

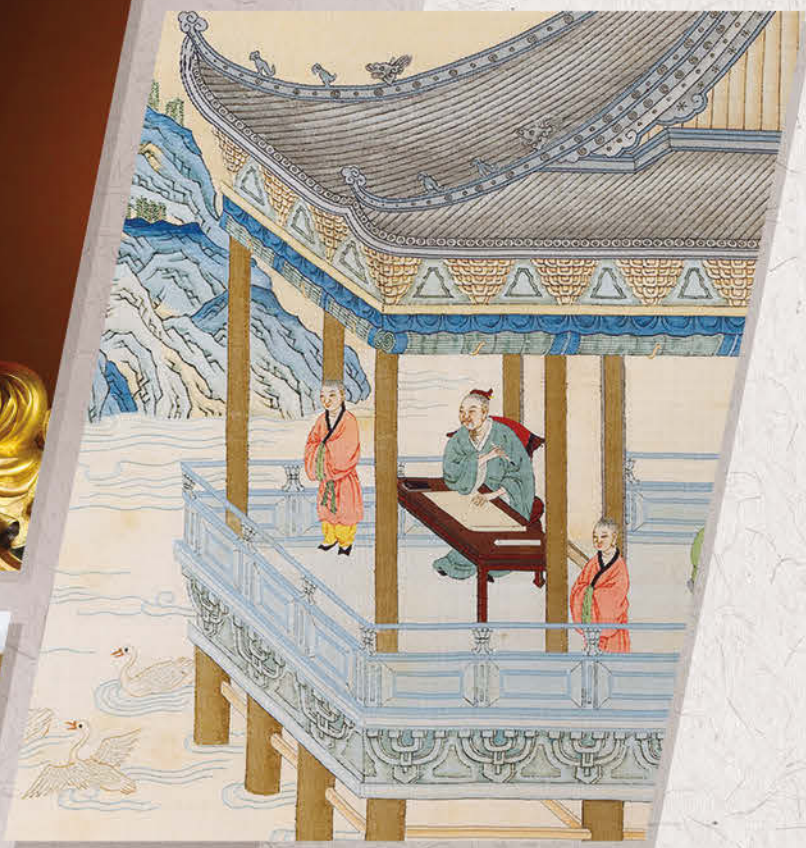


保利文化集團股份有限公司

POLY CULTURE GROUP CORPORATION LIMITED

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

Stock code: 3636



2021

INTERIM REPORT



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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

PRC Auditor

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

International Auditor

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

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

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

PRINCIPAL BANKERS

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

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

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

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Website: www.polyculture.com.cn
E-mail: IR@polyculture.com.cn

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Revenue	1,503,165	586,546
Profit/(loss) from operations	130,381	(183,301)
Profit/(loss) before taxation	26,264	(249,736)
Income tax	(25,976)	(15,350)
Profit/(loss) for the period	288	(265,086)
Profit/(loss) attributable to:		
Equity shareholders of the Company	10,519	(234,030)
Non-controlling interests	(10,231)	(31,056)
Earnings/(loss) per share		
Basic and diluted earnings/(loss) per share (RMB)	0.04	(0.95)
Total comprehensive income for the period	(4,592)	(254,926)
Total comprehensive income attributable to:		
Equity shareholders of the Company	8,142	(227,508)
Non-controlling interests	(12,734)	(27,418)
	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Total non-current assets	2,792,210	3,080,273
Total current assets	11,615,322	10,778,224
Total assets	14,407,532	13,858,497
Total current liabilities	8,661,580	7,915,744
Total non-current liabilities	1,932,127	1,407,221
Total liabilities	10,593,707	9,322,965
Net Assets	3,813,825	4,535,532
Total equity attributable to the equity shareholders of the Company	3,427,315	3,838,180
Non-controlling interests	386,510	697,352
Total equity	3,813,825	4,535,532

The financial information of the Group for the six months ended June 30, 2021 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, 2021 were unaudited.

Management Discussion and Analysis

I. SEGMENT BUSINESS INFORMATION

The first half of 2021 saw a steady recovery of China's economy. Subject to the factors such as a small recurrence of the domestic pandemic and the insufficient supply of cultural content, it will take time for cultural consumption to return to pre-pandemic level. Poly Culture is still under tremendous pressure in its operation and development. Poly Culture has taken the initiative to adapt to the new normal of the pandemic. While managing the prevention and control of the pandemic, it actively coped with the difficulties and problems in the development, vigorously promoted the recovery of the operation and achieved significant results.

Artwork operation and auction business

Poly Culture has been actively engaged in collecting auction items both at home and abroad, and strove to overcome various unfavorable factors. In the first half of 2021, it achieved a total turnover of RMB5.79 billion. Poly Auction Beijing achieved a successful spring auction with sales of RMB4.473 billion. Among them, the handscroll of painting "Conquest of the Western Regions" (Qing Dynasty) (《平定西域獻俘禮記圖》) by Xu Yang was sold at RMB414 million, and the vase with phoenix scene and handles of Qianlong Period of Qing Dynasty, (清乾隆御制百鳥朝鳳套瓶) was sold at RMB266 million, breaking the world auction record for Chinese antiques.

Poly Auction Hong Kong ("**Poly Auction HK**")'s turnover achieved HK\$706 million in its Spring Art Auction, with Yoshitomo Nara's "Hothouse Doll (《溫室女孩》)" sold at HK\$120 million. The joint auction with PHILLIPS achieved a new record high of over HK\$700 million. Poly Auction HK continued to expand its online auction business, achieving a turnover of HK\$84 million.

Poly Art Centre increased its sales efforts and effectively suppressed inventories; organized high-quality exhibitions such as "World of Hongli" (《弘歷的世界》) and related academic seminars in an effort to enhance its brand image. Beijing Poly Contemporary Art Co., Ltd. ("**Poly Contemporary**") and Japanese artist Mei Konishi jointly created naked-eye 3D digital artworks such as "Let's Dance" and "Blue and White Porcelain" (《青花瓷》), which gained widespread attention.

Performance and theatre management business

Poly Theatre Management signed three new theatres in Haimen of Nantong, Fuzhou and Taishan, bringing the number of theatres under operation and management to 73. Faced with the unfavorable situation brought by overseas performance interruptions, it strengthened cooperation with domestic performance organizations, managed performance scheduling and pandemic prevention and control for theatres, and completed a total of 5,096 performances. Co-produced original plays included "Road to Victory (《人間正道是滄桑》)", "Once Upon a Time in Fudeli" (《輔德里》), "Under the Ginkgo Tree" (《銀杏樹下》) and "The East is Red at Sunrise" (《日出東方紅》).

Cinema investment and management business

Poly Film currently operates 66 directly-operated cinemas and achieved a box office of RMB245 million in the first half of 2021.

II. ANALYSIS AND DISCUSSION OF RESULTS

Revenue

Total revenue increased by 156.3% from RMB586.5 million for the six months ended June 30, 2020 to RMB1,503.2 million for the six months ended June 30, 2021, primarily due to the COVID-19 pandemic since early 2020, which has resulted in a decrease in revenue during the six months ended June 30, 2020. After the COVID-19 pandemic has been controlled, the Group has gradually resumed business according to the relevant requirements of the government. The Group achieved successful spring auctions in Beijing and Hong Kong which were cancelled and postponed for the six months ended June 30, 2021, respectively. The Group also resumed its performances and cinema business gradually for the six months ended June 30, 2021.

The respective segment revenue of the Group for the six months ended June 30, 2021 and 2020 is as follows:

	Six months ended June 30,		
	2021 RMB in millions	2020 RMB in millions	Percentage of change (%)
Art Business and Auction	427.9	229.5	86.4
Performance and Theatre Management	811.9	321.1	152.8
Cinema Investment and Management	258.9	32.3	701.5

Gross profit

Gross profit increased by 302.9% from RMB120.0 million for the six months ended June 30, 2020 to RMB483.5 million for the six months ended June 30, 2021. Gross profit margin increased from 20.5% for the six months ended June 30, 2020 to 32.2% the six months ended June 30, 2021.

Other net income

Other net income (mainly including government grants) increased from RMB22.7 million for the six months ended June 30, 2020 to RMB42.7 million for the six months ended June 30, 2021.

Selling and distribution expenses

Selling and distribution expenses increased by 26.9% from RMB142.9 million for the six months ended June 30, 2020 to RMB181.4 million for the six months ended June 30, 2021, primarily due to (i) the increase in staff costs as the government in the PRC had gradually reduced or exempted the social insurance contributions for the period from February 1, 2020 to December 31, 2020; and (ii) the resumption of business activities from the influence of COVID-19 pandemic for the six months ended June 30, 2021.

Management Discussion and Analysis

Administrative expenses

Administrative expenses increased by 17.7% from RMB190.9 million for the six months ended June 30, 2020 to RMB224.6 million for the six months ended June 30, 2021, primarily due to (i) the increase in staff costs as the government in the PRC had gradually reduced or exempted the social insurance contributions for the period from February 1, 2020 to December 31, 2020; and (ii) the resumption of business activities from the influence of COVID-19 pandemic for the six months ended June 30, 2021.

Reportable segment profit/(loss)

As a result of the business activity resumption from the influence of COVID-19 pandemic, reportable segment profit was RMB221.0 million for the six months ended June 30, 2021 compared with the reportable segment loss of RMB110.5 million for the six months ended June 30, 2020.

The respective reportable segment profit/(loss) of the Group for the six months ended June 30, 2021 and 2020 is as follows:

	Six months ended June 30,	
	2021 RMB in millions	2020 RMB in millions
Art Business and Auction	131.5	(10.1)
Performance and Theatre Management	13.8	(50.0)
Cinema Investment and Management	75.7	(50.4)

Finance income

Finance income decreased by 28.1% from RMB77.3 million for the six months ended June 30, 2020 to RMB55.6 million for the six months ended June 30, 2021, mainly due to the decrease in interest income from consignor advances.

Finance costs

Finance costs increased by 15.6% from RMB99.7 million for the six months ended June 30, 2020 to RMB115.3 million for the six months ended June 30, 2021, primarily due to the increase in the average amount of bank loans, short-term debentures and bonds.

Income tax

Income tax increased by 68.8% from RMB15.4 million for the six months ended June 30, 2020 to RMB26.0 million for the six months ended June 30, 2021, primarily due to increase in taxable income caused by the increase in the profit.

Profit/(loss) for the period

As a result of the business activity resumption from the influence of COVID-19 pandemic, the profit for the six months ended June 30, 2021 amounted to RMB0.3 million compared with the loss of RMB265.1 million for the six months ended June 30, 2020.

Liquidity and Capital Resources

During the six months ended June 30, 2021, the Group maintained a stable financial position and adequate liquidity. As at June 30, 2021, the Group's cash and cash equivalents amounted to RMB1,997.3 million (2020: RMB1,329.1 million), increased by 50.3% as compared to that of December 31, 2020.

During the six months ended June 30, 2021, the net cash inflow from operating activities amounted to RMB450.2 million, compared with the net cash outflow of RMB758.4 million for the six months ended June 30, 2020. The net cash outflow from investing activities amounted to RMB94.5 million, representing a decrease of RMB76.8 million as compared with RMB171.3 million for the six months ended June 30, 2020. The net cash inflow from financing activities amounted to RMB311.2 million, representing a decrease of RMB410.7 million as compared with RMB721.9 million for the six months ended June 30, 2020, which mainly arising from the repayment of bank loans, short-term debentures and bonds. The increase in cash and cash equivalents was approximately RMB668.2 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 3.2% from RMB528.4 million as at December 31, 2020 to RMB511.7 million as at June 30, 2021. The decrease is mainly due to the depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets increased by 7.8% from RMB10,778.2 million as at December 31, 2020 to RMB11,615.3 million as at June 30, 2021, primarily due to the expansion of our art and auction business. Current liabilities increased by 9.4% from RMB7,915.7 million as at December 31, 2020 to RMB8,661.6 million as at June 30, 2021. The increase of current liability is primarily due to the increase of the payable to consignors and billings in advance of theatre performance.

Inventories

Our inventories decreased by 1.7% from RMB2,302.3 million as at December 31, 2020 to RMB2,262.5 million as at June 30, 2021, primarily due to the decrease in artwork collections.

Consignor advances

The consignor advances increased by 13.5% from RMB1,764.8 million as at December 31, 2020 to RMB2,003.5 million as at June 30, 2021, primarily due to our efforts to attract high quality auction artworks from well-known collectors.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables decreased by 7.3% from RMB2,718.7 million as at December 31, 2020 to RMB2,520.4 million as at June 30, 2021, primarily due to the decrease in the prepayments for auctioned artwork.

Management Discussion and Analysis

Indebtedness

As at June 30, 2021, we incurred interest-bearing borrowings of RMB6,416.6 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans increased from RMB3,565.1 million as at December 31, 2020 to RMB3,620.8 million as at June 30, 2021 due to the expansion of business operation. On April 26, 2021, 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 April 26, 2024), nominal value per unit of RMB100 and coupon rate of 4.57% per annum.

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, 2021, 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 Expenditure

Our capital expenditures primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB22.9 million and RMB5.9 million, respectively, for the six months ended June 30, 2021 and June 30, 2020.

Other Financial Indicators

Our gearing ratio which is calculated by dividing the total debts by total assets increased from 67.3% as at December 31, 2020 to 73.5% as at June 30, 2021 mainly due to the increase of interest-bearing borrowings and the payment to consignors.

Employee Remuneration and Policy

As at June 30, 2021, the Group had 7,852 employees in total. The remuneration policy for our employees has been determined by our Remuneration and Assessment Committee of the Board taking into consideration the performance, experience and operational capacity of our employees. As at June 30, 2021, 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. While the international environment remains complex, it will be difficult for overseas businesses to return to normal for a while. Looking back at home, China's economy is recovering steadily, with national GDP growing 7.9% year-on-year in the first half of 2021, providing a good window period for companies to resume operations and stabilize their performance. However, due to factors such as a small recurrence of the domestic pandemic and insufficient supply of cultural content, it will take time for cultural consumption to resume to pre-pandemic levels.

The operation performance of the Company's art business and auction segment is particularly exposed to the risks arising from volatilities in domestic and overseas economic and financial environment. In order to mitigate the negative impact of the economic volatilities, the Company will, on the premise of continuing to do a good job of pandemic prevention and control, actively resume work and production, integrate the brand and resources of Poly Culture, actively develop innovative business models when focusing on its three existing principal businesses, carry out the online operation and explore more profit growth engines.

Unpredictability of demand for artworks

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

Management Discussion and Analysis

(2) Risk of staff turnover

Our success has been substantially attributable to the contribution of the excellent management professionals. In terms of the art business and auction segment, we rely on a number of industry professionals to provide authentication and valuation services of artworks, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on high-calibre employees to ensure that we can manage our theatres and cinemas with unified and high standard to improve the audience's experience, and enhance our brand recognition, thereby improve our profitability. We strive to attract the best talents through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation and innovate the motivation mechanism to further enlarge the pool of management and professional talents for important positions and enhance the loyalty of existing key talents.

(3) All our business segments face competition

For the art business and auction segment, we put efforts in competing with key auction houses in the local and foreign markets throughout the operation chain. The competition may possibly reduce our commission income, and increase our costs in sourcing, purchasing and selling artworks, as well as expenses in industry talent recruitment. In the performance and theatre management segment, we must compete with other theatre management companies in China in terms of program resources, theatre network coverage and brand recognition. In the cinema investment and management segment, we mainly compete with other companies operating cinemas in regions where we have cinemas. The Company will seek to gain precise understanding of the market demands and enhance core competitiveness so as to maintain the leading market position.

(4) Risks relating to fluctuation of interest rates and exchange rate

Due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the 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 decline in foreign exchange. We will keep an eye on policies and changes relating to the domestic and foreign financial markets, and adopt a specific financing pattern to partially offset negative impact of changes in the interest rates on the finance costs respectively during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

In the second half of 2021, the pattern of China's macro-economy had the rising trend at a stable pace. However, as the pandemic is still spreading and the international environment is intricate and complex, it's hard for overseas business to return to normal at the moment; rising commodity prices bring a new round of inflation, which may prompt countries to tighten macro-control policies in advance; the problem of insufficient supply of high-quality domestic cultural content has still not been fundamentally solved and the sustainability of cultural consumption enthusiasm is still not strong, which put great pressure on cultural enterprises. In the second half of 2021, we will work hard and innovate, bring out new ideas for work, make new initiatives for reform and new momentum for development, to effectively promote the high-quality development of the enterprise; we will do everything possible to achieve the full-year business goals.

For artwork operation and auction business, the Company will continue the good momentum of leading the global Chinese art auction turnover for consecutive 11 years and maintain a leading position in the industry, strengthen academic research and customer service capacities, thereby laying a solid foundation for continued improvement of auction performance and corporate brand; Poly Art Centre will continue to strengthen art sales and press down inventories as planned, organize and create high-quality art exhibitions to help enhance the brand. Poly Contemporary will do a good job of promoting and completing existing projects, while actively exploring new projects to establish Poly's brand in the field of art and design.

For the performance and theatre management business, the Company will continue to renew contracts with theatres upon expiration and follow up key projects; strengthen cooperation with performance organizations and accelerate the completion of cultural and tourism integrated theatres and tourism resident performance projects; integrate the resources of small theatres within the cinema chain and step up research on the direction and mode of cooperation with theatres and performing arts groups and other organizations outside the cinema chain to explore diversified and differentiated operations.

For the cinema investment management business, the Company will continue manage the operation of existing cinemas, strengthen publicity and marketing and cut costs to improve the development quality.

For the art education business, Poly WeDo will operate and manage the existing campuses and make plans for capital to ensure sustainable and stable operation.

For the cultural finance business, the art investment company should manage the existing projects well, and actively explore the business development model; the financial leasing company will strictly control risks, coordinate scale, project and fund management to ensure smooth operation; the cultural industry fund company will continue to provide financial support for the overall development of Poly Culture.

For cultural tourism business, the Company will closely track existing projects, strive for implementation and create a new path for the development of special cultural tourism products.

For cultural asset operation and management business, the Company will strive to incubate more new projects, accelerate the exploration and formation of a replicable business development model, and make new contributions to the development of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and Shareholders' expectation. During the Reporting Period, the Company had complied with all the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules and had adopted most of the recommended best practices as set out in Appendix 14 to the Listing Rules, except for the following deviations with the reasons as explained below:

Code provision A.4.2

As stated in Code provision A.4.2, all directors (including the director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated December 20, 2019, the tenure of the Company's third session of the Board and the third session of Board of Supervisors expired on December 22, 2019. Due to the COVID-19 pandemic, the re-election of the Board and the Board of Supervisors is still in preparation, in order to ensure the continuity of the relevant work of the Company, the re-election of the Board and the Board of Supervisors is postponed. The terms of the third session of the Board and the third session of the Board of Supervisors are extended till the fourth session of the Board and the fourth session of the Board of Supervisors are elected at a general meeting of the Company. The terms of each special committee of the Board and the Board of Supervisors and the Senior Management are extended accordingly. The Company will determine the relevant matters as soon as possible, actively push forward the process of re-election of the Board and the Board of Supervisors, and fulfill its corresponding information disclosure obligations in a timely manner.

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, 2021. 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 31, 2021, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended June 30, 2021, the 2021 interim report and the unaudited interim financial statements for the six months ended June 30, 2021 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 2020 annual report in strictly compliance with related provisions.

SHARE CAPITAL

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

INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2021 were published on the websites of the Stock Exchange for information disclosure (www.hkexnews.hk) and the Company (www.polyculture.com.cn) on August 31, 2021.

INTERIM DIVIDEND

The Board of Directors has not made any recommendation on the distribution of interim dividend for the six months ended June 30, 2021.

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, 2021.

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

On June 30, 2021, 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, 2021, 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:

1. "L" stands for long positions.
2. The percentage is calculated with the number of the relevant class of Shares of the Company issued as at June 30, 2021 divided by the total number of Shares.
3. 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, 2021, 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

Other Information

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2021. 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, 2021, the Company did not appoint or dismiss any Director, Supervisor or Senior Management.

Since November 18, 2020 and May 12, 2021, Ms. Li Xiaohui, an independent non-executive Director, has served as an independent non-executive director of Bank of Communications Co., Ltd. (a company listed on the Stock Exchange, stock code: 03328) and an independent non-executive director of BBMG Corporation (a company listed on the Stock Exchange, stock code: 02009), respectively.

SUBSEQUENT EVENT

Mr. Jiang Yingchun resigned as the general manager of the Company due to work arrangement, with effect from August 31, 2021; Mr. Hu Jiaquan resigned as deputy general manager of the Company due to retirement, with effect from August 31, 2021; Mr. Liu Shibin resigned as the chief accountant of the Company due to work arrangement, with effect from August 31, 2021; on August 31, 2021, the Board has adopted resolutions to appoint Mr. Wang Bo as the general manager of the Company and Ms. Zhao Lin as the chief accountant of the Company.

Condensed Consolidated Statement of Profit or Loss

for the six months ended June 30, 2021 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2021 RMB'000	2020 RMB'000
Revenue	4	1,503,165	586,546
Cost of sales		(1,019,679)	(466,593)
Gross profit		483,486	119,953
Other net income	6	42,742	22,675
Changes in fair value of other equity securities		10,114	7,927
Selling and distribution expenses		(181,403)	(142,936)
Administrative expenses		(224,558)	(190,920)
Profit/(loss) from operations		130,381	(183,301)
Finance income		55,627	77,288
Finance costs	7(a)	(115,341)	(99,735)
Share of profits less losses of associates		(39,737)	(28,540)
Share of profits less losses of joint ventures		(4,666)	(15,448)
Profit/(loss) before taxation	7	26,264	(249,736)
Income tax	8	(25,976)	(15,350)
Profit/(loss) for the period		288	(265,086)
Attributable to:			
Equity shareholders of the Company		10,519	(234,030)
Non-controlling interests		(10,231)	(31,056)
Profit/(loss) for the period		288	(265,086)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (RMB)	9	0.04	(0.95)

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2021 – unaudited (Expressed in RMB)

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Profit/(loss) for the period	288	(265,086)
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	(1,095)	(612)
Exchange differences on translation of financial statements of subsidiaries outside the PRC	(3,785)	10,772
Total comprehensive income for the period	(4,592)	(254,926)
Attributable to:		
Equity shareholders of the Company	8,142	(227,508)
Non-controlling interests	(12,734)	(27,418)
Total comprehensive income for the period	(4,592)	(254,926)

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

Condensed Consolidated Statement of Financial Position

at June 30, 2021 - unaudited (Expressed in RMB)

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Non-current assets			
Property, plant and equipment		511,677	528,371
Right-of-use assets	10	797,410	826,639
Intangible assets		39,304	35,117
Goodwill		76,865	76,865
Long-term prepayments		2,265	2,375
Deposits, prepayments and other receivables	16	–	71,628
Interest in associates		660,625	701,323
Interest in joint ventures	11	420,279	439,045
Other financial assets	12	248,847	368,733
Deferred tax assets		34,938	30,177
		2,792,210	3,080,273
Current assets			
Inventories	13	2,262,542	2,302,336
Trade receivables	14	535,556	447,033
Consignor advances	15	2,003,486	1,764,790
Deposits, prepayments and other receivables	16	2,520,363	2,647,120
Current tax assets		16,587	26,025
Other financial assets	12	2,184,563	2,193,058
Restricted cash		27,437	17,823
Deposits with original maturities over three months		67,503	50,892
Cash and cash equivalents	17	1,997,285	1,329,147
		11,615,322	10,778,224
Current liabilities			
Trade and other payables	18	2,399,214	1,755,690
Contract liabilities		680,992	562,818
Lease liabilities		194,821	188,593
Interest-bearing borrowings	19	5,366,597	5,378,851
Current taxation		19,956	29,792
		8,661,580	7,915,744

Condensed Consolidated Statement of Financial Position

at June 30, 2021 - unaudited (Expressed in RMB)

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Net current assets		2,953,742	2,862,480
Total assets less current liabilities		5,745,952	5,942,753
Non-current liabilities			
Trade and other payables	18	157	406
Lease liabilities		849,818	875,460
Interest-bearing borrowings	19	1,050,000	500,000
Deferred revenue		3,285	4,885
Deferred tax liabilities		28,867	26,470
		1,932,127	1,407,221
NET ASSETS		3,813,825	4,535,532
CAPITAL AND RESERVES			
Share capital	20(b)	246,316	246,316
Reserves		3,180,999	3,591,864
Total equity attributable to equity shareholders of the Company		3,427,315	3,838,180
Non-controlling interests		386,510	697,352
TOTAL EQUITY		3,813,825	4,535,532

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2021 – 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			Non-controlling interests RMB'000	Total equity RMB'000	
					statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000			
Balance at January 1, 2020		246,316	1,982,448	(24,863)	158,361	1,849,549	33,824	4,245,635	674,343	4,919,978
Changes in equity for the six months ended June 30, 2020:										
Loss for the period		-	-	-	-	(234,030)	-	(234,030)	(31,056)	(265,086)
Other comprehensive income		-	-	(612)	-	-	7,134	6,522	3,638	10,160
Total comprehensive income for the period		-	-	(612)	-	(234,030)	7,134	(227,508)	(27,418)	(254,926)
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)
Balance at June 30, 2020		246,316	1,982,448	(24,568)	158,361	1,598,031	40,958	4,001,546	646,468	4,648,014

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2021 – 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			Non-controlling Total interests RMB'000	Total equity RMB'000	
					statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000			
Balance at July 1, 2020		246,316	1,982,448	(24,568)	158,361	1,598,031	40,958	4,001,546	646,468	4,648,014
Changes in equity for the six months ended December 31, 2020:										
(Loss)/profit for the period		-	-	-	-	(120,459)	-	(120,459)	69,704	(50,755)
Other comprehensive income		-	-	(3,088)	-	-	(41,119)	(44,207)	(15,259)	(59,466)
Total comprehensive income for the period		-	-	(3,088)	-	(120,459)	(41,119)	(164,666)	54,445	(110,221)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(180)	(180)
Share of other changes of investments accounted for using the equity method		-	-	1,300	-	-	-	1,300	-	1,300
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	5,500	5,500
Decrease in non-controlling interests due to disposal of a subsidiary		-	-	-	-	-	-	-	(2,257)	(2,257)
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(6,624)	(6,624)
Balance at December 31, 2020		246,316	1,982,448	(26,356)	158,361	1,477,572	(161)	3,838,180	697,352	4,535,532

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

Condensed Consolidated Statement of Changes in Equity

for the six months ended June 30, 2021 – 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			Non-controlling interests RMB'000	Total equity RMB'000	
					statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000			
Balance at January 1, 2021		246,316	1,982,448	(26,356)	158,361	1,477,572	(161)	3,838,180	697,352	4,535,532
Changes in equity for the six months ended June 30, 2021:										
Profit/(loss) for the period		-	-	-	-	10,519	-	10,519	(10,231)	288
Other comprehensive income		-	-	(1,095)	-	-	(1,282)	(2,377)	(2,503)	(4,880)
Total comprehensive income for the period		-	-	(1,095)	-	10,519	(1,282)	8,142	(12,734)	(4,592)
Acquisition of non-controlling interests (note 25)		-	-	(419,141)	-	-	-	(419,141)	(292,621)	(711,762)
Share of other changes of investments accounted for using the equity method		-	-	134	-	-	-	134	-	134
Capital contributions from non-controlling equity owners		-	-	-	-	-	-	-	900	900
Dividends declared by subsidiaries to non-controlling equity owners		-	-	-	-	-	-	-	(6,387)	(6,387)
Balance at June 30, 2021		246,316	1,982,448	(446,458)	158,361	1,488,091	(1,443)	3,427,315	386,510	3,813,825

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

Condensed Consolidated Statement of Cash Flows

for the six months ended June 30, 2021 – unaudited (Expressed in RMB)

	Note	Six months ended June 30,	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from/(used in) operations		488,503	(709,350)
Tax paid		(38,323)	(49,022)
Net cash generated from/(used in) operating activities		450,180	(758,372)
Investing activities			
Payment for the purchase of property, plant and equipment		(22,911)	(5,928)
Investments in an associate		–	(6,000)
Net payment for consignor advances		(131,641)	(188,036)
Other cash flows arising from investing activities		60,076	28,694
Net cash used in investing activities		(94,476)	(171,270)
Financing activities			
Proceeds from loans and borrowings		2,144,684	3,002,435
Repayment of loans and borrowings		(1,603,114)	(2,181,746)
Capital element of lease rentals paid		(51,550)	(20,985)
Interest element of lease rentals paid		(24,564)	(9,961)
Acquisition of non-controlling interests		(76,016)	–
Other cash flows arising from financing activities		(78,205)	(67,795)
Net cash generated from financing activities		311,235	721,948
Net increase/(decrease) in cash and cash equivalents		666,939	(207,694)
Cash and cash equivalents at January 1	17	1,329,147	1,151,244
Effect of foreign exchange rates changes		1,199	910
Cash and cash equivalents at June 30	17	1,997,285	944,460

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited 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 31, 2021.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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.

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

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:

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	341,409	106,860
– Revenue from performance and theatre management	803,952	317,351
– Revenue from cinema investment and management	251,618	29,455
– Revenue from other services	4,455	3,710
	1,401,434	457,376
Revenue from other sources		
– Revenue from art business and auction	86,509	122,604
– Revenue from performance and theatre management	7,902	3,731
– Revenue from cinema investment and management	7,320	2,835
	1,503,165	586,546

There was no individual customer that represents more than 10 percent of the Group's revenue during the six months ended June 30, 2021 and 2020.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

5 SEGMENT REPORTING

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interest in associates and joint ventures, other equity investment, 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, 2021 and 2020 is set out below:

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	Six months ended June 30, 2020			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	106,860	317,351	24,516	448,727
Over time	122,604	3,731	7,774	134,109
Revenue from external customers				
	229,464	321,082	32,290	582,836
Inter-segment revenue	22	–	–	22
Reportable segment revenue				
	229,486	321,082	32,290	582,858
Reportable segment loss (adjusted EBITDA)				
	(10,136)	(49,993)	(50,385)	(110,514)
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 December 31, 2020				
Reportable segment assets				
	9,494,891	865,931	1,510,807	11,871,629
Reportable segment liabilities				
	7,730,631	494,762	1,749,158	9,974,551

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	1,498,710	582,858
Elimination of inter-segment revenue	-	(22)
Revenue from other services	4,455	3,710
Consolidated revenue (note 4)	1,503,165	586,546
Profit/(loss)		
Reportable segment profit/(loss) (adjusted EBITDA)	220,911	(110,514)
Revenue from other services	4,455	3,710
Unallocated head office and corporate other net income	16,708	54,332
Share of profits less losses of associates	(39,737)	(28,540)
Share of profits less losses of joint ventures	(4,666)	(15,448)
Changes in fair value of other equity securities	10,114	7,927
Depreciation and amortisation	(104,771)	(118,076)
Finance income	55,627	77,288
Finance costs	(115,341)	(99,735)
Unallocated head office and corporate expenses	(17,036)	(20,680)
Consolidated profit/(loss) before taxation	26,264	(249,736)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Assets		
Reportable segment assets	12,617,328	11,871,629
Elimination of inter-segment receivables	(4,774,327)	(4,503,486)
Other equity securities	248,847	238,733
Interests in associates	660,625	701,323
Interests in joint ventures	420,279	439,045
Deferred tax assets	34,938	30,177
Unallocated head office and corporate assets	5,199,842	5,081,076
Consolidated total assets	14,407,532	13,858,497
Liabilities		
Reportable segment liabilities	10,725,143	9,974,551
Elimination of inter-segment payables	(4,774,327)	(4,503,486)
Current taxation	19,956	29,792
Deferred tax liabilities	28,867	26,470
Unallocated head office and corporate liabilities	4,594,068	3,795,638
Consolidated total liabilities	10,593,707	9,322,965

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,
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,405,921	568,603	2,469,116	2,633,638
Others	97,244	17,943	39,309	47,725
	1,503,165	586,546	2,508,425	2,681,363

6 OTHER NET INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Government grants	13,779	13,925
Dividend income from other equity securities	6,594	7,563
Net foreign exchange gain/(loss)	4,456	(2,458)
Net loss on disposal of property, plant and equipment	(234)	(13)
Compensation income from litigation claim (note)	14,692	–
Others	3,455	3,658
	42,742	22,675

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

7 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Interest expenses	90,890	73,445
Interest on lease liabilities	24,566	26,347
Total interest expense on financial liabilities not at fair value through profit or loss	115,456	99,792
Less: interest expense capitalised into property, plant and equipment	115	57
	115,341	99,735

(b) Staff costs

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and other benefits	328,181	312,733
Contributions to defined contribution retirement plans	43,946	11,848
	372,127	324,581

(c) Other items

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Depreciation		
– property, plant and equipment	36,227	48,850
– right-of-use assets	66,660	67,619
Amortisation	1,884	1,607
Impairment/(reversal of impairment) recognised in administrative expenses		
– trade receivables	516	(482)
– deposits, prepayments and other receivables	(807)	(194)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

8 INCOME TAX

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Current tax	28,489	16,189
Deferred taxation	(2,513)	(839)
	25,976	15,350

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2020: 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 2020. One subsidiary of the Group is incorporated and carried out business in Macau and are subject to Macau Profits Tax at 12%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdiction.

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

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB10,519,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: loss attributable to ordinary equity shareholders of the Company of RMB234,030,000) and the weighted average number of ordinary shares in issue during the period of 246,316,000 shares.

(b) Diluted earnings/(loss) per share

The Company did not have any potential dilutive shares throughout the six months ended June 30, 2021 and 2020. Accordingly, diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

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10 RIGHT-OF-USE ASSETS

During the six months ended June 30, 2021, 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 RMB20,381,000.

During the six months ended June 30, 2021, 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:

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

	Six months ended June 30, 2020			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	RMB'000	RMB'000	RMB'000
Cinemas-China	50,948	286	(1,024)	50,210

As disclosed in note 3, the Group has early adopted the Amendment to IFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2021*, and applies the practical expedient to all eligible rent concessions received by the Group during the period.

11 INTEREST IN JOINT VENTURES

	At June 30, 2021	At December 31, 2020
	RMB'000	RMB'000
Unlisted shares, at cost	518,376	532,476
Impairment loss	(60,496)	(60,496)
Share of profits less losses, net of dividends	(37,601)	(32,935)
Total	420,279	439,045

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(Expressed in RMB unless otherwise indicated)

11 INTEREST IN JOINT VENTURES (Continued)

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

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
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
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.

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(Expressed in RMB unless otherwise indicated)

12 OTHER FINANCIAL ASSETS

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Current		
Financial assets measured at amortised cost		
– Loans granted under financing arrangements		
– Within 1 year or on demand (note (ii))	2,159,028	2,168,163
– Loans to associates	13,535	12,895
– Loans to a joint venture	12,000	12,000
	2,184,563	2,193,058
Non-current		
Financial assets measured at amortised cost		
– Loans granted under financing arrangements		
– After 1 year but within 2 years (note (ii))	–	130,000
Financial assets measured at FVPL		
– Other equity securities (note (i))	248,847	238,733
	248,847	368,733
	2,433,410	2,561,791

Notes:

- (i) Other equity securities represents 5% equity interest in Poly Finance Company Limited (“Poly Finance”).
- (ii) Poly Culture (North America) Investment Co., Ltd. and Poly Ronghe Financial Leasing Corporation Limited, subsidiaries of the Group, granted term loans to third parties secured by works of art which bear interest from 9% to 15% per annum. Loans granted generally represent 20%-50% of the collateral’s estimated value.

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(Expressed in RMB unless otherwise indicated)

13 INVENTORIES

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Antiques, works of art	1,692,939	1,707,424
Calligraphy, painting and sculptures	522,933	549,427
Small value items for resale	6,307	6,639
Low value materials	2,680	2,830
Drama rights	20,254	18,587
Film production	17,429	17,429
	2,262,542	2,302,336

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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	32,002	7,127

14 TRADE RECEIVABLES

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Trade receivables for sale of goods and rendering of services, net of credit loss allowance, due from:		
– related parties	2,809	2,512
– third parties	532,747	444,521
Financial assets measured at amortised cost	535,556	447,033

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14 TRADE RECEIVABLES (Continued)**Aging analysis**

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Within 1 month	109,075	136,261
1 to 3 months	31,908	10,626
3 to 6 months	34,919	45,150
6 to 12 months	107,042	71,992
Over 1 year	252,612	183,004
	535,556	447,033

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, 2021, 15% of the consignor advances was due from the largest debtor related to art business and auction (As at December 31, 2020: 8.1%).

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

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16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Prepayments for auctioned artwork	1,520,354	1,866,918
Receivables for auctioned artwork	91,758	83,475
Rental deposits	35,402	30,184
Guarantee deposits	46,029	50,327
Interest receivables from consignors advances on auction artwork	206,486	204,352
Advances to staff for business related activities	23,587	24,004
Loans to third parties	72,822	83,581
Others	59,386	73,817
	2,055,824	2,416,658
Deposit on acquisition of non-controlling interests	–	71,628
Prepayments for purchase of inventories	406,414	218,960
Prepayments for performance	113,711	68,901
Others	21,050	20,044
	541,175	379,533
	2,596,999	2,796,191
Less: allowance for doubtful debts	76,636	77,443
Deposits, prepayments and other receivables, net of loss allowance		
– current portion	2,520,363	2,647,120
– non-current portion	–	71,628
	2,520,363	2,718,748

17 CASH AND CASH EQUIVALENTS

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Cash at bank and on hand	1,997,285	1,329,147

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(Expressed in RMB unless otherwise indicated)

18 TRADE AND OTHER PAYABLES

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Current		
Trade payables to		
– related parties	58,319	62,278
– third parties	119,053	105,018
	177,372	167,296
Interest payables		
– related parties	8,497	8,497
– third parties	53,220	33,748
Payables for staff related costs	82,685	59,942
Payables for other taxes and surcharges	65,587	63,982
Dividends payable	2,277	1,976
Payment to consignors	1,547,324	1,111,395
Deposits received	109,145	99,740
Other accruals and payables		
– related parties	46,996	39,712
– third parties	306,111	169,402
Financial liabilities measured at amortised cost	2,399,214	1,755,690
Non-current		
Payable for purchase of equipment		
– third parties	157	406
	157	406

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(Expressed in RMB unless otherwise indicated)

18 TRADE AND OTHER PAYABLES (Continued)

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Within 12 months	111,182	106,030
Over 12 months	66,190	61,266
	177,372	167,296

19 INTEREST-BEARING BORROWINGS

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Current Interest-bearing borrowings		
Bank loans		
– Unsecured	3,570,815	3,565,069
Borrowings from joint ventures (note (i))	92,450	92,450
Borrowings from an associate	–	20,000
Debentures (note (ii))	600,000	1,000,000
Bonds (note (iii))	700,000	700,000
Borrowings from the controlling equity owner (note (iv))	400,000	–
Borrowings from a non-controlling equity owner	3,332	1,332
	5,366,597	5,378,851
Non-current Interest-bearing borrowings		
Bonds (note (iii))	1,000,000	500,000
Bank loans		
– Unsecured	50,000	–
	1,050,000	500,000
	6,416,597	5,878,851

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

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

Notes:

- (i) The borrowings from joint ventures bear interest at 2.40% and 3.20% per annum, are unsecured with a maturity period of one year.
- (ii) On October 26, 2020, the Company issued short-term bonds in the aggregate principal amount of RMB400 million with a maturity of 270 days (maturity date on July 23, 2021), with a face value of RMB100 per unit and a coupon rate of 3.49% per annum. On December 21, 2020, the Company issued short-term bonds in the aggregate principal amount of RMB200 million with a maturity of 270 days (maturity date is September 17, 2021), a par value of RMB100 per unit and a coupon rate of 4.50% per annum.
- (iii) 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. On April 26, 2021, 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 4.57% per annum respectively.
- (iv) The borrowings from the controlling equity owner bear interest at 4.85% per annum, are unsecured with a maturity period of less than one year.

(b) At June 30, 2021, the interest-bearing borrowings were repayable as follows:

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Within 1 year or on demand	5,366,597	5,378,851
After 1 year but within 2 years	500,000	–
After 2 years but within 3 years	550,000	500,000
	6,416,597	5,878,851

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of Nil per ordinary share (six months ended June 30, 2020: RMB0.071 per ordinary share)	–	17,488

(b) Share capital

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

	At June 30, 2021		At December 31, 2020	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1/ June 30/December 31	246,316	246,316	246,316	246,316

(c) Share premium

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

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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, 2021 and December 31, 2020, 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:

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Other equity securities:		
At January 1	238,733	213,114
Additions	–	2,217
Changes in fair value during the year	10,114	23,402
At June 30/December 31	248,847	238,733

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22 COMMITMENTS

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Contracted for	176,673	116,051
Authorised but not contracted for	704,944	702,594
	881,617	818,645

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 (2020: RMB2,000,000).

(b) Contingent liability in respect of legal claim

A number of outstanding litigations against the Group had arisen in the normal course of its business as at June 30, 2021. After consulting the legal professional advice, the Group's management believes that such litigation will not have a significant financial impact on the Group.

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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, 2021 and 2020:

(a) Name and relationship with related parties

During the six months ended June 30, 2021 and 2020, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation 中國保利集團公司 ("Poly Group")	Parent and ultimate holding company
Poly Group's affiliates 中國保利集團公司附屬公司	Under common control
Poly Culture Industry Investment Fund Co., Ltd. ("Poly Investment Fund") 保利文化產業基金管理有限公司	Associate of the Group
Yixing Chengdong Cultural Tourism Investment Development Co., Ltd. ("Yixing Chengdong") 宜興城東文化旅遊投資開發有限公司	Associate of the Group
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited ("Shengjing Poly") 瀋陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Cixi Poly Jinchun 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
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

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

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

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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Sales to Poly Group and its affiliates	–	40
Service provided to Poly Group and its affiliates	1,415	226
Service provided to Cixi Poly	–	1,415
Receiving service (note (iii)) Poly Group and its affiliates	83,122	7,071
Receiving service Eastern Poly	337	660
Receiving service Associates	2,608	–
Rental from Poly Group and its affiliates	282	–
Rental from Eastern Poly	333	860
Property management services (note (iv)) Poly Group and its affiliates	2,443	2,540
Interest income from Poly Group and its affiliates	3,300	2,430
Interest income from Eastern Poly	–	250
Interest income from Associates	198	1,629
Borrowings from Poly Investment Fund	–	20,000
Borrowings from Poly Group and its affiliates	400,000	43,000

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

	Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Borrowing costs to Poly Group and its affiliates	10,579	6,410
Borrowing costs to Joint ventures	1,338	1,346
Borrowing costs to Poly Investment Fund	252	683
Repayment of loans from Poly Group and its affiliates	200,000	180,000
Repayment of loans from Poly Investment Fund	20,000	18,000
Repayment of loans to Cixi Poly	–	3,206
Loans to Associates	640	13,691

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.

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

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Cash and cash equivalents (note) Poly Group and its affiliates	365,244	521,733
Deposits with original maturities over three months (note) Poly Group and its affiliates	58,583	50,162
Deposits, prepayments and other receivables Poly Group and its affiliates	23,170	23,283
Deposits, prepayments and other receivables Joint ventures	5,270	7,669
Deposits, prepayments and other receivables Associates	3,927	780
Trade receivables Poly Group and its affiliates	2,809	2,512
Trade and other payables Poly Group and its affiliates	74,784	82,095
Trade and other payables Associates	38,849	28,392

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

	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Trade and other payables		
Joint ventures	179	–
Contract Liabilities		
Poly Group and its affiliates	386	1,044
Loans to (note 12)		
Joint venture	12,000	12,000
Loans to (note 12)		
Associates	13,535	12,895
Interest-bearing borrowings		
Poly Group and its affiliates	400,000	200,000
Interest-bearing borrowings (note 19(a))		
Joint ventures	92,450	92,450
Interest-bearing borrowings (note 19(a))		
Associates	–	20,000

Note:

The Board announces that on December 23, 2020, the Company and Poly Finance entered into the Financial Services Agreement, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services to the Group pursuant to the terms and conditions under the Financial Services Agreement. The maximum daily deposit balance for deposit services is RMB0.6 billion and there is no limit of daily lending balance for credit lending services. The interest rates of Poly Finance are ranged from 1.035% to 3.3% according to the period of bank deposits.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Lease of the properties and machinery

Based on IFRS16, the minimum amount of rent payable by the Group to its joint ventures and Poly Group's 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 RMB68,566,000, and a right-of-use asset with the balance of RMB397,000 and RMB51,822,000 as at June 30, 2021 (December 31, 2020: RMB0 and RMB52,512,000, and a right-of-use asset with the balance of RMB93,000 and RMB44,050,000), respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB172,000 and RMB8,514,000 interest expense of Nil and RMB1,376,000 (June 30, 2020: RMB140,000 and RMB10,389,000 interest expense of RMB4,000 and RMB824,000), respectively, and variable lease payments of RMB1,963,000 in its consolidated statement of comprehensive income of Poly Group's affiliates for the six months ended June 30, 2021 (June 30, 2020: RMB182,000).

25 ACQUISITION OF NON-CONTROLLING INTERESTS

In April 2021, the Company acquired additional 31% non-controlling interests of Beijing Poly International Auction Corporation Limited at the consideration of RMB469,888,000. As a result of the acquisition, the Group's shareholding in Beijing Poly International Auction Corporation Limited increased from 55% to 86% and the non-controlling interests decreased by RMB167,335,000.

In June 2021, the Company acquired 31.5% non-controlling interests of Poly Auction (Hong Kong) Limited at the consideration of RMB241,874,000. Upon completion of the acquisitions, the Group's effective interest in Poly Auction (Hong Kong) Limited increased from 55% to 95.8% and the non-controlling interests decreased by RMB125,286,000.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There has been no significant subsequent event from June 30, 2021 to the date of this report.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in RMB unless otherwise indicated)

27 IMPACTS OF COVID-19 PANDEMIC

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

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

As far as the Group's businesses are concerned, the COVID-19 pandemic has an adverse effect on the Group's operations and financial position. The Group has initiated the above contingency measures to respond. However, due to factors such as a small recurrence of the domestic pandemic and insufficient supply of cultural content, it will take time for cultural consumption to return to pre-pandemic levels.

“Audit Committee”	the Audit Committee of the Board of Directors
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“Company”, “Poly Culture”, “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
“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 15, 2021, 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
“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 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)

Definitions

“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 company incorporation in the PRC
“Poly Theatre Management”	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
“PRC” or “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”	the period from January 1,2021 to June 30,2021
“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 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“U.S. dollar”	U.S. dollar, the lawful currency of the United States of America

