



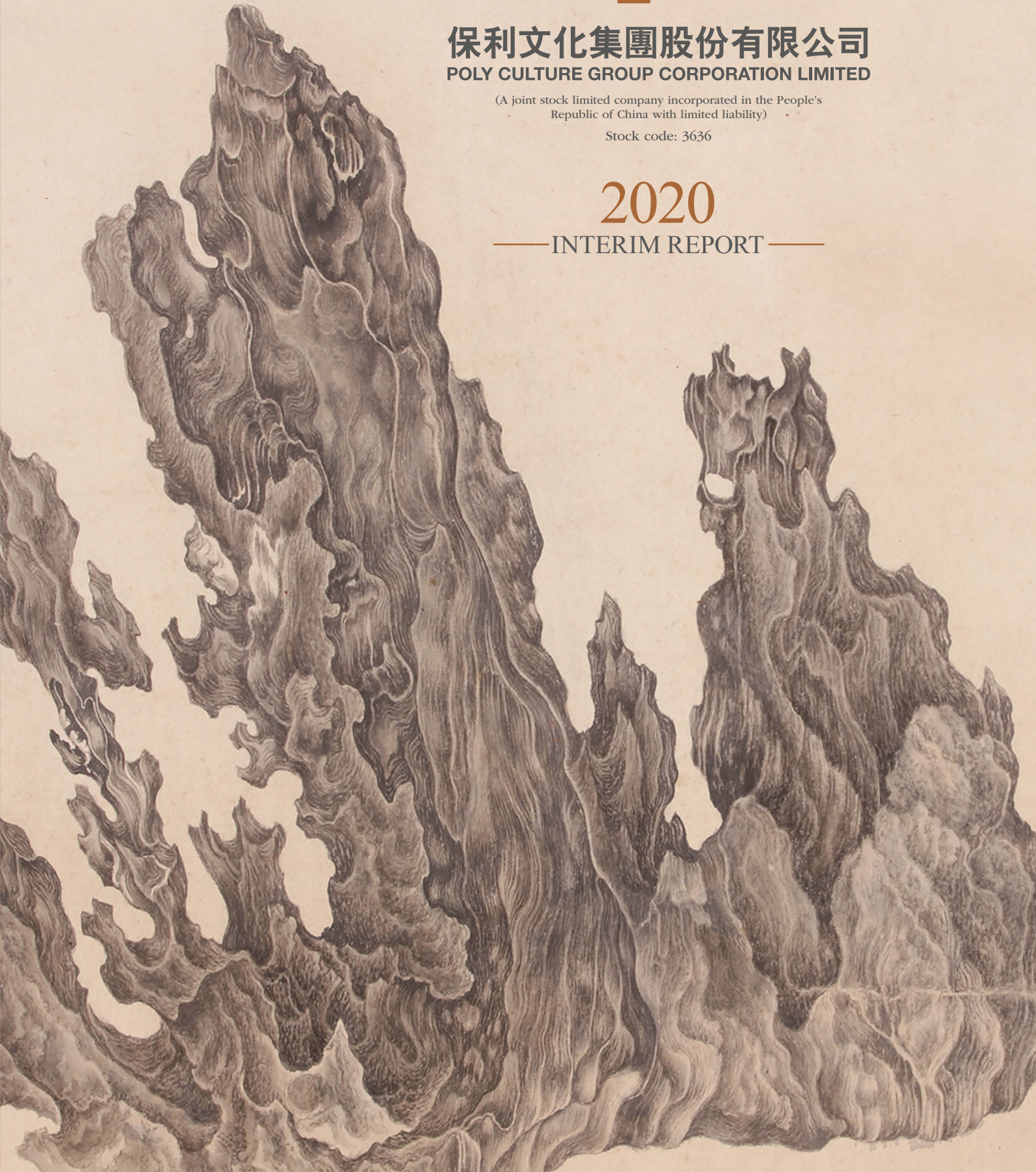
保利文化集團股份有限公司  
POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636

2020

— INTERIM REPORT —





# — CONTENTS —

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

## Corporate Profile

### REGISTERED NAME OF THE COMPANY

Poly Culture Group Corporation Limited

### REGISTERED OFFICE

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

### HEAD OFFICE IN THE PRC

District A, 25/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Xu Niansha (*Chairman*)  
Mr. Zhang Xi  
Mr. Jiang Yingchun  
Mr. Li Weiqiang

#### Non-executive Directors

Mr. Wang Keling  
Mr. Huang Geming

#### Independent Non-executive Directors

Mr. Li Boqian  
Ms. Li Xiaohui  
Mr. Yip Wai Ming

### AUTHORIZED REPRESENTATIVES

Mr. Jiang Yingchun  
District A, 25/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC

Ms. Leung Suet Lun  
31st Floor, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

### JOINT COMPANY SECRETARIES

Ms. Wang Wei  
Ms. Leung Suet Lun

### AUDITORS

#### International Auditor

KPMG  
Certified Public Accountants  
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

Jia Yuan Law Offices  
F408, Ocean Plaza, No. 158, Fuxing Men Nei Ave, Xicheng District, Beijing, China,

### PRINCIPAL BANKERS

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

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

### H SHARE REGISTRAR

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

### STOCK CODE

03636

### INVESTOR ENQUIRIES

Investors' Service Line: +86 10 6408 2711  
Fax: +86 10 6408 2662  
Website: [www.polyculture.com.cn](http://www.polyculture.com.cn)  
E-mail: [IR@polyculture.com.cn](mailto:IR@polyculture.com.cn)

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>586,546</b>	1,749,946
(Loss)/profit from operations	<b>(183,301)</b>	207,919
<b>(Loss)/profit before taxation</b>	<b>(249,736)</b>	174,069
Income tax	<b>(15,350)</b>	(54,493)
<b>(Loss)/profit for the period</b>	<b>(265,086)</b>	119,576
<b>(Loss)/profit attributable to:</b>		
Equity shareholders of the Company	<b>(234,030)</b>	81,799
Non-controlling interests	<b>(31,056)</b>	37,777
<b>(Loss)/earnings per share</b>		
Basic and diluted (loss)/earnings per share (RMB)	<b>(0.95)</b>	0.33
<b>Total comprehensive income for the period</b>	<b>(254,926)</b>	125,639
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	<b>(227,508)</b>	87,001
Non-controlling interests	<b>(27,418)</b>	38,638
	<b>At June 30,</b>	At December 31,
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Total non-current assets	<b>3,170,293</b>	3,161,856
Total current assets	<b>10,504,182</b>	10,429,806
<b>Total assets</b>	<b>13,674,475</b>	13,591,662
Total current liabilities	<b>6,510,028</b>	6,813,058
Total non-current liabilities	<b>2,516,433</b>	1,858,626
<b>Total liabilities</b>	<b>9,026,461</b>	8,671,684
<b>Net Assets</b>	<b>4,648,014</b>	4,919,978
Total equity attributable to the equity shareholders of the Company	<b>4,001,546</b>	4,245,635
Non-controlling interests	<b>646,468</b>	674,343
<b>Total equity</b>	<b>4,648,014</b>	4,919,978

The financial information of the Group for the six months ended June 30, 2020 was extracted from page 17 to 54 to this report, which set forth details of the basis of presentation for the unaudited condensed consolidated financial statements. The condensed consolidated financial statements of the Group for the six months ended June 30, 2020 were unaudited.

## I. SEGMENT BUSINESS INFORMATION

In the first half of 2020, the COVID-19 pandemic cast a huge impact on various businesses of Poly Culture. Due to travel restrictions at home and abroad, the collection of auction items for the art business and auction business was severely affected. Poly Auction Beijing was forced to cancel the spring auction, and Poly Auction Hong Kong postponed the spring auction to July 2020 and the scale recorded a significant decrease. The performance and theatre management business and film investment and cinema circuit management businesses have closed all cinemas and theatres since January 24, 2020. Faced with the tremendous impact brought by the COVID-19 pandemic, Poly Culture, under the leadership of the Board of Directors, worked together to overcome the challenges. Each subsidiary maintained stable momentum and explored the online transformation, and took multiple measures to reduce the adverse impact, achieving significant progress.

### Art business and auction business

Poly Auction Beijing conducted online business consultations in the form of “cloud” collection, set up a special working group for online auctions, and comprehensively promoted the construction of online auction platforms. In June 2020, it held the first online auction for various categories such as antique, modern and contemporary calligraphy and painting, oil painting, jewelry, and trendy gadget.

Poly Auction Hong Kong explored online cloud collection, private sales and other businesses. In July 2020, Poly Auction Hong Kong launched the spring auction with a turnover of HK\$130 million.

### Performance and theatre management business

Poly Theatre Management built the “Poly Cloud Theatre” with more than 180 shows performed, covering the four major sectors, namely drama, concert, master class, and counter-pandemic artistic performance, providing high-quality contents to the audience free of charge. Beijing Poly Performing Arts Co., Ltd. joint hands with Bilibili and others to hold Jia Fan’s “Double-Sided Me (雙面的我)” cloud concert, attracting more than 1.3 million viewers online. It worked with Poly Art Museum to launch a pioneering live broadcast of “Ma Jia’s Travel to the Museum over Cloud (馬佳雲遊博物館)”, garnering a total of 6.557 million views. It has participated in a wide variety of live performances for public welfare hosted by Sina Weibo, QQ Music, NetEase Cloud Music, and others, earning it a good reputation.

To support the Suzhou Municipal Government’s “Gusu at 8:30 (姑蘇八點半)” cultural tourism brand building, Poly Theatre Management created an immersive performance of “Murdered at the Corridor Pavilion (《迴廊亭殺人事件》)” to explore the immersive theater operation business integrating culture and tourism. It cooperated with Tencent in the production and performance of “Honor of Kings” concert and musicals to carry out high-quality IP cooperation and development.

### Cinema investment management business

Poly Film made full use of e-commerce platforms and online and logistics channels to launch cinema-featured food delivery services. It used the self-media platforms to launch “Cloud Cinema” to share home theater with movie fans.

## II. ANALYSIS AND DISCUSSION OF RESULTS

### Revenue

Total revenue decreased by 66.5% from RMB1,749.9 million for the six months ended June 30, 2019 to RMB586.5 million for the six months ended June 30, 2020, primarily due to the COVID-19 pandemic since early 2020, which has a material adverse effect on the Group's operations and financial position. The art business and artworks collection were severely affected by the travel restrictions at home and abroad, resulting in the cancellation of the spring auction in Beijing and the postponement of the auction to July 2020 in Hong Kong. The Group suspended all its performances and cinema business since the Spring Festival.

The respective segment revenue for the six months ended June 30, 2020 and 2019 is as follows:

	Six months ended June 30,	
	2020 RMB in millions	2019 RMB in millions
Art Business and Auction	229.5	498.8
Performance and Theatre Management	321.1	820.7
Cinema Investment and Management	32.3	419.5

### Gross profit

Gross profit decreased by 80.5% from RMB616.4 million for the six months ended June 30, 2019 to RMB120.0 million for the six months ended June 30, 2020. Gross profit margin decreased from 35.2% for the six months ended June 30, 2019 to 20.5% for the six months ended June 30, 2020.

### Other net income

Other net income (mainly including government grants) increased from RMB16.9 million for the six months ended June 30, 2019 to RMB22.7 million for the six months ended June 30, 2020.

### Selling and distribution expenses

Selling and distribution expenses decreased by 25.0% from RMB190.5 million for the six months ended June 30, 2019 to RMB142.9 million for the six months ended June 30, 2020, primarily due to the impact of the COVID-19 pandemic mentioned above.

### Administrative expenses

Administrative expenses decreased by 22.6% from RMB246.5 million for the six months ended June 30, 2019 to RMB190.9 million for the six months ended June 30, 2020, primarily due to the impact of the COVID-19 pandemic mentioned above.

# Management Discussion and Analysis

## Reportable segment (loss)/profit

As a result of the impact of the COVID-19 pandemic mentioned above, reportable segment loss was RMB110.5 million for the six months ended June 30, 2020 compared with the reportable segment profit of RMB306.8 million for the six months ended June 30, 2019.

The respective reportable segment (loss)/profit of the Group for the six months ended June 30, 2020 and 2019 is as follows:

	Six months ended June 30,	
	2020 RMB in millions	2019 RMB in millions
Art Business and Auction	(10.1)	151.4
Performance and Theatre Management	(50.0)	44.6
Cinema Investment and Management	(50.4)	110.8

## Finance income

Finance income increased by 92.3% from RMB40.2 million for the six months ended June 30, 2019 to RMB77.3 million for the six months ended June 30, 2020, mainly due to an increase in interest income from consignor advances.

## Finance costs

Finance costs increased by 47.1% from RMB67.8 million for the six months ended June 30, 2019 to RMB99.7 million for the six months ended June 30, 2020, primarily due to the increase in the average amount of bank loans, short-term debentures and bonds.

## Income tax

Income tax decreased by 71.7% from RMB54.5 million for the six months ended June 30, 2019 to RMB15.4 million for the six months ended June 30, 2020, primarily due to the decrease in taxable income caused by the decrease in the profit.

## (Loss)/profit for the period

As a result of the impact of the COVID-19 pandemic mentioned above, the loss for the six months ended June 30, 2020 amounted to RMB265.1 million compared with the profit of RMB119.6 million for the six months ended June 30, 2019.

### Liquidity and Capital Resources

During the six months ended June 30, 2020, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2020, the Group's cash and cash equivalents amounted to RMB944.5 million (2019: RMB1,151.2 million), decreased by 18.0% as compared to that of December 31, 2019.

During the six months ended June 30, 2020, the net cash outflow from operating activities amounted to RMB758.4 million, representing an increase of RMB690.4 million as compared with RMB68.0 million for the six months ended June 30, 2019. The net cash outflow from investing activities amounted to RMB171.3 million, representing a decrease of RMB418.7 million as compared with RMB590.0 million for the six months ended June 30, 2019, which is mainly due to the investment in Digital Domain Holdings Limited in 2019. The net cash inflow from financing activities amounted to RMB721.9 million, representing an increase of RMB257.0 million as compared with RMB464.9 million for the six months ended June 30, 2019, which is mainly due to the increase of bank loans and the issuance of the short-term debentures and mid-term note. The decrease in cash and cash equivalents was approximately RMB206.7 million as compared to the end of last year.

### Changes to Key Items in Consolidated Statement of Financial Position

#### ***Property, plant and equipment***

Property, plant and equipment mainly include, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 6.5% from RMB674.0 million as at December 31, 2019 to RMB630.3 million as at June 30, 2020. The decrease is mainly due to the depreciation of property, plant and equipment.

#### ***Current assets and current liabilities***

The current assets increased by 0.7% from RMB10,429.8 million as at December 31, 2019 to RMB10,504.2 million as at June 30, 2020. Current liabilities decreased by 4.4% from RMB6,813.1 million as at December 31, 2019 to RMB6,510.0 million as at June 30, 2020. The decrease of current liability is primarily due to the decrease of the payables for auctioned artwork.

#### ***Inventories***

Our inventories increased by 5.0% from RMB2,246.6 million as at December 31, 2019 to RMB2,359.9 million as at June 30, 2020, primarily due to the increase in artwork collections.

#### ***Consignor advances***

The consignor advances increased by 11.2% from RMB1,674.5 million as at December 31, 2019 to RMB1,862.5 million as at June 30, 2020, primarily due to our preparation for the upcoming auctions.

#### ***Deposits, prepayments and other receivables***

The deposits, prepayments and other receivables increased by 7.3% from RMB2,056.7 million as at December 31, 2019 to RMB2,205.9 million as at June 30, 2020, primarily due to the increase in the interest receivables from advances on auction artwork.



### Indebtedness

As at June 30, 2020, we incurred interest-bearing borrowings of RMB5,674.9 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans increased from RMB3,351.1 million as at December 31, 2019 to RMB3,918.1 million as at June 30, 2020, which was mainly used to replenish the working capital. On February 28, 2020, the Group issued a mid-term note with an aggregate principal amount of RMB500 million with a term of three years (the maturity date being February 28, 2023), nominal value per unit of RMB100 and coupon rate of 3.60% per annum. On April 10, 2020 and May 26, 2020, the Group issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being January 5, 2021) and 199 days (the maturity date being December 11, 2020), nominal value per unit of RMB100 and coupon rate of 2.50% and 2.20% per annum, respectively.

Under artwork financing trust plans, we are obliged to fund the difference between the total expected monetary trust property and the aggregate amount of the principal of trust, expected return as agreed in the trust plan, applicable taxes and other incurred costs (exclusive of our expected incentive fees) if the borrower and its guarantor fail to repay such amounts. As at June 30, 2020, our maximum exposure amounted to RMB2.0 million.

As at the date of this report, 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 RMB5.9 million and RMB53.2 million, respectively, for the six months ended June 30, 2020 and June 30, 2019.

### Other financial indicators

The ratio which is calculated by dividing the interest-bearing debts by total assets increased from 43.8% as at December 31, 2019 to 49.7% as at June 30, 2020 mainly due to the issuance of the mid-term note and short-term debentures.

### Employee Remuneration and Policy

As at June 30, 2020, the Group had 7,305 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board of Directors taking into consideration the performance, experience and operational capacity of our employees. As at June 30, 2020, there has been no material change to our remuneration policy and training plans.

### III. RISK FACTORS

The Company's exposure to risks in connection with its operations mainly includes: market risk, risk of staff turnover, competition risk, risks relating to fluctuation of interest rates and exchange rate.

#### (1) Market risk

##### ***Uncertainties in the global economy (in particular economy of China)***

The outbreak of the COVID-19 pandemic since early 2020 has brought more uncertainties to the Group's operation environment. At present, the COVID-19 pandemic is still spreading around the world, and the enormous impact of the pandemic on the world economy will continue to develop and evolve, with a significant increase in external risk challenges. China's GDP declined by 6.8% year-on-year in the first quarter of 2020 and grew by 3.2% year-on-year in the second quarter of 2020. Although China is gradually overcoming the adverse economic impact caused by the pandemic, with the economy returning to growth and steady recovery, the losses from the epidemic shock have yet to be made up. The domestic development remained imbalanced and subdued. The economy had been facing new downward pressure. The operation performance of our art business and auction segment is particularly exposed to the risks arising from volatilities in domestic and overseas economic and financial environment. In order to mitigate the negative impact of the economic volatilities, the Company will, on the premise of continuing to do a good job of pandemic prevention and control, actively resume work and production, integrate the brand and resources of Poly Culture, actively develop innovative business models when focusing on its three existing principal businesses, carry out the online operation and explore more profit growth engines.

##### ***Unpredictability of demand of the market for artworks***

The demand for artworks is influenced by various factors, including the overall economic and political environment, changes in the collecting categories that are most sought after and preferences of collectors. For example, in our auction operation, a decrease in market demand may cause a decline in artworks auction turnover, which could 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 variety of artworks, as well as enhancing overseas sourcing so as to reduce the risks arising from volatility in the market demand.

**(2) Risk of staff turnover**

Our success has been substantially attributable to the contribution of the excellent management professionals. In terms of the art business and auction segment, we rely on a number of industry professionals to provide authentication and valuation services of artworks, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In terms of other business segments, we 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 improving our profitability. We strive to attract the best talents through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation and innovate the motivation mechanism to further enlarge the pool of management and professional talents for important positions and enhance the loyalty of current key talents.

**(3) All our business segments face competition**

For the art business and auction segment, we put efforts in competing with key auction houses in the local and foreign markets throughout the operation chain. The competition may possibly reduce our commission income, and increase our costs in sourcing, purchasing and selling artworks, as well as expenses in industry talent recruitment. For 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 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 exchange rate**

Due to our expansion of overseas business, we may generate revenue denominated in 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 negative impact of changes in the interest rates on the finance costs respectively during the interest rate hike cycle and interest rate reduction cycle.

#### IV. OUTLOOK

In light of the impact of the pandemic, Poly Culture promptly adjusted its business objectives for 2020. Seizing the precious opportunity of work and production resumption in the second half of the year, we will work out a sound schedule, push the deadlines, unite our efforts and spare no time to ensure the completion of the annual business objectives while continuing to carry out proper pandemic prevention and control measures.

As the pandemic essentially stabilizes in China, in the second half of 2020, various businesses of Poly Culture will resume production and business gradually. We will plan ahead and make all preparations. We must implement on-site traffic control and epidemic prevention for crowded places such as theatres, cinemas, and auction houses, through careful study and research on the prevention and control requirements of relevant authorities, and actively and steadily promote the resumption of work and production. Art business and auction business will ramp up efforts in collection of auction items to ensure a successful annual auction. Performance and theatre management business will reasonably arrange the number of performances, and actively communicate with theatre owners and local governments. For film investment and cinema circuit management businesses, excellent cinema marketing must be conducted to continuously increase the box office of directly operated cinemas. We must continue to promote cost reduction to reduce losses, and make investment in mainstream-value films to promote positive energy and enhance the Poly brand.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to enhancing corporate governance standard and regarded it as an indispensable part for creating values for Shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, Board of Directors, Board of Supervisors and Senior Management with reference to the code provisions as set out in the Corporate Governance Code. The Company has also adopted the Corporate Governance Code as our own corporate governance practices.

For the six months ended June 30, 2020, the Company had complied with all code provisions in the Corporate Governance Code and had complied with most of the recommended best practices set out in the Corporate Governance Code.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct transactions of the Company's securities. 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, 2020. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, including Mr. Li Boqian, Ms. Li Xiaohui, and Mr. Yip Wai Ming.

## AUDIT COMMITTEE

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

The Audit Committee consists of three Directors: Ms. Li Xiaohui (independent non-executive Director), Mr. Yip Wai Ming (independent non-executive Director) and Mr. Wang Keling (non-executive Director). Ms. Li Xiaohui currently serves as the chairlady of the Audit Committee.

On August 28, 2020, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2020, the 2020 interim report and the unaudited interim financial statements for the six months ended June 30, 2020 prepared in accordance with International Accounting Standards.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibility for preparing financial statements of the Company. During the Reporting Period, the Company has published the 2019 annual report in strict compliance with related provisions.

## SHARE CAPITAL

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

## INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2020 were published on the websites of the Stock Exchange for information disclosure ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.polyculture.com.cn](http://www.polyculture.com.cn)) on August 28, 2020.

## INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of interim dividend for the six months ended June 30, 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the six months ended June 30, 2020.

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

On June 30, 2020, 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 was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

On June 30, 2020, 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 of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Shareholders	Type of Shares	Capacity	Number of Shares/ underlying Shares held (Note1)	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 interest of controlled corporation	156,868,400 (L)	100.00	63.69
Poly International	Domestic Shares	Beneficial owner	50,197,900 (L)	32.00	20.38
Li Shuming	H Shares	Beneficial owner	7,370,000 (L)	8.23	2.99

Notes:

- "L" stands for long positions.
- The percentage is calculated with the number of the relevant class of Shares or the total number of Shares of the Company issued as at June 30, 2020.
- Poly Group directly holds 106,670,500 Shares of the Company and holds 100% of the equity interest of Poly International, which in turn holds 50,197,900 Shares of the Company. 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, 2020, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## **MATERIAL LITIGATION**

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2020. So far as the Directors are aware, there is no litigation or claims which are pending or threatened against the Company.

## **CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

For the six months ended June 30, 2020, the Company did not appoint or dismiss any Director, Supervisor or Senior Management.

Since May 15, 2020, Mr. Ye Weiming, an independent non-executive Director, has served as an independent non-executive director of Peijia Medical Co., Ltd. (listed on the Stock Exchange, stock code: 09996).

## **SUBSEQUENT EVENT**

From June 30, 2020 to the date of this report, the Company has no significant subsequent event.

# Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2020 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>586,546</b>	1,749,946
Cost of sales		<b>(466,593)</b>	(1,133,514)
<b>Gross profit</b>		<b>119,953</b>	616,432
Other net income	6	<b>22,675</b>	16,908
Changes in fair value of other equity securities		<b>7,927</b>	11,577
Selling and distribution expenses		<b>(142,936)</b>	(190,518)
Administrative expenses		<b>(190,920)</b>	(246,480)
<b>(Loss)/profit from operations</b>		<b>(183,301)</b>	207,919
Finance income		<b>77,288</b>	40,170
Finance costs	7(a)	<b>(99,735)</b>	(67,827)
Share of profits less losses of associates		<b>(28,540)</b>	(10,094)
Share of profits less losses of joint ventures		<b>(15,448)</b>	3,901
<b>(Loss)/profit before taxation</b>	7	<b>(249,736)</b>	174,069
Income tax	8	<b>(15,350)</b>	(54,493)
<b>(Loss)/profit for the period</b>		<b>(265,086)</b>	119,576
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(234,030)</b>	81,799
Non-controlling interests		<b>(31,056)</b>	37,777
<b>(Loss)/profit for the period</b>		<b>(265,086)</b>	119,576
<b>(Loss)/earnings per share</b>			
Basic and diluted (loss)/earnings per share (RMB)	9	<b>(0.95)</b>	0.33

The notes on pages 24 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, 2020 – unaudited (Expressed in RMB)

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
<b>(Loss)/profit for the period</b>	<b>(265,086)</b>	119,576
<b>Other comprehensive income for the period, net of tax</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of investments accounted for using the equity method	<b>(612)</b>	–
Exchange differences on translation of financial statements of subsidiaries outside the PRC	<b>10,772</b>	6,063
<b>Total comprehensive income for the period</b>	<b>(254,926)</b>	125,639
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(227,508)</b>	87,001
Non-controlling interests	<b>(27,418)</b>	38,638
<b>Total comprehensive income for the period</b>	<b>(254,926)</b>	125,639

The notes on pages 24 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Financial Position

at June 30, 2020 – unaudited (Expressed in RMB)

	Note	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>630,324</b>	674,016
Right-of-use assets	10	<b>859,890</b>	911,262
Intangible assets		<b>40,526</b>	38,799
Goodwill		<b>76,933</b>	76,933
Long-term prepayments		<b>2,490</b>	2,601
Interest in associates		<b>715,303</b>	737,709
Interest in joint ventures	11	<b>456,068</b>	472,327
Other financial assets	12	<b>351,042</b>	213,115
Deferred tax assets		<b>37,717</b>	35,094
		<b>3,170,293</b>	3,161,856
<b>Current assets</b>			
Inventories	13	<b>2,359,858</b>	2,246,598
Trade receivables	14	<b>418,637</b>	380,037
Consignor advances	15	<b>1,862,499</b>	1,674,462
Deposits, prepayments and other receivables	16	<b>2,205,910</b>	2,056,720
Current tax assets		<b>28,510</b>	18,647
Other financial assets	12	<b>2,555,776</b>	2,759,760
Restricted cash		<b>23,609</b>	32,662
Deposits with original maturities over three months		<b>104,923</b>	109,676
Cash and cash equivalents	17	<b>944,460</b>	1,151,244
		<b>10,504,182</b>	10,429,806
<b>Current liabilities</b>			
Trade and other payables	18	<b>1,465,724</b>	2,053,554
Contract liabilities		<b>706,467</b>	573,658
Lease liabilities		<b>217,743</b>	165,440
Interest-bearing borrowings	19	<b>4,094,885</b>	3,962,364
Current taxation		<b>25,209</b>	58,042
		<b>6,510,028</b>	6,813,058

# Condensed Consolidated Statement of Financial Position

at June 30, 2020 – unaudited (Expressed in RMB)

	Note	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
<b>Net current assets</b>		<b>3,994,154</b>	3,616,748
<b>Total assets less current liabilities</b>		<b>7,164,447</b>	6,778,604
<b>Non-current liabilities</b>			
Trade and other payables	18	929	1,040
Lease liabilities		907,453	948,780
Interest-bearing borrowings	19	1,580,000	880,000
Deferred revenue		3,300	5,801
Deferred tax liabilities		24,751	23,005
		<b>2,516,433</b>	1,858,626
<b>NET ASSETS</b>		<b>4,648,014</b>	4,919,978
<b>CAPITAL AND RESERVES</b>			
Share capital	20(b)	246,316	246,316
Reserves		3,755,230	3,999,319
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,001,546</b>	4,245,635
<b>Non-controlling interests</b>		<b>646,468</b>	674,343
<b>TOTAL EQUITY</b>		<b>4,648,014</b>	4,919,978

The notes on pages 24 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, 2020 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Note	Share	Share	Capital	PRC	Retained	Exchange	Total	Non-	Total
		capital	premium	reserve	statutory	profits	reserve		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2019</b>		246,316	1,982,448	(4,270)	158,361	1,842,196	19,473	4,244,524	680,288	4,924,812
<b>Changes in equity for the six months ended June 30, 2019:</b>										
Profit for the period		-	-	-	-	81,799	-	81,799	37,777	119,576
Other comprehensive income		-	-	-	-	-	5,202	5,202	861	6,063
Total comprehensive income for the period		-	-	-	-	81,799	5,202	87,001	38,638	125,639
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	1,050	1,050
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(86,973)	(86,973)
Dividends approved in respect of the previous year	20(a)	-	-	-	-	(42,366)	-	(42,366)	-	(42,366)
<b>Balance at June 30, 2019</b>		246,316	1,982,448	(4,270)	158,361	1,881,629	24,675	4,289,159	633,003	4,922,162
<b>Changes in equity for the six months ended December 31, 2019:</b>										
(Loss)/profit for the period		-	-	-	-	(32,080)	-	(32,080)	40,452	8,372
Other comprehensive income		-	-	(23,313)	-	-	9,149	(14,164)	3,137	(11,027)
Total comprehensive income for the period		-	-	(23,313)	-	(32,080)	9,149	(46,244)	43,589	(2,655)
Share of other changes of investments accounted for using the equity method		-	-	2,720	-	-	-	2,720	-	2,720
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	2,273	2,273
Decrease in non-controlling interests due to disposal of a subsidiary		-	-	-	-	-	-	-	(1,470)	(1,470)
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(3,052)	(3,052)
<b>Balance at December 31, 2019</b>		246,316	1,982,448	(24,863)	158,361	1,849,549	33,824	4,245,635	674,343	4,919,978

The notes on pages 24 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, 2020 – unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at January 1, 2020</b>		<b>246,316</b>	<b>1,982,448</b>	<b>(24,863)</b>	<b>158,361</b>	<b>1,849,549</b>	<b>33,824</b>	<b>4,245,635</b>	<b>674,343</b>	<b>4,919,978</b>
<b>Changes in equity for the six months ended June 30, 2020:</b>										
Loss for the period		-	-	-	-	(234,030)	-	(234,030)	(31,056)	(265,086)
Other comprehensive income		-	-	(612)	-	-	7,134	6,522	3,638	10,160
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(612)</b>	<b>-</b>	<b>(234,030)</b>	<b>7,134</b>	<b>(227,508)</b>	<b>(27,418)</b>	<b>(254,926)</b>
Share of other changes of investments accounted for using the equity method		-	-	907	-	-	-	907	-	907
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	8,350	8,350
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(8,807)	(8,807)
Dividends approved in respect of the previous year	20(a)	-	-	-	-	(17,488)	-	(17,488)	-	(17,488)
<b>Balance at June 30, 2020</b>		<b>246,316</b>	<b>1,982,448</b>	<b>(24,568)</b>	<b>158,361</b>	<b>1,598,031</b>	<b>40,958</b>	<b>4,001,546</b>	<b>646,468</b>	<b>4,648,014</b>

The notes on pages 24 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, 2020 – unaudited (Expressed in RMB)

	Note	Six months ended June 30	
		2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		<b>(709,350)</b>	21,829
Tax paid		<b>(49,022)</b>	(89,819)
<b>Net cash used in operating activities</b>		<b>(758,372)</b>	(67,990)
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		<b>(5,928)</b>	(53,188)
Investments in an associate		<b>(6,000)</b>	(479,845)
Net payment for consignor advances		<b>(188,036)</b>	(35,086)
Other cash flows arising from investing activities		<b>28,694</b>	(21,928)
<b>Net cash used in investing activities</b>		<b>(171,270)</b>	(590,047)
<b>Financing activities</b>			
Proceeds from loans and borrowings		<b>3,002,435</b>	1,869,704
Repayment of loans and borrowings		<b>(2,181,746)</b>	(1,282,000)
Capital element of lease rentals paid		<b>(20,985)</b>	(55,281)
Interest element of lease rentals paid		<b>(9,961)</b>	(29,039)
Other cash flows arising from financing activities		<b>(67,795)</b>	(38,478)
<b>Net cash generated from financing activities</b>		<b>721,948</b>	464,906
<b>Net decrease in cash and cash equivalents</b>		<b>(207,694)</b>	(193,131)
<b>Cash and cash equivalents at January 1</b>	17	<b>1,151,244</b>	1,407,805
<b>Effect of foreign exchange rates changes</b>		<b>910</b>	(468)
<b>Cash and cash equivalents at June 30</b>	17	<b>944,460</b>	1,214,206

The notes on pages 24 to 54 are an integral part of these unaudited condensed consolidated interim financial statements.



# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

## 1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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

## 2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on August 28, 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). The interim financial statements are unaudited.

### 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

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

#### **Amendments to IFRS 3, *Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after January 1, 2020.

#### **Amendment to IFRS 16, *COVID-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 10). There is no impact on the opening balance of equity at January 1, 2020.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***4 REVENUE**

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

Revenue mainly represents commission from auction services, the sales value of artworks and cultural relic collections, 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:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
– Revenue from art business and auction	<b>229,464</b>	496,070
– Revenue from performance and theatre management	<b>317,351</b>	817,901
– Revenue from cinema investment and management	<b>29,455</b>	408,849
– Revenue from other services	<b>3,710</b>	13,687
	<b>579,980</b>	1,736,507
<b>Revenue from rental services</b>		
– Revenue from performance and theatre management	<b>3,731</b>	2,801
– Revenue from cinema investment and management	<b>2,835</b>	10,638
	<b>586,546</b>	1,749,946

## 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, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of tax payables, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

Segment profit represents revenue less cost of sales, and includes selling and distribution expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate other net income, share of profits less losses of associates, share of profits less losses of joint ventures, changes in fair value of other equity securities, depreciation and amortisation, finance income, finance costs and unallocated head office and corporate expenses are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation 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, 2020 and 2019 is set out below:

	Six months ended June 30, 2020			Total RMB'000
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	106,860	317,351	24,516	448,727
Over time	122,604	3,731	7,774	134,109
<b>Revenue from external customers</b>	<b>229,464</b>	<b>321,082</b>	<b>32,290</b>	<b>582,836</b>
Inter-segment revenue	22	-	-	22
<b>Reportable segment revenue</b>	<b>229,486</b>	<b>321,082</b>	<b>32,290</b>	<b>582,858</b>
<b>Reportable segment loss (adjusted EBITDA)</b>	<b>(10,136)</b>	<b>(49,993)</b>	<b>(50,385)</b>	<b>(110,514)</b>
Depreciation and amortisation	(21,747)	(10,661)	(82,519)	(114,927)
Finance income	72,151	5,501	387	78,039
Finance costs	(106,665)	(419)	(42,197)	(149,281)
As at June 30, 2020				
<b>Reportable segment assets</b>	<b>9,476,288</b>	<b>979,754</b>	<b>1,736,385</b>	<b>12,192,427</b>
<b>Reportable segment liabilities</b>	<b>7,742,078</b>	<b>659,293</b>	<b>2,244,640</b>	<b>10,646,011</b>

## 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, 2019			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	390,723	820,702	373,122	1,584,547
Over time	105,347	–	46,365	151,712
<b>Revenue from external customers</b>				
	496,070	820,702	419,487	1,736,259
Inter-segment revenue	2,735	–	–	2,735
<b>Reportable segment revenue</b>				
	498,805	820,702	419,487	1,738,994
<b>Reportable segment profit (adjusted EBITDA)</b>				
	151,417	44,572	110,816	306,805
Depreciation and amortisation	(22,095)	(7,055)	(90,036)	(119,186)
Finance income	41,733	5,062	451	47,246
Finance costs	(57,922)	(186)	(45,020)	(103,128)
As at December 31, 2019				
<b>Reportable segment assets</b>				
	9,376,034	900,710	1,845,351	12,122,095
<b>Reportable segment liabilities</b>				
	7,650,061	518,574	2,176,496	10,345,131

Note: There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2020 and 2019.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Reportable segment revenue	<b>582,858</b>	1,738,994
Elimination of inter-segment revenue	<b>(22)</b>	(2,735)
Revenue from other services	<b>3,710</b>	13,687
<b>Consolidated revenue (note 4)</b>	<b>586,546</b>	1,749,946
<b>(Loss)/profit</b>		
Reportable segment (loss)/profit (adjusted EBITDA)	<b>(110,514)</b>	306,805
Revenue from other services	<b>3,710</b>	13,687
Unallocated head office and corporate other net income	<b>54,332</b>	17,564
Share of profits less losses of associates	<b>(28,540)</b>	(10,094)
Share of profits less losses of joint ventures	<b>(15,448)</b>	3,901
Changes in fair value of other equity securities	<b>7,927</b>	11,577
Depreciation and amortisation	<b>(118,076)</b>	(123,400)
Finance income	<b>77,288</b>	40,170
Finance costs	<b>(99,735)</b>	(67,827)
Unallocated head office and corporate expenses	<b>(20,680)</b>	(18,314)
<b>Consolidated (loss)/profit before taxation</b>	<b>(249,736)</b>	174,069

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(Continued)

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
<b>Assets</b>		
Reportable segment assets	<b>12,192,427</b>	12,122,095
Elimination of inter-segment receivables	<b>(4,448,289)</b>	(3,924,526)
Other equity securities	<b>221,042</b>	213,115
Interests in associates	<b>715,303</b>	737,709
Interests in joint ventures	<b>456,068</b>	472,327
Deferred tax assets	<b>37,717</b>	35,094
Unallocated head office and corporate assets	<b>4,500,207</b>	3,935,848
Consolidated total assets	<b>13,674,475</b>	13,591,662
<b>Liabilities</b>		
Reportable segment liabilities	<b>10,646,011</b>	10,345,131
Elimination of inter-segment payables	<b>(4,448,289)</b>	(3,924,526)
Current taxation	<b>25,209</b>	58,042
Deferred tax liabilities	<b>24,751</b>	23,005
Unallocated head office and corporate liabilities	<b>2,778,779</b>	2,170,032
Consolidated total liabilities	<b>9,026,461</b>	8,671,684



## 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 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,
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	<b>568,603</b>	1,621,653	<b>2,758,950</b>	2,883,376
Others	<b>17,943</b>	128,293	<b>22,584</b>	30,271
	<b>586,546</b>	1,749,946	<b>2,781,534</b>	2,913,647

**6 OTHER NET INCOME**

	Six months ended June 30	
	2020	2019
	RMB'000	RMB'000
Government grants	<b>13,925</b>	9,841
Dividend income from other equity securities	<b>7,563</b>	3,806
Net foreign exchange (loss)/gain	<b>(2,458)</b>	460
Net loss on disposal of property, plant and equipment	<b>(13)</b>	(16)
Others	<b>3,658</b>	2,817
	<b>22,675</b>	16,908

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***7 (LOSS)/PROFIT BEFORE TAXATION**

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

**(a) Finance costs**

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Interest expenses	<b>73,445</b>	39,035
Interest on lease liabilities	<b>26,347</b>	29,039
Total interest expense on financial liabilities not at fair value through profit or loss	<b>99,792</b>	68,074
Less: interest expense capitalised into property, plant and equipment	<b>57</b>	247
	<b>99,735</b>	67,827

**(b) Staff costs**

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	<b>312,733</b>	357,634
Contributions to defined contribution retirement plans	<b>11,848</b>	40,394
	<b>324,581</b>	398,028

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Depreciation		
– property, plant and equipment	<b>48,850</b>	57,708
– right-of-use assets	<b>67,619</b>	64,465
Amortisation	<b>1,607</b>	1,227
Impairment (recovery)/losses		
– trade receivables	<b>(482)</b>	878
– deposits, prepayments and other receivables	<b>(194)</b>	84

**8 INCOME TAX**

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Current tax	<b>16,189</b>	54,742
Deferred taxation	<b>(839)</b>	(249)
	<b>15,350</b>	54,493

## Note:

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2019: 25%), except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.

Two subsidiaries incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation. Three subsidiaries of the Group are incorporated and carried out business in Hong Kong and are subject to Hong Kong Profits Tax at 16.5%, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019. One subsidiary of the Group is incorporated and carried out business in Macau and are subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

**9 (LOSS)/EARNINGS PER SHARE****(a) Basic (loss)/earnings per share**

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of RMB234,030,000 for the six months ended June 30, 2020 (six months ended June 30, 2019: profit attributable to ordinary equity shareholders of the Company of RMB81,799,000) 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, 2020 and 2019. 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, 2020, 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 RMB19,429,000.

During the six months ended June 30, 2020, the Group leased a number of cinemas which contain variable lease payment terms that are based on net cinema box office income from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in China where the Group operates. The Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	<b>Six months ended June 30, 2020</b>			
	<b>Fixed payments</b>	<b>Variable payments</b>	<b>COVID-19 rent concessions</b>	<b>Total payments</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cinemas – China	<b>50,948</b>	<b>286</b>	<b>(1,024)</b>	<b>50,210</b>
	Six months ended June 30, 2019			
	<b>Fixed payments</b>	<b>Variable payments</b>	<b>COVID-19 rent concessions</b>	<b>Total payments</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cinemas – China	48,727	4,912	–	53,639

As disclosed in note 3, the Group has early adopted the Amendment to IFRS 16, Leases, *COVID-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

## 11 INTEREST IN JOINT VENTURES

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Unlisted shares, at cost	532,476	532,476
Impairment loss	(47,866)	(47,866)
Share of losses, net of dividends	(28,542)	(12,283)
<b>Total</b>	<b>456,068</b>	<b>472,327</b>

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

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
Guilin Poly Culture Investment Development Corporation Limited 桂林保利文化投資發展有限公司	Incorporated	The PRC	50%	50%	Culture investment and consulting services
Anyang Bao Xin Property Corporation Limited 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Shenzhen Hua Xi Culture Plaza Investment Development Corporation Limited 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	50%	Investment holding
Beijing Eastern Poly Culture and Art Corporation Limited 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Poly Armstrong (Beijing) International Arts&Communication Co.,Ltd 保利斯特朗(北京)國際藝術傳播有限公司	Incorporated	The PRC	51%	–	Theatre operation management
Wuhan Xijie XingX TianDi Cinema Corporation Limited 武漢希傑星星天地影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Tianjin) International Cinema Corporation Limited 希傑星星(天津)國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

**11 INTEREST IN JOINT VENTURES** (Continued)

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		
			Group's effective interest	Held by the Company	Principal activities
Beijing Xijie XingX International Cinema Corporation Limited 北京希傑星星國際影城有限公司	Incorporated	The PRC	51%	-	Cinema operation management
Xijie XingX (Fushun) Cinema Corporation Limited 希傑星星(撫順)影城有限公司	Incorporated	The PRC	51%	-	Cinema operation management
Xijie XingX (Shanghai) Cinema Corporation Limited 希傑星星(上海)影城有限公司	Incorporated	The PRC	51%	-	Cinema operation management
Zhongshan Xijie XingX Cinema Corporation Limited 中山希傑星星影城有限公司	Incorporated	The PRC	51%	-	Cinema operation management
Changsha Xijie XingX Cinema Corporation Limited 長沙希傑星星影城有限公司	Incorporated	The PRC	51%	-	Cinema operation management
Nanjing XingX Rongsheng Cinema Corporation Limited 南京星星榮盛影城有限公司	Incorporated	The PRC	60%	-	Cinema operation management
Foshan XingX Xijie Cinema Corporation Limited 佛山星星希傑影城有限公司	Incorporated	The PRC	80%	-	Cinema operation management

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

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

**12 OTHER FINANCIAL ASSETS**

<b>Current</b>	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
<b>Financial assets measured at amortised cost</b>		
– Loans granted under financing arrangements		
– Within 1 year or on demand (note (ii))	<b>2,503,788</b>	2,718,257
– Loans to an associate	<b>39,988</b>	29,503
– Loans to a joint venture	<b>12,000</b>	12,000
	<b>2,555,776</b>	2,759,760
<b>Non-current</b>		
<b>Financial assets measured at amortised cost</b>		
– Loans granted under financing arrangements		
– After 1 year but within 2 years (note (ii))	<b>130,000</b>	–
Financial assets measured at FVPL		
– Other equity securities (note (i))	<b>221,042</b>	213,115
	<b>351,042</b>	213,115
	<b>2,906,818</b>	2,972,875

## Notes:

- (i) In 2016, the Company entered into a Capital Increase Agreement with Poly Finance Company Limited (“Poly Finance”), a related party, to acquire 5% of Poly Finance equity interest by cash injection.
- (ii) Poly Culture (North America) Investment Co., Ltd. and Poly Ronghe Financial Leasing Corporation Limited, subsidiaries of the Group, granted term loans to third parties secured by works of art which bear interest from 8% to 15% per annum. Loans granted generally represent 20%-50% of the collateral’s estimated value.

## 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:

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Antiques, works of art	<b>1,725,110</b>	1,693,547
Calligraphy, painting and sculptures	<b>560,547</b>	484,566
Small value items for resale	<b>12,306</b>	7,251
Low value materials	<b>2,806</b>	3,290
Drama rights	<b>10,060</b>	8,915
Film production	<b>49,029</b>	49,029
	<b>2,359,858</b>	2,246,598

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

	<b>Six months ended June 30</b>	
	<b>2020 RMB'000</b>	2019 RMB'000
Carrying amount of inventories sold	<b>7,127</b>	37,858

**14 TRADE RECEIVABLES**

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Trade receivables for sale of goods and rendering of services, net of credit loss allowance, due from:		
– related parties	<b>4,616</b>	6,705
– third parties	<b>414,021</b>	373,332
Financial assets measured at amortised cost	<b>418,637</b>	380,037



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

*(Expressed in RMB unless otherwise indicated)***14 TRADE RECEIVABLES** *(Continued)***Aging analysis**

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

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Within 1 month	<b>87,626</b>	159,518
1 to 3 months	<b>19,425</b>	18,451
3 to 6 months	<b>67,084</b>	38,970
6 to 12 months	<b>121,927</b>	74,766
Over 1 year	<b>122,575</b>	88,332
	<b>418,637</b>	380,037

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

**15 CONSIGNOR ADVANCES**

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

As at June 30, 2020, 6.6% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2019: 6.9%).

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**

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Prepayments for auctioned artwork	<b>1,437,448</b>	1,247,599
Receivables for auctioned artwork	<b>166,588</b>	305,673
Rental deposits	<b>29,166</b>	28,459
Guarantee deposits	<b>51,790</b>	54,085
Interest receivables from consignor advances on auction artwork	<b>177,267</b>	121,533
Advances to staff for business related activities	<b>38,088</b>	15,687
Investment in film production	<b>84,125</b>	84,125
Others	<b>91,387</b>	68,268
	<b>2,075,859</b>	1,925,429
Prepayments for purchase of inventories	<b>62,791</b>	66,085
Prepayments for performance	<b>75,412</b>	73,479
Others	<b>23,475</b>	23,330
	<b>161,678</b>	162,894
	<b>2,237,537</b>	2,088,323
Less: allowance for doubtful debts	<b>31,627</b>	31,603
Deposits, prepayments and other receivables, net of loss allowance	<b>2,205,910</b>	2,056,720

**17 CASH AND CASH EQUIVALENTS**

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Cash at bank and on hand	<b>944,460</b>	1,151,244

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

## 18 TRADE AND OTHER PAYABLES

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
<b>Current</b>		
Trade payables to		
– related parties	58,441	53,207
– third parties	82,406	113,498
	<b>140,847</b>	166,705
Interest payables		
– related parties	8,497	8,497
– third parties	33,560	26,695
Payables for staff related costs	89,373	56,354
Payables for other taxes and surcharges	27,553	73,476
Dividends payable	20,731	1,494
Other accruals and payables		
– related parties	32,159	29,115
– third parties		
– payables for auctioned artwork	799,670	1,295,435
– deposits received	106,153	97,166
– construction and equipment costs payables	24,098	24,405
– others	182,533	274,212
Financial liabilities measured at amortised cost	<b>1,465,174</b>	2,053,554
Receipts in advance		
– third parties	550	–
	<b>550</b>	–
	<b>1,465,724</b>	2,053,554
<b>Non-current</b>		
Payable for purchase of equipment		
– third parties	929	1,040
	<b>929</b>	1,040

## 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 aging analysis of trade payables presented based on the invoice date is as follows:

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Within 12 months	<b>74,081</b>	98,942
Over 12 months	<b>66,766</b>	67,763
	<b>140,847</b>	166,705

**19 INTEREST-BEARING BORROWINGS**

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

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
<b>Current Interest-bearing borrowings</b>		
Bank loans		
– Unsecured	<b>3,538,103</b>	3,171,114
Borrowings from joint ventures (note 24(c)) (note (i))	<b>92,450</b>	92,450
Borrowings from an associate (note 24(c)) (note (ii))	<b>20,000</b>	18,000
Borrowings from a related party (note 24(b)) (note (iii))	<b>43,000</b>	–
Debentures (note (iv))	<b>400,000</b>	200,000
Bonds	–	300,000
Borrowings from the controlling equity owner	–	180,000
Borrowings from a non-controlling equity owner	<b>1,332</b>	800
	<b>4,094,885</b>	3,962,364
<b>Non-current Interest-bearing borrowings</b>		
Bonds (note (v))	<b>1,200,000</b>	700,000
Bank loans		
– Unsecured	<b>380,000</b>	180,000
	<b>1,580,000</b>	880,000
	<b>5,674,885</b>	4,842,364

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) The borrowings from an associate bear interest at variable-rate between 0% and 8% per annum, are unsecured with a maturity period of one year.
- (iii) On March 19, 2020, the Group entered into a receivables factoring agreement with Poly Financial Leasing Co.,Ltd. ("Poly Leasing") and transferred certain receivables to Poly Leasing. The Group retained substantially all risks and rewards of the transferred receivables, and accordingly, it continues to recognise the full carrying amounts of transferred receivables and the associated liabilities which were the borrowings from related party. As at June 30, 2020, the carrying amounts of the transferred receivables not derecognised and the borrowings from related party were RMB43,000,000 and RMB43,000,000 respectively. The term of borrowings from related party is 9 months, bearing interest at 7.5% per annum.
- (iv) On April 10, 2020, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being January 5, 2021), nominal value per unit of RMB100 and coupon rate of 2.50% per annum. On May 26, 2020, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 199 days (the maturity date being December 11, 2020), nominal value per unit of RMB100 and coupon rate of 2.20% per annum.
- (v) On September 7, 2018 and December 5, 2018, the Company issued corporate bonds with an aggregate principal amount of RMB400 million and RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.92% and 4.70% per annum respectively. On February 28, 2020, the Company issued a mid-term note with an aggregate principal amount of RMB500 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 3.60% per annum respectively.

**(b) At June 30, 2020, the Interest-bearing borrowings were repayable as follows:**

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Within 1 year or on demand	<b>4,094,885</b>	3,962,364
After 1 year but within 2 years	<b>1,080,000</b>	880,000
After 2 years but within 3 years	<b>500,000</b>	–
	<b>5,674,885</b>	4,842,364

## 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.

**(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period**

	<b>Six months ended June 30</b>	
	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.071 per ordinary share (six months ended June 30, 2019: RMB0.172 per ordinary share)	<b>17,488</b>	42,366

**(b) Share capital**

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

	<b>At June 30, 2020</b>		At December 31, 2019	
	<b>No. of shares</b> <b>'000</b>	<b>RMB'000</b>	No. of shares '000	RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
At January 1				
At June 30/December 31	<b>246,316</b>	<b>246,316</b>	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 our share of the fair value of the individual asset and liability of the investee, which are mainly monetary assets and monetary liabilities.

During the periods ended June 30, 2020 and December 31, 2019, the fair value measure of all unlisted equity securities falls into Level 3 of the fair value hierarchy, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Other equity securities:		
At 1 January	<b>213,115</b>	159,364
Additions	-	30,217
Changes in fair value during the year	<b>7,927</b>	23,534
At June 30/December 31	<b>221,042</b>	213,115

## 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 each balance sheet date not provided for in the financial statements were as follows:

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
Contracted for	<b>130,164</b>	182,574
Authorised but not contracted for	<b>712,739</b>	812,355
	<b>842,903</b>	994,929

**23 CONTINGENT ASSETS AND LIABILITIES****(a) Contingent liabilities**

As an investment consultant of artwork trust plan for certain subsidiaries, the Group is obliged to fund the difference if the expected proceeds from the sale of trust assets were insufficient to cover the trust principal, trust fee, beneficiary's expected net gain and relevant tax expenses at the expiring date of the trust plan.

As at the end of each reporting period, maximum exposure in respect of trust plan assuming nil proceeds at expiring date is RMB2,000,000 (2019: RMB52,000,000).

**(b) Contingent liability in respect of legal claim**

A number of outstanding litigation against the Group had arisen in the normal course of its business as at June 30, 2020. After consulting the legal professional advice, the Group's management believes that such litigation will not have a significant financial impact on the Group.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

**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, 2020 and 2019:

**(a) Name and relationship with related parties**

During the six months ended June 30, 2020 and 2019, transactions with the following parties are considered as related party transactions:

<b>Name of party</b>	<b>Relationship</b>
China Poly Group Corporation 中國保利集團公司 (“Poly Group”)	Parent and ultimate holding company
Poly Group’s affiliates 中國保利集團公司附屬公司	Under common control
Poly Culture Industry Investment Fund Co., Ltd. (“Poly Investment Fund”) 保利文化產業基金管理有限公司	Associate of the Group
Yixing Chengdong Cultural Tourism Investment Development Co., Ltd. (“Yixing Chengdong”) 宜興城東文化旅游投資開發有限公司	Associate of the Group
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited (“Shengjing Poly”) 沈陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Cixi Poly Jincheng Culture development Co., Ltd. (“Cixi Poly”) 慈溪保利錦辰文化發展有限公司	Associate of the Group
Poly Art Education Investment Co., Ltd. (“Poly Art Education”) 保利藝術教育投資有限公司	Associate of the Group
Ningyi Cultural Creative Development (Shenzhen) Co., Ltd. (“Ningyi Development”) 凝一文化創意發展(深圳)有限公司	Associate of the Group
Beijing Poly New Stage Performance Production Co., Ltd. (“Poly New Stage”) 北京保利新舞台演出製作有限公司	Associate of the Group
Beijing Eastern Poly Culture and Art Corporation Limited (“Eastern Poly”) 北京東方保利文化藝術有限公司	Joint venture of the Group
Beijing Xijie XingX International Cinema Corporation Limited (“Joint ventures”) 北京希傑星星國際影城有限公司	Joint venture of the Group
Nanning XingX Cinema Investment & Management Corporation Limited (“Joint ventures”) 南京星星影城榮盛有限公司	Joint venture of the Group
Changsha Poly Cinema Corporation Limited (“Joint ventures”) 長沙希傑星星影城有限公司	Joint venture of the Group
Foshan XingX Entertainment Corporation Limited (“Joint ventures”) 佛山市星星文化傳播有限公司	Joint venture of the Group
Xijie XingX (Tianjin) International Cinema Corporation Limited (“Joint ventures”) 希傑星星(天津)國際影城有限公司	Joint venture of the Group

## 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** (Continued)

Name of party	Relationship
Xijie XingX (Fushun) Cinema Corporation Limited (“Joint ventures”) 希傑星星(撫順)影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited (“Joint ventures”) 希傑星星(上海)影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited (“Joint ventures”) 中山希傑星星影城有限公司	Joint venture of the Group
Wuhan Xijie XingX Tiandi Cinema Corporation Limited (“Joint ventures”) 武漢希傑星星天地影城有限公司	Joint venture of the Group
Poly Armstrong (Beijing) International Art & Communication Co., Ltd. (“Poly Armstrong”) 保利斯特朗(北京)國際藝術傳播公司	Joint venture of the Group

**(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.

## 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)

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<i>Sales to</i>		
Poly Group and its affiliates	<b>40</b>	2,409
<i>Service provided to</i>		
Poly Group and its affiliates	<b>226</b>	1,817
<i>Service provided to</i>		
Cixi Poly	<b>1,415</b>	–
<i>Receiving service (note (iii))</i>		
Poly Group and its affiliates	<b>7,071</b>	130,475
<i>Receiving service</i>		
Eastern Poly	<b>660</b>	84
<i>Rental from</i>		
Poly Group and its affiliates	–	4,550
<i>Rental from</i>		
Eastern Poly	<b>860</b>	333
<i>Property management services (note (iv))</i>		
Poly Group and its affiliates	<b>2,540</b>	4,765
<i>Interest income from</i>		
Poly Group and its affiliates	<b>2,430</b>	2,399
<i>Interest income from</i>		
Eastern Poly	<b>250</b>	249
<i>Interest income from</i>		
Cixi Poly	<b>1,629</b>	–
<i>Borrowings from</i>		
Joint ventures	–	15,660
<i>Borrowings from</i>		
Poly Investment Fund	<b>20,000</b>	18,000

## 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)

	<b>Six months ended June 30</b>	
	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<i>Borrowings from</i> Poly Group and its affiliates	<b>43,000</b>	180,000
<i>Borrowing costs to</i> Poly Group and its affiliates	<b>6,410</b>	6,518
<i>Borrowing costs to</i> Joint ventures	<b>1,346</b>	1,237
<i>Borrowing costs to</i> Poly Investment Fund	<b>683</b>	374
Repayment of loans from Poly Group and its affiliates	<b>180,000</b>	–
<i>Repayment of loans from</i> Poly Investment Fund	<b>18,000</b>	2,000
<i>Repayment of loans to</i> Cixi Poly	<b>3,206</b>	13,284
<i>Loans to</i> Associates	<b>13,691</b>	–

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 are of the opinion that these related party transactions are arising in the Group's normal course of business.
- (iii) Receiving service mainly refers to the box office income distributed to Chongqing Poly Wanhe Cinema Circuit Corporation Limited ("Poly Wanhe Cinema Circuit"). Pursuant to the Cinema Box Office Income Sharing Framework Agreement signed between the Group and Poly Wanhe Cinema Circuit, Poly Wanhe Cinema Circuit provided new film prints to the Group, and the Group then arranged movie screening in the cinemas. Both parties agree to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Wanhe Cinema Circuit may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves.
- (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:

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
<i>Cash and cash equivalents (note)</i>		
Poly Group and its affiliates	<b>443,445</b>	508,116
<i>Deposits with original maturities over three months (note)</i>		
Poly Group and its affiliates	<b>93,789</b>	143,971
<i>Deposits, prepayments and other receivables</i>		
Poly Group and its affiliates	<b>23,150</b>	22,195
<i>Deposits, prepayments and other receivables</i>		
Joint ventures	<b>851</b>	3,862
<i>Deposits, prepayments and other receivables</i>		
Associates	<b>3,330</b>	996
<i>Trade receivables</i>		
Poly Group and its affiliates	<b>3,165</b>	6,705
<i>Trade receivables</i>		
Associates	<b>1,451</b>	–
<i>Trade and other payables</i>		
Poly Group and its affiliates	<b>78,593</b>	69,203
<i>Trade and other payables</i>		
Associates	<b>20,200</b>	21,063

## 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)

	<b>At June 30, 2020 RMB'000</b>	At December 31, 2019 RMB'000
<i>Trade and other payables</i>		
Joint ventures	<b>304</b>	553
<i>Contract Liabilities</i>		
Poly Group and its affiliates	<b>357</b>	251
<i>Loans to</i>		
Joint venture	<b>12,397</b>	12,000
<i>Loans to</i>		
Associates	<b>37,963</b>	29,503
<i>Interest-bearing borrowings</i>		
Poly Group and its affiliates	<b>193,000</b>	380,000
<i>Interest-bearing borrowings (note 19(a))</i>		
Joint ventures	<b>92,450</b>	92,450
<i>Interest-bearing borrowings (note 19(a))</i>		
Associates	<b>20,000</b>	18,000

Note:

The Board announces that on June 28, 2018, 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 RMB0.9 billion and the maximum daily lending balance for credit lending services is RMB0.6 billion. The interest rates of Poly Finance are ranged from 1.035% to 3.3% according to the period of bank deposits.

**(d) Lease of the properties and machinery**

The Group has initially applied IFRS16 as from January 1, 2019. Based on IFRS16, the minimum amount of rent payable by the Group to its joint ventures and Poly Group's affiliates under the terms of the arrangements in connection with its use of properties and machinery had resulted in recognition of a lease liability with the balance of RMB0 and RMB40,765,000, and a right-of-use asset with the balance of RMB233,000 and RMB34,193,000, as at June 30, 2020, respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB140,000 and RMB10,389,000, interest expense of RMB4,000 and RMB824,000, respectively, and variable lease payments of RMB182,000 in its consolidated statement of comprehensive income of Poly Group's affiliates for the six months ended June 30, 2020.

## **25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

There has been no significant subsequent event from June 30, 2020 to the date of this report.

## **26 IMPACTS OF COVID-19 PANDEMIC**

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

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

As far as the Group's businesses are concerned, the COVID-19 pandemic has resulted in a decrease in revenue and gross profits during the six months ended 30 June 2020. The Group has initiated the above contingency measures to respond. But the Group considers that such impact would be temporary and likely to resume our operations upon the relief of the COVID-19 pandemic.

“Audit Committee”	the Audit Committee of the Board of Directors
“Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors 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 and Corporate Governance Report on Corporate Governance in Appendix 14 to the Listing Rules
“Directors”	the directors of the Company
“Domestic Shares”	ordinary Shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EUR” or “Euro”	euro, the lawful currency of the European Union countries
“Group”	the Company and its Subsidiaries
“H Shares”	overseas listed foreign Shares in our ordinary share capital, with a nominal value of RMB1.00 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“International Accounting Standards”	International Accounting Standards and its notes
“Latest Practicable Date”	September 10, 2020, 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 Investment”	Beijing Poly Art Investment Management Co., Ltd. (北京保利藝術投資管理有限公司)
“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 Culture Industrial Fund”	Poly Culture Industrial Investment Fund Co., Ltd (保利文化產業基金管理有限公司)
“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 Southern”	Poly Southern Group Co., Ltd. (保利南方集團有限公司), a state-owned company incorporated in the PRC, a wholly-owned subsidiary of Poly Group and a Substantial Shareholder of our Company
“Poly Theatre Management”	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
“PRC” or “China” or “People’s Republic of China”	the People’s Republic of China which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Reporting Period”	for the six months ended June 30, 2020
“RMB or Renminbi”	the lawful currency of the PRC
“Senior Management”	the senior management of the Company
“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 2 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](http://www.polyculture.com.cn)