



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



2023

INTERIM REPORT



The background of the page features a series of overlapping, wavy lines in a golden-brown color. These lines flow from the top left towards the bottom right, creating a sense of movement and depth. The lines are thin and densely packed, forming a textured, ribbon-like effect.

CONTENTS

Corporate Profile	2
Financial Highlights	3
Management Discussion and Analysis	4
Corporate Governance	13
Other Information	15
Condensed Consolidated Statement of Profit or Loss	17
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	24
Notes to the Unaudited Condensed Consolidated Interim Financial Statements	25
Definitions	55

Corporate Profile

REGISTERED NAME OF THE COMPANY

Poly Culture Group Corporation Limited

REGISTERED OFFICE

Districts A, B and C, 9/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Bo (*Chairman*)
Mr. Jiang Yingchun (*Vice Chairman*)
Mr. Guo Wenpeng
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, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC

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

JOINT COMPANY SECRETARIES

Mr. Li Weiqiang
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 Accounting and 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 Tian Yuan 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 Sub-branch)
SDIC Trade Building, No.19 Hui Xin West Street, Chaoyang District, Beijing, PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services 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

Financial Highlights

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Revenue	1,576,926	924,271
Profit/(loss) from operations	10,007	(75,685)
Loss before taxation	(65,437)	(177,099)
Income tax	(14,663)	(10,476)
Loss for the period	(80,100)	(187,575)
Attributable to:		
Equity shareholders of the Company	(75,684)	(170,983)
Non-controlling interests	(4,416)	(16,592)
Loss per share		
Basic and diluted loss per share (RMB)	(0.31)	(0.69)
Total comprehensive income for the period	(62,841)	(163,169)
Attributable to:		
Equity shareholders of the Company	(58,841)	(147,381)
Non-controlling interests	(4,000)	(15,788)
	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Total non-current assets	2,339,660	2,371,980
Total current assets	9,677,038	9,568,937
Total assets	12,016,698	11,940,917
Total current liabilities	7,522,946	6,798,723
Total non-current liabilities	1,253,690	1,826,357
Total liabilities	8,776,636	8,625,080
Net assets	3,240,062	3,315,837
Total equity attributable to the equity shareholders of the Company	2,918,607	2,977,448
Non-controlling interests	321,455	338,389
Total equity	3,240,062	3,315,837

The financial information of the Group for the six months ended June 30, 2023 was extracted from pages 17 to 54 of this report, which sets forth details of the basis of presentation for the unaudited condensed consolidated interim financial statements. The condensed consolidated interim financial statements of the Group for the six months ended June 30, 2023 were unaudited.

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 of Directors 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, 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 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.

Management Discussion and Analysis

Artwork operation and auction business

Poly Auction Beijing 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 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. Poly Art Centre, 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 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 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 “Seghizzi” International Choral Singing Competition (第60屆「賽吉齊」國際合唱比賽). 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.

Management Discussion and Analysis

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,		% of change
	2023	2022	
	RMB in millions	RMB in millions	
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 the 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.

Management Discussion and Analysis

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,		% of change
	2023	2022	
	RMB in millions	RMB in millions	
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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 Latest Practicable Date, other than disclosed in this report, the Group did not have any significant contingent liabilities nor any other off-balance sheet commitments and arrangements.

CAPITAL 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 of Directors 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.

Management Discussion and Analysis

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 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 artwork 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, 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 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 for talents 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 tours 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and the Shareholders' expectation. During the Reporting Period, the Company had complied with all the 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 code of conduct regarding securities transactions by all Directors and 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 during 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, including 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 the Company's 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 (including environmental, social and governance risks) and laying down the procedures to review its effectiveness; auditing the significant connected transactions; nominating the heads of the Company's 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 31, 2023, the Audit Committee has reviewed and confirmed the announcement of interim results of the Group 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 the requirements of the International Accounting Standards.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibility for preparing the financial statements of the Company. During the Reporting Period, the Company has published the 2022 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 announcement of the Group for the six months ended June 30, 2023 were published on the HKExnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.polyculture.com.cn) on August 31, 2023, respectively.

INTERIM DIVIDEND

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

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.

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

As at June 30, 2023, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were 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, 2023, to the knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, Supervisors or chief executives of the Company) in the Shares or underlying Shares, which were required to be the Company and the Stock Exchange 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 Shareholders	Type of Shares	Capacity	Number of Shares/ underlying Shares held (Note 1)	Percentage of the relevant class of Shares (%) (Note 2)	Percentage of the total number of Shares (%) (Note 2)
Poly Group (Note 3)	Domestic Shares	Beneficial owner and interests 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
UBS Group AG	H Shares	Interests of controlled corporation	8,263,384 (L)	9.24	3.35
Li Shuming	H Shares	Beneficial owner	6,615,000 (L)	7.40	2.69

Notes:

1. "L" stands for long positions.
2. The percentage is calculated with the number of the relevant class of Shares issued as at June 30, 2023 divided by the total number of Shares.
3. 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 the 50,197,900 Shares held by Poly International under the SFO.

Save as disclosed above, as at June 30, 2023, 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 and the Stock Exchange 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

Artworks are the subject matter of the financial leasing business engaged by Poly Ronghe, which adopts the mode of “sale-leaseback”, i.e., Poly Ronghe, as the lessor, obtains the ownership of the artwork (subject matter) by purchasing such artwork from the lessee, and the lessee pays the rent to Poly Ronghe in due course. After the expiration of the contract, the lessee will buy back the artwork according to its own situation.

Poly Ronghe signed the artwork financing lease contracts (hereinafter referred to as “lease contracts”) with three lessees (natural persons) from 2016 to 2018, respectively. However, the three lessees failed to pay the rent and the consideration for buy-back of artwork, and as a result liquidated damages and interests for overdue payment were incurred according to the lease contracts. After the lease contracts expire, the ownership of the artwork is owned by Poly Ronghe. In order to lower the financial risk and ensure financial security, Poly Ronghe decided to dispose of the artworks on hand, and at the same time has initiated arbitration against the three lessees as agreed in the lease contracts. The total amount of the subject matter involved in all arbitration cases is RMB470,189,000, which have been filed and are waiting for court hearing.

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.

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 Poly Group (the Controlling Shareholder), 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 to the H Shareholders in cash and pay the cancellation price of RMB8.17386240 per Domestic Share to the domestic Shareholders through the issuance of registered capital of the Offeror to the domestic Shareholders. 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 for voluntary withdrawal of the listing of the H Shares from the Stock Exchange 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

Except as disclosed in this report, there has been no significant subsequent event from June 30, 2023 to the Latest Practicable Date.

* For identification purpose only

Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2023 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2023 RMB'000	2022 RMB'000
Revenue	4	1,576,926	924,271
Cost of sales		(1,151,020)	(632,862)
Gross profit		425,906	291,409
Other net income	6	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		(267,254)	(228,404)
Profit/(loss) from operations		10,007	(75,685)
Finance income		17,231	42,236
Finance costs	7(a)	(107,086)	(108,380)
Share of profits less losses of associates		14,790	(26,327)
Share of profits less losses of joint ventures		(379)	(8,943)
Loss before taxation	7	(65,437)	(177,099)
Income tax	8	(14,663)	(10,476)
Loss for the period		(80,100)	(187,575)
Attributable to:			
Equity shareholders of the Company		(75,684)	(170,983)
Non-controlling interests		(4,416)	(16,592)
Loss for the period		(80,100)	(187,575)
Loss per share			
Basic and diluted loss per share (RMB)	9	(0.31)	(0.69)

The notes on pages 25 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, 2023 – unaudited (Expressed in RMB)

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Loss for the period	(80,100)	(187,575)
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	19,374	24,406
Total comprehensive income for the period	(62,841)	(163,169)
Attributable to:		
Equity shareholders of the Company	(58,841)	(147,381)
Non-controlling interests	(4,000)	(15,788)
Total comprehensive income for the period	(62,841)	(163,169)

The notes on pages 25 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

at June 30, 2023 – unaudited (Expressed in RMB)

	Note	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Non-current assets			
Property, plant and equipment		385,811	408,458
Right-of-use assets	10	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	11	404,221	390,712
Other financial assets	12	311,434	295,265
Deferred tax assets		64,487	64,362
		2,339,660	2,371,980
Current assets			
Inventories	13	2,207,510	2,230,603
Trade and bills receivables	14	674,168	615,855
Consignor advances	15	1,178,023	1,208,209
Deposits, prepayments and other receivables	16	2,443,566	2,448,211
Current tax assets		1,438	44
Other financial assets	12	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	17	1,212,213	1,129,670
		9,677,038	9,568,937
Current liabilities			
Trade and other payables	18	2,128,962	1,862,896
Contract liabilities		702,404	651,927
Lease liabilities		194,667	207,095
Interest-bearing borrowings	19	4,482,374	4,027,133
Current taxation		14,539	49,672
		7,522,946	6,798,723

Condensed Consolidated Statement of Financial Position

at June 30, 2023 – unaudited (Expressed in RMB)

	Note	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Net current assets		2,154,092	2,770,214
Total assets less current liabilities		4,493,752	5,142,194
Non-current liabilities			
Trade and other payables	18	8,470	8,553
Lease liabilities		611,140	645,842
Interest-bearing borrowings	19	591,000	1,134,000
Deferred revenue		1,222	222
Deferred tax liabilities		41,858	37,740
		1,253,690	1,826,357
NET ASSETS		3,240,062	3,315,837
CAPITAL AND RESERVES			
Share capital	20(b)	246,316	246,316
Reserves		2,672,291	2,731,132
Total equity attributable to equity shareholders of the Company		2,918,607	2,977,448
Non-controlling interests		321,455	338,389
TOTAL EQUITY		3,240,062	3,315,837

The notes on pages 25 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, 2023 – 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 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 25 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, 2023 – 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, 2022	246,316	1,982,448	(452,594)	158,361	1,167,087	11,572	3,113,190	346,102	3,459,292
Changes in equity for the six months ended December 31, 2022:									
(Loss)/profit for the period	-	-	-	-	(119,213)	-	(119,213)	25,079	(94,134)
Other comprehensive income	-	-	(3)	-	-	19,581	19,578	600	20,178
Total comprehensive income for the period	-	-	(3)	-	(119,213)	19,581	(99,635)	25,679	(73,956)
Acquisition of non-controlling interests	-	-	(36,107)	-	-	-	(36,107)	(24,524)	(60,631)
Increase in non-controlling interests due to acquisition of subsidiaries	-	-	-	-	-	-	-	2,475	2,475
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(11,343)	(11,343)
Balance at December 31, 2022	246,316	1,982,448	(488,704)	158,361	1,047,874	31,153	2,977,448	338,389	3,315,837

The notes on pages 25 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, 2023 – 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				
Balance at January 1, 2023	246,316	1,982,448	(488,704)	158,361	1,047,874	31,153	2,977,448	338,389	3,315,837
Changes in equity for the six months ended June 30, 2023:									
Loss for the period	-	-	-	-	(75,684)	-	(75,684)	(4,416)	(80,100)
Other comprehensive income	-	-	(2,115)	-	-	18,958	16,843	416	17,259
Total comprehensive income for the period	-	-	(2,115)	-	(75,684)	18,958	(58,841)	(4,000)	(62,841)
Disposal of equity interests in a subsidiary and loss of control	-	-	-	-	-	-	-	(7,274)	(7,274)
Capital contributions from non-controlling equity owners	-	-	-	-	-	-	-	1,200	1,200
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(6,860)	(6,860)
Balance at June 30, 2023	246,316	1,982,448	(490,819)	158,361	972,190	50,111	2,918,607	321,455	3,240,062

The notes on pages 25 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended June 30, 2023 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from/(used in) operations		396,866	(274,189)
Tax paid		(45,122)	(11,829)
Net cash generated from/(used in) operating activities		351,744	(286,018)
Investing activities			
Payment for the purchase of property, plant and equipment		(26,524)	(15,026)
Net proceeds for consignor advances		30,186	56,860
Other cash flows generated from/(used in) investing activities		22,561	(21,020)
Net cash generated from investing activities		26,223	20,814
Financing activities			
Proceeds from loans and borrowings		2,574,020	3,144,763
Repayment of loans and borrowings		(2,671,020)	(3,295,912)
Capital element of lease rentals paid		(50,920)	(35,327)
Interest element of lease rentals paid		(19,149)	(16,446)
Acquisition of non-controlling interests		(20,935)	(42,484)
Other cash flows used in financing activities		(111,559)	(117,495)
Net cash used in financing activities		(299,563)	(362,901)
Net increase/(decrease) in cash and cash equivalents		78,404	(628,105)
Cash and cash equivalents at January 1	17	1,129,670	1,607,593
Effect of foreign exchange rate changes		4,139	1,994
Cash and cash equivalents at June 30	17	1,212,213	981,482

The notes on pages 25 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 (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 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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
	1,543,906	891,434
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
	1,576,926	924,271

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 the 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 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, 2023 and 2022 is set out below:

	Six months ended June 30, 2023			
	Artwork operation 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	242,838	1,054,878	228,948	1,526,664
Over time	20,024	8,284	10,323	38,631
Revenue from external customers and reportable segment revenue	262,862	1,063,162	239,271	1,565,295
Reportable segment profit (adjusted EBITDA)	13,118	25,533	47,510	86,161
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

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

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,	
	2023	2022
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	1,565,295	906,000
Revenue from other sources	11,631	18,271
Consolidated revenue (note 4)	1,576,926	924,271
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)
Consolidated loss before taxation	(65,437)	(177,099)

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, 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
Consolidated total assets	12,016,698	11,940,917
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
Consolidated total liabilities	8,776,636	8,625,080

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,
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,539,405	858,323	1,954,370	1,994,056
Others	37,521	65,948	9,369	18,297
	1,576,926	924,271	1,963,739	2,012,353

6 OTHER NET INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Government grants	19,601	17,454
Net foreign exchange gain/(loss)	9,441	(5,597)
Net gain on disposal of property, plant and equipment and right-of-use assets	121	4,008
Others	2,285	2,607
	31,448	18,472

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

7 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Interest expenses	85,892	86,915
Interest on lease liabilities	21,194	21,465
Total interest expenses on financial liabilities not at fair value through profit or loss	107,086	108,380

(b) Staff costs

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

7 LOSS BEFORE TAXATION (Continued)**(c) Other items**

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
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)

8 INCOME TAX

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

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2022: 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 carry 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 on the same basis in 2022. One subsidiary of the Group is incorporated and carries out business in Macau and is 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 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.

10 RIGHT-OF-USE ASSETS

During the six months ended June 30, 2023, 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 RMB10,906,000.

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. 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, 2023			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Cinemas-China	42,241	7,418	–	49,659

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

11 INTEREST IN JOINT VENTURES

	At June 30, 2023	At December 31, 2022
	RMB'000	RMB'000
Unlisted shares, at cost	483,740	472,450
Impairment losses	(36,935)	(36,935)
Share of profits less losses, net of dividends	(42,584)	(44,803)
Total	404,221	390,712

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 ventures	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by the Company	
Shenzhen Hua Xi Culture Plaza Investment Development Corporation Limited (note (i)) 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	50%	Investment holding
Anyang Bao Xin Property Corporation Limited (note (i)) 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Beijing Eastern Poly Culture and Art Corporation Limited (note (i)) 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Xijie XingX (Tianjin) International Cinema Corporation Limited (note (i)) 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 (note (i)) 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 (note (i)) 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 (note (i)) 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 (note (i)) 中山希傑星星影城有限公司	Incorporated	The PRC	56%	–	Cinema operation management
Changsha Xijie XingX Cinema Corporation Limited (note (i)) 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 (note (i)) 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 (note (i)) 佛山星星希傑影城有限公司	Incorporated	The PRC	80%	–	Cinema operation management
Qingdao Grand Theatre Management Corporation Limited (note (i)) 青島大劇院管理有限公司	Incorporated	The PRC	50%	–	Theatre 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.

Note:

- (i) In accordance with agreements between the investors, the investors exercise joint control over the entities.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

12 OTHER FINANCIAL ASSETS

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Current		
Financial assets measured at amortised cost		
– Finance lease receivable (note (i))		
– Within 1 year	1,122	572
– Loans granted under financing arrangements (note (ii))	1,769,635	1,799,966
– Loans to associates	13,655	13,655
– Loans to joint ventures	24,770	24,770
	1,809,182	1,838,963
Non-current		
Financial assets measured at amortised cost		
– Finance lease receivable (note (i))		
– After 1 year but within 2 years	1,054	959
– Over 2 years	7,683	8,609
Financial assets measured at fair value through profit or loss		
– Other equity securities (note (iii))	302,697	285,697
	311,434	295,265
	2,120,616	2,134,228

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 artworks which bear interest from 5.3% to 14% per annum. Loans granted generally represent 20% to 50% of the collateral's estimated value.
- (iii) Other equity securities mainly 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, 2023 RMB'000	At December 31, 2022 RMB'000
Antiques and artworks	1,603,050	1,642,176
Calligraphy, painting and sculptures	528,609	517,161
Small value items for resale	5,520	5,626
Low value materials	5,441	2,704
Drama rights	47,461	45,507
Film production	17,429	17,429
	2,207,510	2,230,603

(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,	
	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	50,839	50,579

14 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	667,258	608,681
Financial assets measured at amortised cost	674,168	615,855

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

14 TRADE AND BILLS RECEIVABLES (Continued)**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	415,657	396,333
	674,168	615,855

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

As at June 30, 2023, 9.0% of the consignor advances was due from the largest debtor related to artwork operation and auction (as at December 31, 2022: 9.3%).

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, 2023 RMB'000	At December 31, 2022 RMB'000
Prepayments for auctioned artworks	1,553,908	1,668,404
Receivables for auctioned artworks	136,633	127,642
Deposits	57,201	46,757
Interest receivables from consignor advances on auction artwork	213,996	210,424
Advances to staff for business related activities	28,993	21,604
Loans to third parties	64,239	64,804
Others	131,113	90,219
Financial assets measured at amortised cost	2,186,083	2,229,854
Prepayments for purchase of inventories	109,724	109,058
Prepayments for performance	159,189	131,733
Value-added tax recoverable	20,267	17,904
Others	38,952	31,355
	328,132	290,050
	2,514,215	2,519,904
Less: allowance for doubtful debts	70,649	71,693
	2,443,566	2,448,211

17 CASH AND CASH EQUIVALENTS

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Cash at bank and on hand	1,212,213	1,129,670

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

18 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
	267,178	190,625
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
Financial liabilities measured at amortised cost	2,128,962	1,862,896
Non-current		
Pension contribution	8,470	8,553
	8,470	8,553

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***18 TRADE AND OTHER PAYABLES** *(Continued)*

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
	267,178	190,625

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

19 INTEREST-BEARING BORROWINGS

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

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Current interest-bearing borrowings		
Bank loans		
– Unsecured	2,609,495	2,156,318
Borrowings from joint ventures (note (i))	83,595	83,595
Bonds (note (ii))	500,000	500,000
Borrowings from a Poly Group's affiliate (note (iii))	56,484	55,020
Borrowings from Poly Group (note (iv))	1,231,600	1,231,600
Borrowings from non-controlling equity owners	1,200	600
	4,482,374	4,027,133
Non-current interest-bearing borrowings		
Bonds (note (ii))	300,000	800,000
Bank loans		
– Unsecured	291,000	334,000
	591,000	1,134,000
	5,073,374	5,161,133

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 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)

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 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 a Poly Group's affiliate bear interest at 4.35% and 5.35% per annum, are unsecured with a maturity period of one year.
- (iv) The borrowings from the Poly Group 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, 2023, the interest-bearing borrowings were repayable as follows:

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Within 1 year or on demand	4,482,374	4,027,133
After 1 year but within 2 years	306,000	846,000
After 2 years but within 3 years	285,000	288,000
	5,073,374	5,161,133

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS**(a) Dividends****(i) Dividends payable to equity shareholders of the Company attributable to the interim period**

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

(b) Share capital

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

	At June 30, 2023		At December 31, 2022	
	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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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 the Group's 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, 2023 and December 31, 2022, the fair value measurements of all unlisted equity securities falls into Level 3 of the fair value hierarchy, and there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Other equity securities:		
At January 1	285,697	265,073
Additions	–	136
Changes in fair value during the period/year	17,000	20,488
At June 30/December 31	302,697	285,697

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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, 2023 RMB'000	At December 31, 2022 RMB'000
Contracted for	189,006	119,903
Authorised but not contracted for	417,513	449,167
	606,519	569,070

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, 2023. 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, 2023 and 2022:

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, 2023 and 2022, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation 中國保利集團公司 (“Poly Group”)	Parent and ultimate holding company
Poly Group’s affiliates 保利集團附屬公司	Under common control
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited 瀋陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Ningyi Cultural and Creative Development (Shenzhen) Co., Ltd. 凝一文化創意發展(深圳)有限公司	Associate of the Group
Cixi Poly Jinchun Culture Development Co., Ltd. 慈溪保利錦辰文化發展有限公司	Associate of the Group
Poly Culture Industry Investment Fund Co., Ltd. 保利文化產業基金管理有限公司	Associate of the Group
Poly Art Education Investment Co., Ltd. 保利藝術教育投資有限公司	Associate of the Group
Zhengzhou Poly Yonghe Real Estate Development Coporation Limited 鄭州保利永和房地產開發有限公司	Associate of the Group
Yixing Chengdong Cultural Tourism Investment and Development Co., Ltd. 宜興城東文化旅遊投資開發有限公司	Associate of the Group
Beijing Xijie XingX International Cinema Corporation Limited 北京希傑星星國際影城有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited 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 希傑星星(撫順)影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited 希傑星星(上海)影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited 中山希傑星星影城有限公司	Joint venture of the Group
Beijing Eastern Poly Culture and Art Corporation Limited 北京東方保利文化藝術有限公司	Joint venture of the Group
Nanjing XingX Rongsheng Cinema Corporation Limited 南京星星榮盛影城有限公司	Joint venture of the Group
Changsha Xijie XingX Cinema Corporation Limited 長沙希傑星星影城有限公司	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 affiliates.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Services provided to Poly Group and its affiliates	9,172	4,618
Receiving services from (note (iii)) Poly Group and its affiliates	73,404	39,761
Receiving services from Joint ventures	–	100
Rental from Poly Group and its affiliates	–	1,232
Property management services (note (iv)) Poly Group and its affiliates	8,200	5,251
Interest income from Poly Group and its affiliates	3,849	4,369
Interest income from Joint ventures	521	366
Interest income from Associates	198	274
Borrowings from Poly Group and its affiliates	–	1,361,600
Borrowings from Joint ventures	2,550	–

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,	
	2023	2022
	RMB'000	RMB'000
Borrowing costs to Poly Group and its affiliates	24,927	12,861
Borrowing costs to Joint ventures	1,200	1,218
Repayment of loans to Poly Group and its affiliates	230,000	124,157
Repayment of loans to Joint ventures	2,550	6,630
Loans to Joint ventures	–	3,270

Notes:

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

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**

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

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Cash and cash equivalents (note) Poly Group and its affiliates	505,823	512,357
Deposits with original maturities over three months (note) Poly Group and its affiliates	78,449	59,300
Deposits, prepayments and other receivables Poly Group and its affiliates	24,383	24,507
Deposits, prepayments and other receivables Joint ventures	596	596
Deposits, prepayments and other receivables Associates	2,027	619
Trade and bills receivables Poly Group and its affiliates	6,910	7,174
Trade and other payables Poly Group and its affiliates	86,237	79,732
Trade and other payables Associates	143,037	143,037
Loans to Joint ventures	24,770	24,770
Loans to Associates	13,655	13,655
Trade and other payables Joint ventures	3,718	562

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, 2023 RMB'000	At December 31, 2022 RMB'000
Contract Liabilities		
Poly Group and its affiliates	1,437	573
Interest-bearing borrowings		
Poly Group and its affiliates	1,288,684	1,516,620
Interest-bearing borrowings (note 19(a))		
Joint ventures	83,595	83,595

Note:

The board of directors of the Company 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 1.45% to 2.85% according to the period of bank deposits.

(d) Lease of the properties and machinery

Based on IFRS 16, the minimum amount of rent payable by the Group to 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 RMB77,070,000, and a right-of-use asset with the balance of RMB63,748,000 as at June 30, 2023 (December 31, 2022: RMB88,983,000, and a right-of-use asset with the balance of RMB72,433,000), respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB11,999,000 and interest expense of RMB3,614,000 (June 30, 2022: depreciation of right-of-use asset of RMB12,994,000 and interest expense of RMB1,115,000), respectively, and variable lease payments of RMB1,322,000 for the six months ended June 30, 2023 (June 30, 2022: RMB858,000).

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event from June 30, 2023 to the date of the interim financial statements.

“Audit Committee”	the audit committee of the Board of Directors
“Board of Directors”	the board of directors of the Company
“Company”, “Poly Culture”, “we”, “us” or “our”	Poly Culture Group Corporation Limited (保利文化集團股份有限公司) and except where the context indicates otherwise, all of its Subsidiaries and with respect to the period before our Company became the holding company of its present subsidiaries, the businesses operated by its present subsidiaries or (as the case may be) their predecessors
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the directors of the Company
“Domestic Share(s)”	ordinary shares in our share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Euro”	euro, the lawful currency of the European Union countries
“Group”	the Company and its Subsidiaries
“H Share(s)”	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 8, 2023, being the latest practicable date for the inclusion of certain information in this report prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange (excluding the option market), which is independent of and operating in parallel with the GEM
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Poly Art Centre”	Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司)

Definitions

“Poly Art Education”	Poly Art Education Investment Co., Ltd. (保利藝術教育投資有限公司)
“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 International”	Poly International Holdings Limited (保利國際控股有限公司), a limited liability company incorporated in the PRC
“Poly Ronghe”	Poly Ronghe Financial Leasing Corporation Limited (保利融禾融資租賃有限公司)
“Poly Theatre”	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
“Poly Ticket”	Beijing Poly Ticket Development Co., Ltd. (北京保利票務發展有限公司)
“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, 2023
“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 our Domestic Shares and our H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning as defined in Section 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