exchange rate fluctuation (especially among the RMB, the Euro and the U.S. dollar) may increase our costs but decrease our profitability due to the loss 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 the negative impact of changes in the interest rates on the finance costs, respectively, during the interest rate hike and reduction cycle.

IV. OUTLOOK

In the second half of 2023, facing the complicated internal and external situations, Poly Culture will take high-quality development as the goal, take all things into consideration in planning, conscientiously make efforts to ensure development and safety, take active measures and fulfill its responsibilities, and comprehensively promote the principles of “stable operation, strong strategy, promoting reform, improving quality, preventing risks and optimizing party building” so as to start a new journey of Poly Culture and achieve the high-quality new development.

In terms of the performance and theatre management business, Poly Culture will steadily expand the scale of theatre, properly renew the contracts of expired theatres, and stabilize the channel advantages. In terms of performance operation, Poly Culture will fully guarantee the tour of key repertoires and implement the performance organization of original musical “The Phantom of the Opera Sequel: Love Never Dies” (《劇院魅影續作：真愛永恆》) jointly produced by Poly Culture. In terms of content production, Poly Culture will adhere to the guidance of market, promote the production of original plays in an orderly manner, and further strengthen the reserve of high-quality contents. In terms of the artistic education of grand theatre, Poly Culture will continue to implement the developmental model of “nurturing troupes through education, promoting education through competitions” (以團養教、以賽促教), hold art festivals, chorus festivals and other educational activities in Tianjin, Henan, Shenzhen and Shanghai. In terms of new business forms expansion, Poly Culture will promote the organization of projects such as the immersive drama “Qiongdongmisheng” (穹頂彌生) and the immersive and interactive painting exhibition “The Fund and the Lost” (遺失的幾米世界). Poly Ticket will continue to promote the iterative upgrade of the platform system, open up the sales ecology of Tik Tok, enhance the integrated marketing effects, and expand the commercial income space.

In terms of the artwork operation and auction business, Poly Culture will focus on the autumn auction in the second half of 2023 and various small auctions, speed up the improvement of online auction business layout, and explore new growth points.

In terms of the cinema investment and management business, Poly Culture will increase the revenue-generating effort in operation and management of cinemas, strictly control the cost management, step up the disposal of loss-making cinemas, improve the content production mechanism, accelerate the expansion of Poly entertainment technology and video business scenarios and the realization of commercialization, promote the upgrading of traditional businesses, and implement the “Culture+” of technology empowerment.

In terms of the art education business, Poly Art Education will properly make project preparation and customer resource reserve, focus on expanding the enrollment of students, accelerate the expansion of study abroad business, and make efforts on the enrollment and teaching management of the Beihuang Preparatory Program (北皇預科項目) for the study abroad art examination. Poly WeDo will continue to improve the quality of teaching, continue to operate the existing campus, broaden the online revenue channels, and explore the development of “1+N” business.

PRIVATISATION

On June 27, 2023, the Company and Zhongyi Century Cultural Industry Investment Co., Ltd.* (中藝世紀文化產業投資有限公司, as the “**Offeror**”), a wholly-owned subsidiary of China Poly Group Corporation (the controlling shareholder of the Company), entered into a merger agreement (the “**Merger Agreement**”) in relation to the proposed pre-conditional privatisation of the Company by the Offeror by way of merger by absorption (the “**Merger**”). Pursuant to the Merger Agreement, the Offeror will pay the cancellation price of HK\$8.88 per H share of the Company to the H shareholders of the Company in cash and pay the cancellation price of RMB8.17386240 per domestic share of the Company to the domestic shareholders of the Company through the issuance of registered capital of the Offeror to the domestic shareholders of the Company. After the Merger is completed, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company. The Company will apply to The Stock Exchange of Hong Kong Limited (the “**HKSE**”) for voluntary withdrawal of the listing of the H shares of the Company from the HKSE pursuant to Rule 6.15(2) of the Listing Rules, and will be eventually deregistered following completion of the applicable deregistration filing with the State Administration for Market Regulation. For further details of the Merger, please refer to the announcements of the Company dated June 27, 2023, July 3, 2023, July 18, 2023 and August 15, 2023.

As set out in the joint announcement dated June 27, 2023, the Merger Agreement is subject to satisfaction of the pre-condition and the conditions to effectiveness, and the Merger is subject to the conditions to implementation being satisfied or waived, as applicable. Neither the Offeror nor the Company provides any assurance that any or all conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Except as disclosed in this announcement, there has been no significant subsequent event from June 30, 2023 to the date of this announcement.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Wei has ceased to serve as a joint company secretary of the Company (the “**Joint Company Secretary**”) due to re-allocation of work, with effect from July 5, 2023. On the same day, Mr. Li Weiqiang has been appointed as a Joint Company Secretary.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and Company's shareholders' expectation. During the period from January 1, 2023 to June 30, 2023 (the "**Reporting Period**"), the Company had complied with all the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out therein.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as code of conduct regarding securities transactions by all Directors and supervisors of the Company ("**Supervisors**"). The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules). The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code for the six months ended June 30, 2023. The Company has also made specific inquiries to relevant employees about their compliance with the guidelines on transactions of the Company's securities, and without noticing any violation of the guidelines.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend for the distribution of an interim dividend for the six months ended June 30, 2023.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed and confirmed the Company's interim results announcement for the six months ended June 30, 2023, the 2023 Interim Report and the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2023 prepared in accordance with IAS 34 "Interim Financial Reporting".

* *For identification purpose only*

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

The Company's 2023 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the HKExnews website of the HKSE (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn).

By order of the Board
Poly Culture Group Corporation Limited
Wang Bo
Chairman

Beijing, the PRC, August 31, 2023

As at the date of this announcement, the executive directors of the Company are Mr. Wang Bo, Mr. Jiang Yingchun, Mr. Guo Wenpeng, and Mr. Xu Bei, the non-executive directors are Ms. Zhang Hong and Mr. Fu Chengrui, and the independent non-executive directors are Ms. Li Xiaohui, Mr. Sun Hua, and Mr. Fung Edwin.