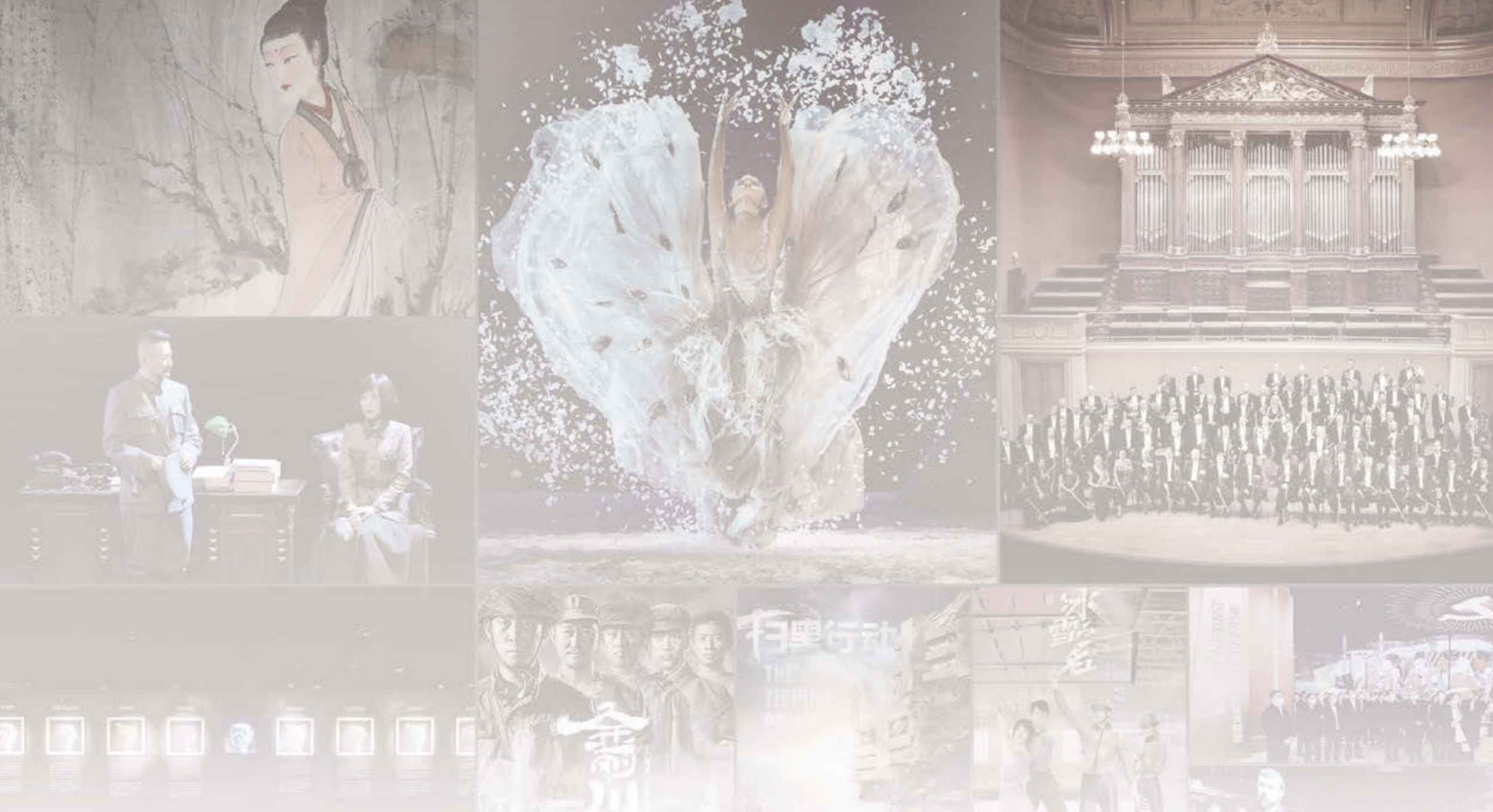
保利文化集团股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED

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

2021

ANNUAL REPORT



CONTENTS

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

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

AUTHORIZED REPRESENTATIVES

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

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

JOINT COMPANY SECRETARIES

Ms. Wang Wei
Ms. Ng Sau Mei

AUDITORS

PRC Auditor

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

International Auditor

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

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

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

PRINCIPAL BANKS

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

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

H SHARE REGISTRAR

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

STOCK CODE

03636

INVESTOR ENQUIRIES

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

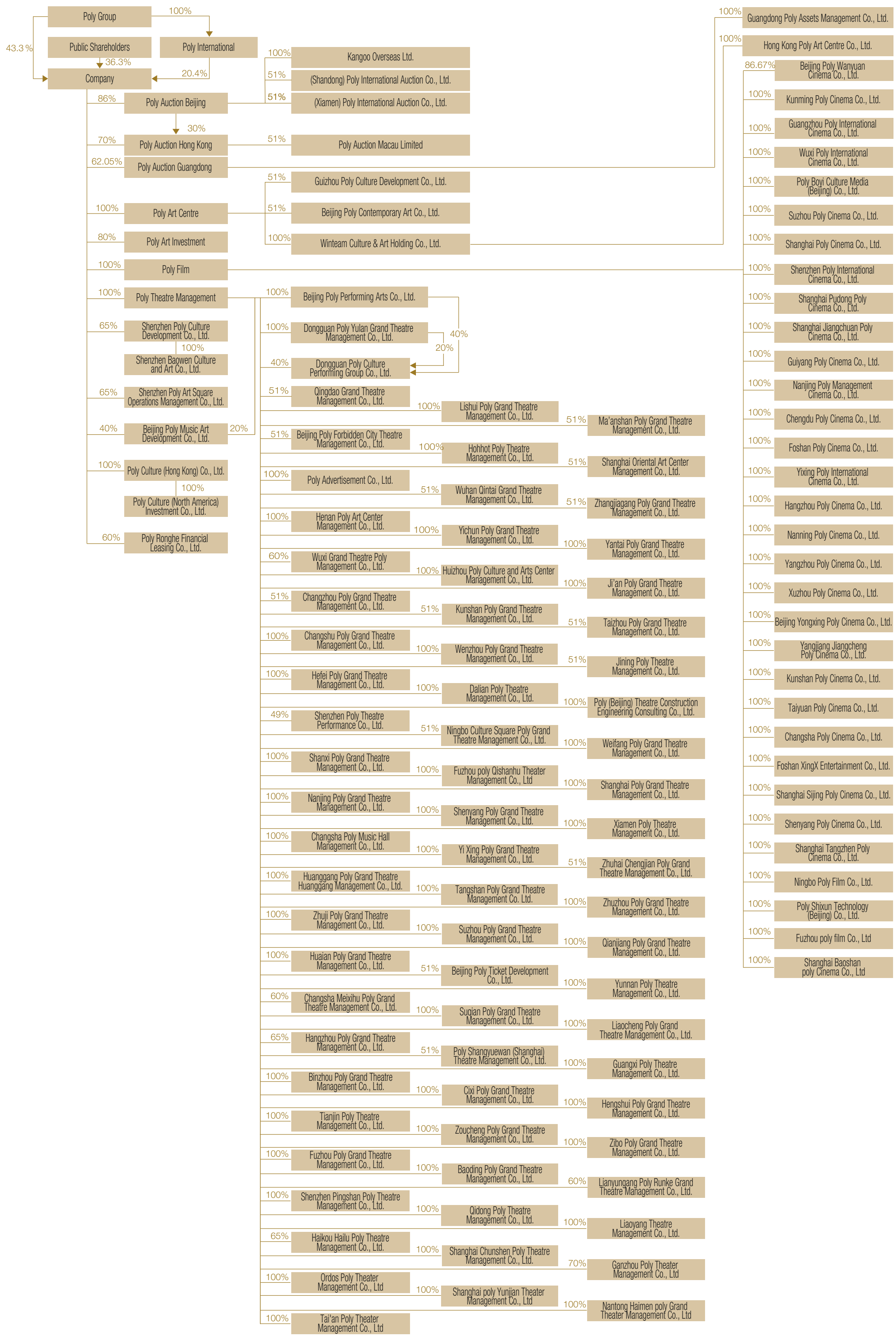
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**3,170,312**	2,323,775	3,845,673	3,713,785	3,480,415
Profit/(loss) from operations	**113,444**	(186,752)	249,760	429,842	484,331
(Loss)/profit before taxation	**(103,293)**	(274,912)	236,895	507,605	537,574
Income tax	**(34,108)**	(40,929)	(108,947)	(139,322)	(133,652)
(Loss)/profit for the year	**(137,401)**	(315,841)	127,948	368,283	403,922
(Loss)/profit attributable to:					
Equity shareholders of the Company	**(139,502)**	(354,489)	49,719	241,992	256,171
Non-controlling interests	**2,101**	38,648	78,229	126,291	147,751
(Loss)/earnings per share					
Basic and diluted earnings per share (RMB)	**(0.57)**	(1.44)	0.2	0.98	1.04
Total comprehensive income for the year	**(154,815)**	(365,147)	122,984	389,941	381,750
Total comprehensive income attributable to:					
Equity shareholders of the Company	**(154,119)**	(392,174)	40,757	257,496	244,049
Non-controlling interests	**(696)**	27,027	82,227	132,445	137,701

	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	**2,674,726**	3,080,273	3,161,856	2,535,580	2,350,158
Total current assets	**10,621,277**	10,778,224	10,429,806	7,910,528	7,793,433
Total assets	**13,296,003**	13,858,497	13,591,662	10,446,108	10,143,591
Total current liabilities	**7,462,323**	7,915,744	6,813,058	4,310,307	5,009,380
Total non-current liabilities	**2,209,340**	1,407,221	1,858,626	1,133,940	342,714
Total liabilities	**9,671,663**	9,322,965	8,671,684	5,444,247	5,352,094
Net Assets	**3,624,340**	4,535,532	4,919,978	5,001,861	4,791,497
Total equity attributable to the equity shareholders of the Company	**3,257,328**	3,838,180	4,245,635	4,318,448	4,088,704
Non-controlling interests	**367,012**	697,352	674,343	683,413	702,793
TOTAL EQUITY	**3,624,340**	4,535,532	4,919,978	5,001,861	4,791,497

The financial information of the Group for the years ended December 31, 2017, 2018, 2019 and 2020 was extracted from 2017, 2018, 2019 and 2020 annual reports of the Company published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.polyculture.com.cn) on April 27, 2018, April 29, 2019, April 28, 2020, and April 29, 2021, respectively. The financial information of the Group for the year ended December 31, 2021 was set forth on pages 86 to 209 to this report, which was presented on the basis set forth in Note 2(b) to the audited consolidated financial statements.

Corporate Structure

The following chart sets out our corporate structure as at the Latest Practicable Date:



In January 2021, the General Office of the National Radio and Television Administration announced the list of outstanding works selected for outstanding network audiovisual works in the third quarter of 2020, and the live video of the opening concert of the "Tribute to Heroes – Poly • Wuhan Qintai Concert Hall Charity Performing Season" was selected as one of 36 outstanding network audiovisual works, and it was also the only work belonging to the content of concert in the list.

In March 2021, in recognition of Poly Culture North America's contribution and help to the local community in Vancouver, Canada during the COVID-19 pandemic, Richmond Cares Richmond Gives (RCRG), a local Canadian non-profit charity, registered and obtained the naming right of a planet, which was officially named Poly Culture North America and given to Poly Culture North America, awarded the title of "Angel Donor" to Poly Culture North America, and awarded the planet accreditation certificate named "Poly Culture North America" to Poly Culture North America to commemorate its contribution to helping local disadvantaged families.

In June 2021, Poly Auction Beijing successfully organized the "Poly Beijing 2021 Spring Auction". There were a total of 5 items of RMB100 million level and 58 items of RMB10 million level at the auction. The total turnover was over RMB4.459 billion. In particular, the handscroll of painting "Conquest of the Western Regions (Qianlong Period of Qing Dynasty)" (平定西域獻俘禮圖(清乾隆)) by Xu Yang was sold at RMB414 million, breaking the 2021 auction record of ancient Chinese calligraphies and paintings; an imperial magnificent red carved porcelain hollow revolving vase with phoenix scene and handles of Qianlong Period, Qing Dynasty (清乾隆御制洋彩胭脂紅地軋道雕瓷鏤空「有鳳來儀百鳥朝鳳」圖雙螭耳大轉心瓶), was sold at RMB266 million, breaking the world auction record for Chinese ceramic artworks; the Kesi Silk Scroll of Lanting Poetry Rubbing by Imperial Order of Qianlong, Qing Dynasty (清乾隆欽定補刻端石蘭亭圖帖緙絲全卷), was sold at RMB241.5 million; the "Tibetan Series Paintings – Shepherds" (西藏組畫 • 牧羊人) by Chen Danqing was sold at RMB161 million in the Contemporary Art Evening Sale, setting a new auction record for the artist's works.

In July 2021, Poly Culture Group signed a strategic cooperation agreement with Beijing Tianjie Group Co., Ltd. Both parties will give full play to their resource advantages to jointly develop and extend the brand of Beijing Comedy Theatre, aggregate the platform resources of Poly Theatre's cinemas, build a drama culture center, build a platform for drama talent training, drama creation and cultural exchanges between China and foreign countries, inject new energy into Dongcheng District drama, and continuously export vigorous artistic energy to boost the construction of a national cultural center.

In September 2021, Guangming Daily and Economic Daily jointly released the 13th list of "Top 30 Culture Enterprises in China" in Beijing. Poly Culture Group Corporation Limited successfully made it to the list. From 2008 to 2021, Poly Culture has been included in the "Top 30 Culture Enterprises in China" for 12 times. In the past year, facing the severe impact of the COVID-19 pandemic, Poly Culture insisted on putting social benefits first, realizing the unity of social benefits and economic benefits, and the brand of Poly Culture was widely recognized by the society.

In September 2021, Poly Culture participated in hosting the Beijing International Film Festival for eleven consecutive years, and this year, together with its subsidiary Poly Film, Poly Culture debuted at the film market signing ceremony, the opening red carpet, the China Film Development Summit Forum, etc., and as the general organizer, Poly Culture promoted all the work of the "Game Animation Film Unit" as a whole, helped the development of the film industry and cultural communication, showed the style of Poly and demonstrated the responsibility of central enterprises.

In October 2021, Mr. Wang Bo, the general manager of Poly Culture, was invited to attend the 5th Chinese Opera Culture Week. With rich professional experience in planning and organizing large-scale performances, Beijing Poly Forbidden City, a subsidiary of Poly Culture, successfully won the bid for the professional activity section of the 5th Chinese Opera Culture Week, being responsible for the planning, operation and guarantee of performances, academic activities and opera flash in six major parks including the opening and closing ceremonies, and bringing the popular art summer camp titled "Opening the Door to Art" to the Opera Culture Week for the first time in the form of learning camp.

In October 2021, Poly Theatre Management took over the Grand Theatre of Ordos (鄂爾多斯大劇院). At this point, Poly Theatre Management operated and managed 74 theaters in 65 cities of 22 provinces, autonomous regions and municipalities directly under the central government in China, with over 150 auditoriums housing more than 150,000 seats.

On November 2, 2021, Poly Culture held the 2021 first extraordinary general meeting, at which the fourth session of the Board of Directors and the fourth session of the Board of Supervisors of the Company was elected. On the same day, Mr. Zhang Xi and Mr. Jiang Yingchun was elected and appointed as the chairman and the vice chairman of the Company at the first meeting of the fourth session of the Board of Directors, respectively. Mr. Li Wenliang was elected and appointed as the chairman of the Board of Supervisors of the Company at the first meeting of the fourth session of the Board of Supervisors. Prior to this, the Company resolved to appoint Mr. Wang Bo as the general manager of the Company at the 12th meeting of the third session of the Board of Directors held on August 31, 2021. At this point, Poly Culture completed the election of the new session of Director, Supervisors and manager.

In November 2021, Mr. Zhang Xi, the chairman of the Group, attended the opening ceremony of the 4th China International Import Expo (CIIE), and led CIIE Poly Trading Sub-delegation to participate in a number of meetings and signing activities. Poly Film signed a strategic cooperation agreement with Nam Kwong Culture and Creativity Industry Co., Ltd., and Mr. Zhang Xi attended and witnessed the signing. Both parties will establish a cooperation mechanism for film and television projects, and cooperate in information sharing, channel intercommunication, investment share opening, etc. of high-quality film and television investment projects.

In December 2021, Poly Auction Beijing successfully organized the "Poly Beijing 2021 Autumn Auction", achieving a turnover volume of more than RMB3.35 billion. At this point, Poly Auction's total turnover for 2021 was approximately RMB11.1 billion worldwide, continuing to maintain its leading position in the Chinese art auction.

In December 2021, according to the relevant provisions of the Measures of the China Association for Quality for the Administration of Group Standards, and with the approval of the China Association for Quality, the Group Standards (10206-2021) of the Guide for the Implementation of Theater Service Quality Evaluation drafted by Beijing Poly Theatre Management Co., Ltd. was officially issued and came into effect. Those Standards are the first recommended group standards for services formulated by the China Association for Quality in the theater industry. On the basis of the application and implementation of Poly Theatre, the standard pilot demonstration work will be promoted and applied in more than 70 Poly theatres nationwide, followed by implementation and continuous improvement by the member units recommended by the Theater Committee of the China Association of Performing Arts.

In 2021, Poly Culture has taken the initiative to adapt to the new normal of the pandemic. Keeping our mission in mind, all employees shouldered responsibilities, worked hard, forged ahead, overcame difficulties, and united efforts. While continuing to carry out pandemic prevention and control, all business segments strove to resume normal operations. The economic indicators improved significantly year-on-year, and the operational management and risk management and control capabilities improved notably. The Company achieved new results in high-quality development.

I. SEGMENT BUSINESS INFORMATION

Steadily Develop Three Principal Businesses and Strengthen the Leading-edge

Art business and auction business

In 2021, the Group achieved a total turnover volume of approximately RMB11.1 billion and continued to lead the Chinese art auction market. In particular, the total turnover of the 2021 Spring Art Auction and the 2021 Autumn Auction of Beijing Poly International Auction Co., Ltd. ("Beijing Poly Auction") was RMB4,459 million and more than RMB3,350 million, respectively. The handscroll of painting "Conquest of the Western Regions" (平定西域獻俘禮圖) was sold at RMB414 million, breaking the auction record of ancient Chinese calligraphies and paintings in 2021 and becoming the world's third highest price for ancient Chinese calligraphies and paintings. The revolving vase with phoenix scene of Qianlong Period, Qing Dynasty (清乾隆「有鳳來儀百鳥朝鳳」轉心瓶) was sold at RMB266 million, breaking the world auction record for Chinese ceramic artwork. The large Dalbergia Odorifera single-plank tea table-style altar desk (黃花梨獨板架幾式巨型供案) was sold at RMB115 million, setting a new world record for auction of Chinese classic furniture. The Group ventured into NFT digital art exhibitions and offline and online auctions, recording a turnover of RMB7 million. In 2021, Poly Auction (Hong Kong) Limited (保利香港拍賣有限公司) ("Poly Auction Hong Kong") held two joint auctions with PHILLIPS with a total turnover of HK$1,372 million, setting a new auction record for 17 artists. The Group accelerated the construction of online auction channels and actively expanded the online auction business, recording an annual online auction turnover of RMB150 million. Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司) ("Poly Art Centre") held more than ten exhibitions in 2021, intensifying its efforts in proprietary sales. Beijing Poly Contemporary Art Co., Ltd. (北京保利當代藝術有限公司) ("Poly Contemporary") established a digital art research and development studio and actively expanded the business of "Poly Contemporary Digital Art Gallery" in Beijing, Shanghai, Shenzhen and other cities.

Performance and theatre management business

Performance and theatre management business continued to promote large-scale operations, actively integrated resources, strengthened its advantages, and diversified its business to maintain its industry-leading position. In terms of theater circuit management, in 2021, Beijing Poly Theatre Management Corporation Limited ("Poly Theatre") achieved presence in 65 cities in 22 provinces, autonomous regions, and municipalities across the country. With 74 theatres under operation and management, it is the largest directly-operated theatre circuit in China. Despite the cancellation of several performances due to pandemic prevention and control, it still completed 9,500 performances throughout the year. As the "Standards for Theatre Operation and Management" independently developed by Poly Theatre were granted copyright by the National Copyright Administration, "Poly Standards" have become industry standards. In terms of content production, Poly Theatre has increased its efforts in original content production, investing in the production of 9 original plays including "When We Were Young" (《風華正茂》) and "Fude Lane" (《輔德裡》). Particularly, the drama "The Road We Have Taken" (《人間正道是滄桑》) won 3 nominations, including Best Play of the Year, Best Director and Best Screenplay, at the 5th Chinese Drama Festival, and eventually awarded the Best Screenplay and the Best Director. The national opera "Under the Ginkgo Tree" (《銀杏樹下》) won the Excellent Play at the 4th China Opera Festival. The full-sensory-immersion crux play "Medical Examiner Dr. Qin" (《法醫秦明》) was creatively launched and achieved first resident performance. In terms of ticketing platform construction, Poly Theatre accelerated the development of the Poly ticketing platform business, with the number of members of the ticketing system currently exceeding 8.7 million. Poly Theatre actively expanded the cooperation with other theatres and has signed contracts with 10 theatres in total, providing effective data support for marketing and promotion.

Cinema investment management business

Cinema investment management business grew in recovery and achieved breakthroughs in content production. Poly Film Investment Co., Ltd. ("Poly Film") operated 68 directly-operated cinemas throughout 2021, and recorded direct-operating box office of RMB440 million, a year-on-year increase of 120%. Focusing on main-theme movies, Poly Film produced and distributed multiple films. The documentary film "A Journey Together" (《一起走過》), with the theme of anti-pandemic, was nominated for the Best Documentary at the China-US Film Festival and the Best Documentary at the Golden Rooster Awards. Poly Film optimized the cinema mix by closing, suspending and disposing of cinemas suffering continuous loss. It innovated the cinema business by tentatively launching a variety of business models such as small theatres for children's drama, immersive VR movies, and in-room recorded dramas. Poly Film and China Huaxin Post and Telecom Co., Ltd. jointly developed a 5G transmission system for the cinema line movie source, and made the global commercial debut in Poly Tiananmen Cinema. Poly Film hosted the "Game Animation Film Unit" at the 11th Beijing International Film Festival, and helped to ensure the successful organization of the 11th Film Festival.

Continue to Promote New Businesses and Actively Expand New Modes

In terms of the art education business, facing the unfavorable situation of repeated suspension of classes due to the COVID-19 pandemic, Poly WeDo successfully turned losses into profits, actively carried out online teaching to ensure continuous operation, and strove to resume offline teaching and increase new students. Poly WeDo's students won championships in many national competitions such as the 15th National Youth Percussion Competition. Poly Art Education Investment Co., Ltd. (保利藝術教育投資有限公司) operated five campuses, expanded the Changzhou Poly International Art Center project, explored the business type of "Art + Technology" and tried the mode of "Self-operated + Cooperation".

In terms of the cultural finance business, Poly Art Investment Management Co., Ltd. (保利藝術投資管理有限公司) ("Poly Art Investment") controlled risks, steadily conducted related businesses, and operated 5 artwork trust projects. Poly Ronghe Financing & Leasing Co., Ltd. (保利融禾融資租賃有限公司) continued to strongly support the auction business.

In terms of the cultural asset operation and management business, the Group established Hainan International Cultural Relics and Artwork Trading Center Co., Ltd. (海南國際文物藝術品交易中心有限公司) in Sanya to support the construction of Hainan Free Trade Port. Throughout the year of 2021, the Time Museum of Poly Art Investment held 22 exhibitions, lectures and activities that were academic, professional and interesting, seeking the common development of social and economic benefits.

II. RESULTS ANALYSIS AND DISCUSSION

Revenue

Total revenue increased by 36.4% from RMB2,323.8 million for the year ended December 31, 2020 to RMB3,170.3 million for the year ended December 31, 2021, mainly due to the slowdown of the COVID-19 pandemic this year which mitigated the impact on the Group's operation and financial position. The Group also resumed its performance of theatre and cinema business gradually for the year ended December 31, 2021. The art business and artwork collection resumed operation, and the Group held the Beijing Spring and Autumn Auctions. The Hong Kong Auction also resumed and generated substantial revenue.

The respective segment revenue of the Group in 2021 and 2020 is as follows:

	Year ended December 31,		
	2021	2020	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**805.2**	717.3	12.3
Performance and Theatre Management	**1,881.8**	1,380.6	36.3
Cinema Investment and Management	**468.8**	209.9	123.3

Gross profit

Gross profit increased by 34.8% from RMB752.0 million for the year ended December 31, 2020 to RMB1,013.7 million for the year ended December 31, 2021. Gross profit margin decreased from 32.4% for the year ended December 31, 2020 to 32.0% for the year ended December 31, 2021.

Other net income

Other net income (mainly including government grants) increased from RMB64.0 million for the year ended December 31, 2020 to RMB93.4 million for the year ended December 31, 2021.

Selling and distribution expenses

Selling and distribution expenses increased by 20.7% from RMB375.5 million for the year ended December 31, 2020 to RMB453.4 million for the year ended December 31, 2021, primarily due to (i) the impact of COVID-19 pandemic mentioned above; and (ii) an increase in the number of theaters under our management and an increase in theater renovation costs.

Administrative expenses

Administrative expenses decreased by 13.0% from RMB650.7 million for the year ended December 31, 2020 to RMB566.2 million for the year ended December 31, 2021, primarily due to the decrease in impairment losses on non-current assets.

Reportable segment profit/(loss)

As a result of the slowdown of the COVID-19 pandemic during the year, reportable segment profit was RMB378.3 million for the year ended December 31, 2021 compared with the reportable segment profit of RMB153.8 million for the year ended December 31, 2020.

The respective reportable segment profit/(loss) of the Group in 2021 and 2020 is as follows:

	Year ended December 31,		
	2021	2020	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**201.1**	229.6	(12.4)
Performance and Theatre Management	**42.2**	16.0	163.8
Cinema Investment and Management	**135.0**	(91.8)	>100

Finance income

Finance income decreased by 29.1% from RMB154.2 million for the year ended December 31, 2020 to RMB109.4 million for the year ended December 31, 2021, mainly due to a decrease in interest income from consignor advances.

Finance costs

Finance costs increased by 23.4% from RMB185.5 million for the year ended December 31, 2020 to RMB228.9 million for the year ended December 31, 2021, primarily due to the increase in the average amount of interest-bearing borrowings.

Income tax

Income tax decreased by 16.6% from RMB40.9 million for the year ended December 31, 2020 to RMB34.1 million for the year ended December 31, 2021, primarily due to the decrease in taxable income.

Loss for the year

As a result of the impact of the COVID-19 pandemic mentioned above, the loss for the year ended December 31, 2021 amounted to RMB137.4 million compared with the loss of RMB315.8 million for the year ended December 31, 2020, and net profit margin increased from -13.6% for the year ended December 31, 2020 to -4.3% for the year ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2021, the Group maintained a stable financial position and adequate liquidity. As at December 31, 2021, the Group's cash and cash equivalents amounted to RMB1,607.6 million (2020: RMB1,329.1 million), increased by 21.0% as compared to that as at December 31, 2020.

During the year ended December 31, 2021, the net cash inflow from operating activities amounted to RMB753.9 million, compared with the net cash outflow of RMB552.6 million for the year ended December 31, 2020. The net cash inflow from investing activities amounted to RMB280.4 million, compared with the net cash outflow of RMB7.4 million for the year ended December 31, 2020. The net cash outflow from financing activities of the Group was RMB751.8 million, compared with the net inflow of RMB738.8 million for the year ended December 31, 2020. The increase in cash and cash equivalents was approximately RMB282.5 million as compared to the end of last year.

CHANGES TO KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly include, but not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 12.5% from RMB528.4 million as at December 31, 2020 to RMB462.1 million as at December 31, 2021. The main reason for the decrease was impairment and depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets decreased by 1.5% from RMB10,778.2 million as at December 31, 2020 to RMB10,621.3 million as at December 31, 2021. Current liabilities decreased by 5.7% from RMB7,915.7 million as at December 31, 2020 to RMB7,462.3 million as at December 31, 2021. The decrease of current liabilities was primarily due to the decrease of interest-bearing borrowings.

Inventories

Our inventories decreased by 2.3% from RMB2,302.3 million as at December 31, 2020 to RMB2,248.6 million as at December 31, 2021, primarily due to the decrease in artwork collections.

Consignor advances

The consignor advances decreased by 13.5% from RMB1,764.8 million as at December 31, 2020 to RMB1,527.2 million as at December 31, 2021, primarily due to the collecting of consignor advances.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables increased by 1.7% from RMB2,740.6 million as at December 31, 2020 to RMB2,785.9 million as at December 31, 2021.

INDEBTEDNESS

As at December 31, 2021, we incurred interest-bearing borrowings of RMB5,585.1 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans decreased from RMB3,565.1 million as at December 31, 2020 to RMB2,900.9 million as at December 31, 2021, mainly due to the repayment of bank loans. On February 28, 2020, the Group issued mid-term note with an aggregate principal amount of RMB500 million with a term of three years (the maturity date being February 28, 2023), nominal value per unit of RMB100 and coupon rate of 3.60% per annum. On April 22, 2021 and November 17, 2021, the Company issued mid-term notes with an aggregate principal amount of RMB500 million and RMB300 million respectively with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.57% and 4.38% per annum respectively. On July 8, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 8, 2022), nominal value per unit of RMB100 and coupon rate of 3.30% per annum. On July 16, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 15, 2022), nominal value per unit of RMB100 and coupon rate of 3.31% per annum. On August 24, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB600 million with a term of 270 days (the maturity date being May 23, 2022), nominal value per unit of RMB100 and coupon rate of 3.10% per annum.

As at the date of this report, other than those disclosed in this report, the Group did not have any significant contingent liabilities nor any other off-balance sheet commitments and arrangements.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised of the purchases of property, plant and equipment, intangible assets which amounted to RMB59.6 million and RMB34.2 million, respectively, for the years ended December 31, 2021 and 2020.

OTHER FINANCIAL INDICATORS

Our debt-to-asset ratio which is calculated by dividing the total debts by total assets increased from 67.3% as at December 31, 2020 to 72.7% as at December 31, 2021 due to the increase of trade and other payables.

EMPLOYEE REMUNERATION AND POLICY

As at December 31, 2021, the Group had 7,905 employees in total. The remuneration policy for our employees has been determined by the remuneration and assessment committee of the Board taking into consideration the performance, experience and operational capacity of our employees. As at December 31, 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, interest rate and exchange rate fluctuation risk.

1. Market Risk

Uncertainties in the operation environment

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. The external environment is becoming more complex, severe and uncertain. In 2021, China's GDP has grown by 8.1% year on year. China's economy has continued to recover steadily, but it still faces triple pressures of shrinking demand, supply shock and weakening expectations. The operation performance of our art business and auction segment is particularly exposed to the risks arising from volatilities in domestic and overseas economic and financial environment. In order to mitigate the negative impact of the economic volatilities, the Company will, on the premise of continuing to do a good job of pandemic prevention and control, actively resume work and production, integrate the brand and resources of Poly Culture, actively develop innovative business models when focusing on its three existing principal businesses, carry out the online operation and explore more profit growth engines.

Unpredictability of the market for artworks

The market 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, under our auction operation, a decrease in market demand may cause a decline in artworks auction turnover, which could result in lower commission income earned by us. In addition, in the art business operations, we may not be able to collect favorable artworks at reasonable prices amidst keen market demands and we may find it difficult to gain expected returns on selling the relevant artworks under declining market demands. We will keep an eye on the market changes, understand rotation rules of hotspots in the artwork sector and work out countermeasures appropriately. In particular, we will focus on expanding the portfolio of new international clients and variety of artworks, as well as enhancing overseas sourcing so as to reduce the risks arising from volatility in the market demand.

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 of artworks services, who require long-term practices to accumulate sufficient experience to provide professional and reliable advice. In other business segments, we also rely on qualified employees to ensure that we can manage our theatres and cinemas with unified and high standards to improve the audience's experience, and enhance our brand recognition and profitability. We strive to attract the best talent through excellent human resources management and provide them with good career development opportunities. We will actively enhance internal talent cultivation, further enlarge the pool of key management and professional talent, enhance the loyalty of key talent, and make innovations in the talent motivation mechanism.

3. All our business segments face competition

For the art business and auction segment, we mainly compete 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 recruitment of talent in the industry. In the performance and theatre management segment, we 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 cinema operators in regions where we operate cinemas. The Company will seek to gain a more 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 rate and exchange rate

Due to our expansion of overseas business, we may generate revenue in foreign currency in the future, and the contract we entered into with overseas customers may also be in the value denominated in Euro or U.S. dollar. Therefore, exchange rate fluctuation (especially among RMB, Euro and U.S. dollar) may increase our costs and 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 impact of changes in the interest rates on the finance costs during the interest rate hike cycle and interest rate reduction cycle.

IV. OUTLOOK

Under the shadow of the COVID-19 pandemic and at the turning point of the century when changes accelerate evolution, China's economic development is now facing pressures from "demand shrinking, supply shock, and weakening expectations" in the context of more uncertain and complex external environment. In terms of economic efforts in 2022, "advancement" shall be achieved on the premise that "stability" is guaranteed. Through a comprehensive analysis on the situation, in 2022, Poly Culture will seek to fully implement and practice the Central Government's instructions, and insist on achieving advancement on the premise of maintaining stability, and search for quality within stability; look deep into the industrial trend to seize policy tendencies and grasp development opportunities by following the trend and planning ahead. The Group aims to stabilize the growth, promote the reform, control the risks, improve the quality and efficiency, strengthen the innovation, and dare to climb new heights by taking the 2022 business operation work philosophy as the guideline, and prioritize the recovery of business operation and achieving profits through fully implementing lean management, planning ahead, carefully deploying, and making full use of the grace period of the COVID-19 pandemic, thereby focusing on facilitating the production and operation, and improving the operation efficiency. By actively exploring new growth channels, the Group strives to create new growth points, reduce costs, and enhance efficiency; through proper fund management to guarantee overall liquidity, strengthen technical innovation, accelerate the in-depth fusion of traditional business with emerging technologies and concepts including Internet, big data, metaverse, a new type of business shall be formed and resources shall be integrated to promote the transformation and upgrading of the enterprise, diligently boost its position and discourse power within the industry, and continuously expand its social influence.

For art business and auction business, Poly Culture will maintain the positive momentum of 12 consecutive years of global leadership in total Chinese auction sales, further optimize the portfolio structure, study the market trends, precisely promote investment, seize the opportunity of the 10th anniversary of the establishment of its Poly Auction Hong Kong in 2022, properly carry out marketing and publicity to ensure that the leadership in sales and contribute more profits. Poly Art Centre will aim to achieve significant improvements in core operating indicators by focusing on de-stocking and debt reduction and continuously offering high-quality art exhibitions to enhance the brand image. The Group will facilitate the partnership with other cultural units, and strengthen its reporting and communication to the competent authorities to earn more support.

For the performance and theater management business, Poly Culture will continue to strengthen and improve its main businesses. For cinema management, we will continue to exert ourselves to renew expired theater contracts, and dig into and follow up new theater projects, in order to realize the growth of theater scale while maintaining stability; in terms of performance content, it will strengthen the platform construction and team building, reinforce brand cooperation, effectively enhance the production capacity of original productions, create cultural masterpieces, and tell the Chinese stories with passion and heart. The exemplary projects include the original musical "Catch the Stars" in partnership with Tencent's Arena of Valor, the original co-produced musical "Blossom" based on the true story of Role Model of the Times, Zhang Guimei. By actively seeking national policy support, lining up with institutions such as the Central Academy of Drama to foster more professional talents, continuously exploring new channels for international exchange and cooperation, establishing an international platform, launching the upstream and downstream services for ticket agency and performance brokerage, and exploring new types of business like cloud theaters, Poly Culture will establish a complete layout of the entertainment industry.

For the cinema investment management business, Poly Culture will intensify its exploration of business innovation, strengthen cross-industry collaboration, seek rent reduction and policy subsidies, enhance staffing structure, and improve service quality. By continuously promoting the disposal of loss-making cinemas and relieving operational burdens, Poly Culture will strive to turn losses into profits with a lighter footprint, in addition to accelerating the release of completed projects, stepping up the implementation of reserve projects, and realizing greater social and economic benefits.

For the art education business, in addition to operating its existing campuses and improving profitability, and strengthening its cooperation with the Central Conservatory of Music to enhance teacher training, Poly WeDo will constantly improve teaching quality, optimize student experience, consolidate the organization of influential events and continuously enhance the Poly WeDo brand. Poly Art Education will take full advantage of the Group's resources, set up new campuses and steadily expand the enrollment scale and improve the operating results. Poly Art Education will also carry out the enrollment of preparatory class of Royal Northern College of Music, strive to complete the initial building of a brand in studying abroad business, promote the cooperation with universities, and explore the opportunities in respect of vocational education development.

For the cultural finance business, we will carry out the relevant business in a prudent manner in accordance with the overall requirements of the financial business. The art investment companies will strictly control risks and ensure the good operation of the projects. The financial leasing companies will strengthen the market environment and financial environment research and judgment, reduce scales and control risks. The cultural industry fund companies will serve as a platform to provide financial support for the development of Poly Culture's main businesses.

For the cultural asset operation and management business, the exploration and establishment of a replicable business development model will be accelerated, in addition to gathering assets and promoting more collaborative projects to be implemented as soon as possible.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors comprised four executive Directors, two non-executive Directors and three independent non-executive Directors. As of December 31, 2021, the Board of Directors consisted of the following Directors:

Executive Directors

The executive Directors are Mr. Zhang Xi (chairman), Mr. Jiang Yingchun (vice chairman), Mr. Wang Bo (general manager) and Mr. Xu Bei.

Non-executive Directors

The non-executive Directors are Ms. Zhang Hong and Mr. Fu Chengrui.

Independent non-executive Directors

The independent non-executive Directors are Ms. Li Xiaohui, Mr. Sun Hua and Mr. Yip Wai Ming.

The profiles details of our Directors were set forth on pages 65 to 71 of this report.

CORPORATE PROFILE AND GLOBAL OFFERING

The Company was established as a joint stock limited company on December 14, 2010. The Company's H Shares were listed and traded on the Main Board of the Stock Exchange on March 6, 2014. The Prospectus has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.polyculture.com.cn).

MAIN BUSINESSES

The Company is a leading diversified culture and art enterprise in China, which maintains a well-balanced structure of cultural industry with three pillar operations, namely art business and auction, performance and theatre management and cinema investment and management, through its twelve first-level wholly-owned subsidiaries and controlled subsidiaries. The Company actively develops four new businesses concurrently, such as art education, culture finance and operation and management of culture asset.

ANALYSIS OF BUSINESSES PERFORMANCE AND KEY INDICATORS OF FINANCIAL PERFORMANCE

For details of analysis of business performance and key indicators of financial performance, please refer to "Results Analysis and Discussion" of "Management Discussion and Analysis" of this report.

INFORMATION ABOUT THE ULTIMATE HOLDING COMPANY

Our ultimate holding company is Poly Group, which was established in 1993 as a large state-owned enterprise under the direct supervision and administration of SASAC. Apart from the culture and art business conducted through our Group, Poly Group is primarily engaged in international trade, real estate development, R&D and engineering services in light industry, operating services of raw materials and products of craft, production, marketing and services of civil explosives, information and communication technology, silk related industries and financial business. Its business covers more than 100 cities in China and nearly 100 countries around the world.

ANNUAL RESULTS

The annual results of the Group for the year ended December 31, 2021 were published on the websites of the Stock Exchange and the Company on March 31, 2022.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended December 31, 2021 are set out in Note 12 to the financial statements.

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.

RESERVES

Movements in the reserves of the Company for the year ended December 31, 2021 are set out in the Consolidated Statement of Changes in Equity and Note 31 to the Financial Statements, and details of reserves available for distribution to our Shareholders are set out in Note 31(e) to the financial statements.

APPOINTMENT OF AUDITORS

As BDO China Shu Lun Pan Certified Public Accountants LLP (the "BDO"), the domestic auditor of the Company for the year 2019 resigned as the domestic auditor of the Company upon the conclusion of the 2019 annual general meeting of the Company, the Company has engaged Baker Tilly China Certified Public Accountants LLP as the new domestic auditor of the Company, which was approved by the Shareholders at the 2020 first extraordinary general meeting of the Company.

Save as disclosed above, the Company has not changed the domestic auditor and the international auditor for the past three years.

Baker Tilly China Certified Public Accountants LLP and KPMG will retire as the Company's domestic auditor and the international auditor respectively at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

PROFIT DISTRIBUTIONS

The Company did not make profit distribution for the year ended December 31, 2020. The Board decided not to make profit distribution for the year ended December 31, 2021. The above profit distribution plan has been approved by the board of directorson March 31, 2021 and will be submitted to the annual general meeting of the company for deliberation.

The dividend policy of the Company is stipulated in articles 224 to 229 of the Articles. After the profit distribution plan is adopted at the Shareholders' general meeting, the Board of Directors shall finish distributing dividends (or shares) within two months after conclusion of the Shareholders' general meeting. According to the Company's profit distribution policy, the dividends shall be distributed in cash or share certificates.

TAXATION

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H Share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國税發(1993) 045號文件廢止後有關個人所得税徵管問題的通知》) (the "Notice") issued by the State Administration of Taxation on June 28, 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual Shareholders may vary depending on the relevant tax agreements between the countries of their residence and mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual Shareholders of H Shares whose names appear on the H Share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

The Company will withhold payment of the enterprise and individual income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and based on the Company's register of members of H Shares on the record date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding of enterprise income tax. The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended December 31, 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, sales to the top five customers of the Group and the purchases from the top five suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS, TRANSACTIONS OR AGREEMENTS

No contracts, transactions or agreements of significance to which the Company or its holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director or Supervisor or an entity connected with such Director or Supervisor had a material interest, whether directly and indirectly, subsisted at the end of the year ended December 31, 2021 or at any time during that year.

PRINCIPAL RELATIONSHIP BETWEEN THE COMPANY AND ITS CUSTOMERS, EMPLOYEES, SUPPLIERS AND OTHER ENTITIES WHICH HAVE MATERIAL INFLUENCE ON THE COMPANY

Customers

The Company is always concerned about the needs of our customers, providing reliable and safe products and services to maintain our long-term business relationship with customers, and keep in touch through regular and irregular visits, telephone calls and e-mails. Its auction companies adhere to the concept of "boutique Poly", continuing to provide quality services to domestic and international customers and gradually establishing a set of standardized customer service process. We form strict service standards and timings for the whole process, from the collection and storage of auction items, the issuance of auction notices, the delivery of invoice to buyers and sellers after the auction was completed to the real time tracking of customers' settlement. In order to protect the privacy of customers, we strictly conform to the requirements of the relevant laws and regulations, and only those authorized personnel are allowed to deal with clients' information.

Sales to the top five customers of the Group accounted for less than 30% of the Group's sales and the dependence on the major customers is less risky.

Employees

In terms of employees, the Company has established a good training system, to promote career development for its employees, help them maintain work life balance and will explore to construct a mid-to-long-term incentive mechanism. We strive to create a good working environment of innovative development and result sharing.

Suppliers

The Company's main products and service providers include domestic and foreign performance groups, cinema line companies, art holders, decorators and constructors, printers and others. The Company aims to establishing long-term relationship with the suppliers and generally select the suppliers with high credibility. The audit department of the Company also makes periodic checks on the relevant purchase prices.

The Group's business does not depend on any individual supplier. The purchases from the top five suppliers of the Company accounted for less than 30% of the Group's total purchases.

Investors

The Company has and always will highly value the maintenance and development of investor relations, in order to timely and effectively convey the corporate information to the public, enhance the Company's information transparency and build an effective communication channel between the Company and the investors.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group for the year ended December 31, 2021 were set forth in Note 25 to the financial statements.

EMPLOYEES REMUNERATION AND POLICIES

As at December 31, 2021, the Group had 7,905 employees. The remuneration policy of the Group is determined by the Remuneration and Assessment Committee under the Board of Directors as per the performance, qualifications and competence of our employees. As at December 31, 2021, there has been no material change to our remuneration policy and training plans. Details of the employee remuneration of the Company were set forth in Note 7(b) to the financial statements.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME AND SHARE OPTION INCENTIVE PLAN

Details of the retirement and employees benefit scheme of the Company are set forth in Note 7(b) to the financial statement.

As at the date of this report, the Company did not have any share option incentive plan.

ENVIRONMENT POLICY AND PERFORMANCE OF THE COMPANY

The Company insists on the concept of scientific and green development. We study, publicize and strictly comply with national laws and regulations relating to environmental protection and energy conservation. We actively promote the production and business mode of energy conservation, green and low-carbon. We change bad consumption patterns and living habits, avoiding waste. The Company has established an OA (office automation) system and implemented paperless work, to promote the re-use of office papers. We suggest our employees to go out by walk or public transportation and drive as less as possible. We hold meetings by video and telephones, to effectively reduce operating costs and carbon emissions.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As the Group's main businesses are art business and auction, performance and theatre management and cinema investment and management, and art education, culture finance and operation and management of culture asset, the Group is subject to relevant PRC policies, laws and regulations, including the Auction Law of the People's Republic of China, Regulations on Management of Business Performance and Regulations on Film Management. In addition, all our business operations in the PRC are subject to the laws and regulations regarding quality, safety production, environmental protection, intellectual property and labor. Besides, any violation of those laws and regulations may result in sanctions, including warnings, penalties and remedies, which will have an adverse impact on the Group's business operation and future development.

In addition, the Group is required to obtain and maintain valid permits, licenses, approvals and certificates from various governmental authorities or institutions under relevant laws and regulations for our businesses of cultural relics auction, foreign-related performance, film projection, cultural fund. The Group must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain the Group's permits, licenses, approvals and certificates. Should the Group fail to comply with any of the regulations or meet any of the conditions required for the maintenance of the Group's permits, licenses, approvals and certificates, such permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and results of operations.

As a H Share company incorporated in the PRC with limited liabilities and listed on the Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the People's Republic of China, the Guideline on Comprehensive Risk of Central Enterprises (《中央企業全面風險指引》) promulgated by the SASAC, as well as the Listing Rules and the SFO. The Group has implemented internal control measures to ensure its compliance with such laws and regulations. Having reviewed the business performance of the Group, the Board is of the view that the Group has been in compliance with the requirements of relevant laws and regulations in all material respects.

DIRECTORS' AND SUPERVISORS' INDEMNITIES

At no time during the year ended December 31, 2021 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors and senior management' liability insurance coverage for the Directors, Supervisors and senior management of the Group.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2021, the Company did not enter into any equity-linked agreements.

DEBENTURES ISSUED

Pursuant to the requirements of the Company Law, the Listing Rules and the Articles, during the year ended December 31, 2021, the Company has completed the issuance of the following debentures in order to broaden the financing channels, enhance the financing capability and reduce the financing cost of the Company.

The Company completed the issuance of 2021 medium-term notes (first tranche) (the "First Tranche Medium-Term Notes") on April 22, 2021. The aggregate issuance amount of the First Tranche Medium-Term Notes was RMB500 million with a term of three years. The interests will be repaid on April 26 every year and the principal will be repaid in a lump sum on maturity, nominal value per unit of RMB100 and coupon rate of 4.57%. The interests accrued from April 26, 2021. After deducting issuance expenses, the proceeds raised from the First Tranche Medium-Term Notes are intended to be used for repayment of interest-bearing debt and replenishment of working capital.

The Company completed the issuance of 2021 super short-term financing bonds (first tranche) (the "First Tranche Financing Bonds") on July 8, 2021. The aggregate issuance amount of the First Tranche Financing Bonds was RMB200 million with a term of 270 days. The principal and interest will be repaid in a lump sum on maturity, nominal value per unit of RMB100 and coupon rate of 3.30%. The interests accrued from July 12, 2021. After deducting issuance expenses, the proceeds raised from the First Tranche Financing Bonds are intended to be used for repayment of interest-bearing debt and replenishment of working capital.

The Company completed the issuance of 2021 super short-term financing bonds (second tranche) (the "Second Tranche Financing Bonds") on July 16, 2021. The aggregate issuance amount of the Second Tranche Financing Bonds was RMB200 million with a term of 270 days. The principal and interest will be repaid in a lump sum on maturity, nominal value per unit of RMB100 and coupon rate of 3.31%. The interests accrued from July 19, 2021. After deducting issuance expenses, the proceeds raised from the Second Tranche Financing Bonds are intended to be used for repayment of interest-bearing debt and replenishment of working capital.

The Company completed the issuance of 2021 super short-term financing bonds (third tranche) (the "Third Tranche Financing Bonds") on August 24, 2021. The aggregate issuance amount of the Third Tranche Financing Bonds was RMB600 million with a term of 270 days. The principal and interest will be repaid in a lump sum on maturity, nominal value per unit of RMB100 and coupon rate of 3.1%. The interests accrued from August 26, 2021. After deducting issuance expenses, the proceeds raised from the Third Tranche Financing Bonds are intended to be used for repayment of interest-bearing debt and replenishment of working capital.

The Company completed the issuance of 2021 medium-term notes (second tranche) (the "Second Tranche Medium-Term Notes") on November 17, 2021. The aggregate issuance amount of the Second Tranche Medium-Term Notes was RMB300 million with a term of three years. The interests will be repaid on November 19 every year and the principal will be repaid in a lump sum on maturity, nominal value per unit of RMB100 and coupon rate of 4.38%. The interests accrued from November 19, 2021. After deducting issuance expenses, the proceeds raised from the Second Tranche Medium-Term Notes are intended to be used for repayment of interest-bearing debt and replenishment of working capital.

DONATIONS

For the year ended December 31, 2021, the charity donations made by the Group amounted to approximately RMB1.51 million.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles and changes of our Directors, Supervisors and senior management were set forth on pages 65 to 71 of this report. Save as disclosed in this report, there had been no changes to the information about the Directors, Supervisors and senior management of the Company which are required to be disclosed under Rule 13.51(2) of the Listing Rules during the Reporting Period.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

None of the independent non-executive Directors has any business or financial interests in the Group, nor do they hold any executive positions in the Company, which effectively guaranteed their independence.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this report, the Company is of the opinion that all the independent non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each of the Directors and Supervisors, which set forth: (1) each service contract lasts for a term of three years; and (2) the service contract may be terminated pursuant to its terms.

None of the Directors and Supervisors has entered into a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2021, none of the Directors, Supervisors or senior management of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2021, to the knowledge of the Directors, the interests or short positions of the following persons (not being Directors, Supervisors or chief executives of the Company) in the Shares or underlying Shares, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

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

Notes:

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 December 31, 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 December 31, 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.

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management and administration of the entire or any significant part of the business nor did any such contract subsist at any time during the Reporting Period.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

During the Reporting Period, the Company has conducted certain non-exempt Continuing Connected Transactions as listed below:

Number	Connected Transaction	Connected Person	Annual Cap of 2021 (RMB Million)	Actual Transaction Amount of 2021 (RMB Million)
1.	New Financial Services Agreement	Poly Finance (as the service provider)	the maximum daily deposit balance: 600	depositing services: 599.91 settlement services: / miscellaneous financial services: /
2.	New General Services Framework Agreement	Poly Group (as the service receiver)	22.30	6.91
3.	New Commodities Sale and Purchase Framework Agreement	Poly Group (as the purchaser)	26.50	0.00
4.	Property Lease Framework Agreement	Poly Group (as the lessor)	right-of-use assets: 281.04 floating rent: 15.41 total rent: 84.28	right-of-use assets: 111.83 floating rent: 2.91 total rent: 17.85
5.	New Cinema Box Office Income Sharing Framework Agreement	Poly Group	388.96	147.32
6.	Finance Lease Framework Agreement	Poly Leasing (as the lessor)	297	1.25

- For the above-mentioned No.1 non-exempt Continuing Connected Transaction, its annual caps from 2021 to 2023 have been approved by the 2020 first extraordinary general meeting of the Company convened on December 23, 2020;

- For the above-mentioned No.2 to No.3 non-exempt Continuing Connected Transactions, its annual caps from 2020 to 2022 have been approved by the Board of Directors;

- For the above-mentioned No.4 non-exempt Continuing Connected Transaction, the Property Lease Framework Agreement will expire in 2034, and its annual caps from 2020 to 2022 have been approved by the 2019 first extraordinary general meeting of the Company convened on December 20, 2019;

- For the above-mentioned No.5 non-exempt Continuing Connected Transaction, its annual caps from 2020 to 2022 have been approved by the 2019 first extraordinary general meeting of the Company convened on December 20, 2019;

- For the above-mentioned No.6 non-exempt Continuing Connected Transaction, its annual caps from 2016 to 2023 have been approved by 2015 the annual general meeting of the Company convened on June 7, 2016.

Certain related party transactions disclosed in note 35(c) to the financial statements constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report from the Board of Directors.

1. New Financial Services Agreement

Parties

Poly Finance (as the service provider) and the Company (as the service recipient)

Principal Terms

The Company and Poly Finance renewed the Financial Services Agreement on October 28, 2020, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services for the Group. The principal terms of the New Financial Services Agreement are as follows:

(1) The financial services to be provided by Poly Finance to the Group include deposit services, credit lending services, settlement services and miscellaneous financial services. Poly Finance undertakes to provide the Company with high-quality and efficient financial services, and to timely notify the Company of agreed events in order to safeguard the financial assets of the Company;

(2) Conditional upon the compliance with the New Financial Services Agreement, the Company and Poly Finance will enter into separate contracts in respect of deposit services, credit lending services, settlement services and miscellaneous financial services to provide for the details on the provision of these services; and

(3) The term of the New Financial Services Agreement is three years (i.e. from January 1, 2021 to December 31, 2023).

Listing Rules Implications

Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly International, a subsidiary of Poly Group, hence Poly Group is a Controlling Shareholder and thus a Connected Person. Poly Finance is owned as to 94.18% by Poly Group and its associates, and is therefore a Connected Person of the Company. Accordingly, the transactions contemplated under the New Financial Services Agreement constitute Continuing Connected Transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in relation to the proposed annual caps of deposit services under the New Financial Services Agreement calculated in accordance with the Listing Rules is higher than 5%, the provision of deposit services by Poly Finance to the Group is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of credit lending services under the New Financial Services Agreement, as it constitutes financial assistance provided by a Connected Person to the Group, and the credit lending services are in the ordinary and usual course of business of the Company and on normal commercial terms, and are not secured by any assets of the Group, therefore, according to Rule 14A.90 of the Listing Rules, the credit lending services that Poly Finance provides to the Group are exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of settlement services and miscellaneous financial services under the Financial Services Agreement, each of applicable percentage ratio of the proposed annual caps calculated in accordance with the Listing Rules is, or is expected to be, below the de minimis threshold as stipulated in Chapter 14A of the Listing Rules. Therefore, the settlement services and the miscellaneous financial services provided by Poly Finance to the Group are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement, annual review and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the transaction amount of the settlement services and the miscellaneous financial services to be provided by Poly Finance to the Group under the Financial Services Agreement exceeds the relevant threshold.

Transaction and its Reasons

(1) The interest rate for deposit services provided by Poly Finance is not lower than independent domestic major commercial banks in China. The Group may increase interest income of deposits and decrease finance costs;

(2) As an internal financial institution of Poly Group, Poly Finance has more convenient and efficient communication with the Group than other independent domestic major commercial banks in China. The relevant service terms are more beneficial to the Group and the capital risk is low;

(3) Poly Finance is supervised by the China Banking and Insurance Regulatory Commission, with good risk control and standardized management. The security level of the settlement system has reached the level of independent domestic major commercial banks in China and can ensure the safety of the Group's funds;

(4) Currently, the monetary capital of the Group has been deposited in several banks, the deposit arrangement with Poly Financial is beneficial in reduction of the Group's deposit risk;

(5) The deposit service provided by Poly Finance has no restrictions on the flow of deposits. The Group can adopt different periods of cash deposits to ensure a flexible cash flow;

(6) Poly Finance commits to provide a preferential interest rate for the Group's loans, which is not higher than the interest rate of similar loans offered by independent domestic major commercial banks in China over the same period. The Group has a minimum loan interest rate to reduce the financing costs when it has capital needs;

(7) The loan terms of Poly Finance are much better than those of independent domestic major commercial banks in China. As the internal financial institution of Poly Group, Poly Finance has a better understanding of the Group's operating characteristics and is able to design a specialized and personalized credit service program for the Group;

(8) The terms of credit lending services provided by Poly Finance are more flexible and the Group is not obliged to use credit lending services; and

(9) The settlement service provided by Poly Finance is free which can reduce the financial cost of the Group.

For details of the above transactions, please refer to the announcements of the Company dated October 28, 2020 and 23 December, 2020, respectively, and the circular of the Company dated November 30, 2020.

2. *New General Services Framework Agreement*

Parties

Poly Group (as the service recipient), and the Company (as the service provider)

Principal Terms

The Company renewed the General Services Framework Agreement with Poly Group on October 21, 2019, pursuant to which the Company from time to time provides Poly Group and/or its associates with certain types of services, mainly including exhibition service, theatre management activity service, art appreciation activity service and general service. The principal terms of the New General Services Framework Agreement are as follows:

(1) The New General Services Framework Agreement is valid for a term of three years commencing on January 1, 2020 and can be renewed for another three years upon its expiry;

(2) Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the New General Services Framework Agreement; and

(3) The price for the service provided under the New General Services Framework Agreement will be determined by reference to the then market price or as agreed by both parties after arm's length negotiations.

Listing Rules Implications

As Poly Group is the Company's Controlling Shareholder, Poly Group is a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the New General Services Framework Agreement entered into between the Company and Poly Group constitute the Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio of the annual cap of the General Services Framework Agreement entered into between the Company and Poly Group calculated in accordance with the Listing Rules is more than 0.1% but less than 5%, the Continuing Connected Transactions under the General Services Framework Agreement are subject to the reporting, announcement and annual review requirements but exempted from the independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

Transaction and its Reasons

(1) Poly Group is engaged in the business of real estate development and conducts promotion activities for high-end real estate projects by hosting art appreciation activities from time to time. Poly Art Centre, a wholly-owned subsidiary of the Company, is engaged in exhibition undertakings and organization of art communication activities. While Poly Group and its subsidiaries are promoting their sales and marketing activities all over the country, Poly Art Centre's services in holding exhibitions and providing selected exhibits are needed, which will enhance the market influence of Poly Group. In the meantime, Poly Art Centre can also earn profits therefrom. Poly Group is also dedicated to the integration of real estate and culture by means of the introduction of some cultural elements, like Poly Theatre, in order to enhance the cultural content and commercial value and complement each other's benefit with Poly Culture. Thus, Poly Theatre Management, a wholly-owned subsidiary of the Company, also provides relevant theatre management service to Poly Group. At the same time, Poly Group is also committed to promoting the integration of cultural and real estate businesses. Therefore, the Company will provide cultural real estate design and consulting service to Poly Group.

(2) The above mentioned provision of service by the Company to Poly Group has been and will be conducted in line with the market practice in order to exert the strength and advantage of both the Company and Poly Group.

For details of the above transactions, please refer to the announcement of the Company dated October 21, 2019.

3. *New Commodities Sale and Purchase Framework Agreement*

Parties

Poly Group (as the purchaser) and the Company (as the seller)

Principal Terms

The Company renewed the Commodities Sale and Purchase Framework Agreement with Poly Group on October 21, 2019, pursuant to which the Company will from time to time sell commodities mainly including art products, theatre tickets and cinema tickets to Poly Group and/or its associates. The principal terms of the New Commodities Sale and Purchase Framework Agreement are as follows:

(1) The New Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing on January 1, 2020 and can be renewed for another three years upon its expiry;

(2) Relevant subsidiaries of both parties will enter into separate underlying contracts which will set out the specific terms and conditions according to the principles provided in the New Commodities Sale and Purchase Framework Agreement; and

(3) The price of the commodities sold under the New Commodities Sale and Purchase Framework Agreement will be determined through arm-length negotiations by parties thereto by reference to market price.

Listing Rules Implications

As Poly Group is the Company's Controlling Shareholder, Poly Group is a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the New Commodities Sale and Purchase Framework Agreement entered into between the Company and Poly Group constitute the Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the annual cap of the New Commodities Sale and Purchase Framework Agreement between the Company and Poly Group is more than 0.1% but less than 5%, the Continuing Connected Transactions under the New Commodities Sale and Purchase Framework Agreement shall be subject to reporting, announcement, and annual review requirements but exempted from the independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Transaction and its Reasons

(1) It is the Company's ordinary and usual course of business to sell art products, theatre tickets and cinema tickets. There is a need for Poly Group and/or its associates to purchase theatre tickets for marketing promotion from time to time, and/or purchase art products for gifts, interior decoration of their office building or other legal purposes from time to time.

(2) With continuing expansion of the business scale of Poly Group, the demand in art products, theatre tickets and cinema tickets of Poly Group has exceeded the original anticipation.

(3) The above-mentioned provision of commodities sale and purchase services by the Company to Poly Group has been and will be conducted in line with the market practice and can exert the strength and advantage from both the Company and Poly Group.

For details of the above transactions, please refer to the announcement of the Company dated October 21, 2019.

4. Property Lease Framework Agreement

Parties

Poly Group (as the lessor) and the Company (as the lessee)

Principal Terms

The Company entered into the Property Lease Framework Agreement with Poly Group on February 14, 2014, pursuant to which we lease properties from Poly Group and/or its associates for the purpose of office premises, cinema operation, theatre operation, auction business operation and ancillary service. The principal terms of the Property Lease Framework Agreement are as follows:

(1) The Property Lease Framework Agreement is valid for a term of 20 years commencing on the Listing Date;

(2) Relevant subsidiaries or associates of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Property Lease Framework Agreement;

(3) Basis of determination of rentals: the rentals shall be determined by reference to the then market price or as agreed by both parties after arm-length negotiations;

(4) The property management fee shall be determined by reference to the then market price or as agreed by both parties after arm-length negotiations;

(5) The energy charge and other facilities fee shall follow the government-prescribed price or where no such government-prescribed price is applicable, it shall then be determined by reference to the then market price or as agreed by both parties after arm-length negotiations; and

(6) The term of the separate underlying lease agreements entered into under the Property Lease Framework Agreement shall be for a maximum of 20 years. We may request to renew the term of the lease by issuing a written notice to relevant members of Poly Group at least one month before expiry of the lease. Relevant members of Poly Group shall, upon receipt of the said notice, consent to the request for renewal and shall renew the lease with members of our Group before its expiration.

Due to the expiry of annual caps under the Property Lease Framework Agreement on December 31, 2019, the Company published an announcement on October 21, 2019, confirming that the Company would continue to conduct transactions under the above-mentioned Property Lease Framework Agreement after December 31, 2019 and proposing the annual caps in 2020, 2021, and 2022 respectively.

The Company has applied IFRS 16 since 1 January 2019. As lease properties of the Company were mainly used for the office premises, cinema operation, theatre operation, and auction business operation, the Company will account for the expenses under the Property Lease Framework Agreement as the finance lease instead of the original operating lease in accordance with IFRS 16, that is, recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding right-of-use asset. The subsidiaries of the Company will recognise interest expense accrued on the outstanding balance of the lease liability and the depreciation of the right-of-use asset, instead of the original rental expenses incurred on the operating lease. The Company has given full consideration to the impact of IFRS 16 in determining the annual caps under the Property Lease Framework Agreement.

Listing Rules Implications

As Poly Group is the Company's Controlling Shareholder, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Property Lease Framework Agreement between the Company and Poly Group constitutes a Continuing Connected Transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules to the proposed annual caps under the Property Lease Framework Agreement between the Company and Poly Group is more than 5%, the Continuing Connected Transactions under the Property Lease Framework Agreement shall be subject to reporting, announcement, annual review and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

The Group has been leasing and using the above properties for its business operation for a long period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

The Directors of the Company are of the view that maintaining long-term and stable property lease is of great importance to the operation of the cinema investment and theatre management business of the Group as well as the stability of the art business and auction and the secure storage of art works, and the long-term nature of the property lease agreement would enable the Group to secure locations for its business operation at fair market price and to prevent unnecessary cost, time and interruption of business caused by relocation in the case of short-term lease. As such, the Directors are of the view that the lease term of 20 years is appropriate for the Property Lease Framework Agreement and is the normal business practice for lease agreements of this type to be of such duration.

For details of the above transactions, please refer to the Prospectus, the announcements of the Company published on October 21, 2019 and December 20, 2019 and the circular of the Company published on November 22, 2019.

5. New Cinema Box Office Income Sharing Framework Agreement

Parties

Poly Group and the Company

Principal Terms

The Company renewed the Cinema Box Office Income Sharing Framework Agreement with Poly Group on October 21, 2019, according to which Poly Group and/or its associates will provide new film prints and encryption keys for the Group and the Group will then arrange movie screening in cinemas of the Group. Both parties agreed to split the net cinema box office income generated from the movie screening based on the pre-agreed sharing percentage. In turn, Poly Group and/or its associates may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves. The principal terms of the New Cinema Box Office Income Sharing Framework Agreement are as follows:

(1) The New Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing on January 1, 2020, and can be renewed for another three years upon its expiry, subject to the further approval by Independent Shareholders according to the Listing Rules;

(2) Relevant subsidiaries or associated companies of both parties will enter into separate underlying contracts which will set out the specific terms and conditions according to the principles provided in the New Cinema Box Office Income Sharing Framework Agreement; and

(3) Poly Group and/or its associates will provide new film prints and encryption keys to the Group and the Group will then arrange movie screening in cinemas of the Group. The Group will first receive the net cinema box office income (i.e. the box office income net of special fund for national film development and value-added tax and additional tax) generated from the film screening and then split a portion of such revenue with Poly Group and/or its associates in accordance with the respective sharing percentage as set out in the specific agreements (no less than 50% to 55% of the net cinema box office income to be shared by the Group) and pricing policies as agreed by both parties after arm-length negotiations.

The annual caps of the New Cinema Box Office Income Sharing Framework Agreement in 2020, 2021 and 2022 were approved by the first 2019 extraordinary general meeting of the Company on December 20, 2019.

Listing Rules Implications

As Poly Group is the Company's Controlling Shareholder, Poly Group constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the New Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group constitute Continuing Connected Transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps for the New Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group is more than 5%, thus the Continuing Connected Transactions under the New Cinema Box Office Income Sharing Framework Agreement shall be subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

According to the changes in the average sharing level of the movie screening industry in China, Poly Wanhe Cinema Circuit will adjust the sharing percentage with cinemas under the Company every three to five years, and enter into the New Cinema Box Office Income Sharing Framework Agreement. Pursuant to such agreement, Poly Wanhe Cinema Circuit will provide the Group with new film prints and encryption keys, which the Group will then arrange to be screened in cinemas of the Group. After the renewal of the Cinema Box Office Income Sharing Framework Agreement, the Directors expect that, taking into consideration the long-term good business relationship between Poly Wanhe Cinema Circuit and cinemas of the Group since the date of formal commencement of business, and the fact that the sharing percentages offered by Poly Wanhe Cinema Circuit is more favourable than the average market sharing percentage, it is in the Company's long-term interest that the Company continues to maintain relationship with Poly Wanhe Cinema Circuit. Any cessation of such corporation will cause unnecessary disruption to the movie screening operation of cinemas of the Group, incurring significant business losses to the Company.

For details of the above transactions, please refer to the announcements of the Company published on October 21, 2019 and December 20, 2019 and the circular of the Company published on November 22, 2019.

6. *Finance Lease Framework Agreement*

Parties

Poly Film (as the Lessee) and Poly Leasing (as the Lessor)

Principal Terms

(1) Date
April 22, 2016

(2) Terms of agreement
The Finance Lease Framework Agreement shall become effective upon the approval of the 2015 annual general meeting (June 7, 2016) and up to December 31, 2023.

(3) Lease period
Both parties will enter into a specific agreement for each finance lease service. The lease period of each specific finance lease service shall be determined with reference to the useful life of relevant film equipment, the Lessee's financial needs and the Lessor's capital position. The lease period of each specific finance lease service shall not exceed the useful life of the film equipment and the term of the Finance Lease Framework Agreement, and shall not exceed 96 months.

(4) Lease object
Film equipment of Poly Film and its subsidiaries, including but not limited to, projecting screens, seats, audios and electronic screens, etc. (the "Film Equipment").

(5) Form of lease

Poly Film and Poly Leasing will enter into specific individual implementation agreement(s) from time to time. The terms of each implementation agreement will be in line with the terms of the Finance Lease Framework Agreement, and each implementation agreement shall be subject to and conditional upon the Finance Lease Framework Agreement's (or its renewal agreement's) continuing to be in force. Pursuant to the specific individual implementation agreement(s) entered into with Poly Film from time to time, Poly Leasing will procure Film Equipment and lease it to Poly Film and/or its subsidiaries according to the requirements including film equipment's name, quality, specification, quantity and price provided by Poly Film. Poly Film shall lease such equipment and agree to pay the principal and interests equally on a monthly basis to Poly Leasing on the basis of the terms, conditions and interest rates as stipulated under the specific agreement(s) entered into from time to time.

(6) Guarantees

Poly Film provides full amount guarantees for the finance leases of Poly Film's subsidiary under the Finance Lease Framework Agreement.

(7) End of the lease period

Once the equipment principal and interest expenses of each of the finance lease agreements are fully paid, the ownership of such film equipment will be attributable to Poly Film and its subsidiaries without paying for the consideration.

Listing Rules Implications

Since Poly Group is the Company's Controlling Shareholder, Poly Group is a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. As Poly Leasing is the subsidiary of Poly Group, Poly Leasing is a Connected Person of the Company pursuant to Chapter 14A of the Listing Rules. In addition, as Poly Film is a wholly-owned subsidiary of the Company, the proposed transactions under the Finance Lease Framework Agreement constitute Continuing Connected Transactions of the Company.

As the highest applicable percentage ratio of the applicable percentage ratios calculated in accordance with the Listing Rules is higher than 5%, the transaction is subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Transaction and its Reasons

In recent years, with the fast increase of box office in China and the demand of market development, the construction of new cineplex of Poly Film is also faster than the previous years. The current owned funds of the Company are difficult to meet the fund demand for the construction of new cineplex. Financing cost of bank loan is also relatively high and the current interest rate set by the People's Bank of China for one to five-year term loans is 4.75%. Through entering into the Finance Lease Framework Agreement, Poly Film adopted finance lease for equipment and obtained a more favourable lease interest rate of finance lease from Poly Leasing, which was lower than the interest rate of bank loans. It could convert the one-time capital expenditure in the project's preliminary stage to the annual cost expenditure after cineplex go into operation. It improves the initial cash flow of the project and lowers the fund stress of the Company so as to reduce financing cost effectively and provide effective support for Poly Film to expand the cineplex investment and construction scale quickly in the short term.

For details of the above transactions, please refer to the announcements of the Company published on April 22, 2016 and June 7, 2016 and the circular of the Company published on May 9, 2016.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed the above Continuing Connected Transactions and confirmed that the transactions:

1. were entered into during our ordinary and usual course of business;

2. were conducted on normal commercial terms or more favorable terms; and

3. were conducted in accordance with relevant terms of the transaction agreements, and the transactions terms are fair and reasonable and in the interests of the Company's Shareholders as a whole.

CONFIRMATION FROM THE AUDITORS

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged KPMG as the international auditor of the Company to conduct a limited assurance engagement on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of their procedures to the Board stating that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Board of Directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

d. with respect to the aggregate amount of each of the Continuing Connected Transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have exceeded the applied maximum aggregate annual caps for the year 2021.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with relevant parties deemed as the "related party" in accordance with the applicable accounting standards. Details of material related party transactions entered into by the Group during the Reporting Period are set out in Note 35 to financial statements. Other than disclosed in the paragraph headed "Connected Transactions" in this report, related party transactions disclosed in Note 35 do not constitute Connected Transactions as defined in Chapter 14A of the Listing Rules and are not exempt from the reporting, announcement and Shareholders' approval requirements under the Listing Rules. During the Reporting Period, the Company has complied with the provisions in Chapter 14A of the Listing Rules.

NON-COMPETING UNDERTAKING

Poly Group, the Controlling Shareholder of the Company, signed a non-competition undertaking on February 14, 2014 (the "Non-competition Undertaking"). Pursuant to which, Poly Group has irrevocably undertaken that it would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any member of our Group from time to time. Poly Group has also undertaken to our Company that, if there is any new business opportunity in the restricted business, it shall within a reasonable period of time refer such new business opportunity to our Company. Such business opportunity shall first be offered and made available to us. Poly Group shall not invest, participate, be engaged in and/or operate in such business opportunity unless the Company has declined in writing or failed to respond within thirty (30) days after being notified of such opportunity.

During the Reporting Period, the Controlling Shareholder of the Company has complied with the Non-competition Undertaking.

PRE-EMPTIVE RIGHT, SHARE OPTION ARRANGEMENTS

During the year ended December 31, 2021, the Shareholders did not have no pre-emptive right or any share option arrangements in accordance with applicable PRC laws and the Articles.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, during the year ended December 31, 2021, no contracts of significance in respect of provision of services or otherwise was entered into between the Company or its subsidiaries and the Controlling Shareholder or its subsidiaries.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued Shares of the Company was held by the public as at the Latest Practicable Date, which was in compliance with the requirements under the Listing Rules.

MAIN RISKS AND UNCERTAINTIES

For details of analysis of main risks and uncertainties, please refer to the section headed "Risk Factors" of "Management Discussion and Analysis" of this report.

FUTURE DEVELOPMENT OF THE GROUP

For details of analysis of future development of the Group, please refer to the section headed "Outlooks" of "Management Discussion and Analysis" of this report.

SUBSEQUENT EVENT

The Corona Virus Disease 2019 pandemic ("COVID-19 Pandemic") since early 2020 has caused tremendous impact on the cultural industry, brought about additional uncertainties in the Group's operating environment and has had a significant adverse impact on the Group's business. China has undertaken national measures to prevent and control the spread of the disease since COVID-19 Pandemic. Since the COVID-19 Pandemic, the Group has attached great importance to and seriously implemented the deployment of the government on the epidemic prevention and control. The Group will be constantly concerned about the development and situation of the COVID-19 Pandemic, and its impact on the Group's financial situation and operating performance will be continuously assessed meanwhile we will take necessary measures to minimize relevant business risks.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. So far as the Directors are aware, there is no material litigation or claim which are pending or threatened against the Company.

AUDIT OF ANNUAL RESULTS

The consolidated financial statements of the Group for the year ended December 31, 2021, including the accounting principles and practices adopted, have been reviewed by the audit committee of the Board of Directors (the "Audit Committee) together with the external auditor of the Company.

By order of the Board of Directors
Zhang Xi
Chairman

The current session of the Board of Supervisors was re-elected upon approval by the 2021 first extraordinary general meeting of the Company convened on November 2, 2021, and consists of three Supervisors.

In 2021, the Board of Supervisors, for the sake of long-term interests of the Company and rights and interests of the Shareholders, dutifully supervised the performance of duties by the Directors and senior management personnel of the Company in strict accordance with laws including the PRC Company Law, regulations, rules and normative documents, the Articles, the Rules of Procedure for Meetings of the Board of Supervisors of Poly Culture Group Corporation Limited and the Listing Rules. Following is a report on the principal work performed during the Reporting Period:

I. MEETINGS OF THE BOARD OF SUPERVISORS

1. On March 30, 2021, the third session of the Board of Supervisors convened its eleventh meeting and deliberated and approved Proposal on Work Report 2020 of the Board of Supervisors of the Company, Proposal on 2020 Annual Results Announcement of the Company, Proposal on the 2020 Annual Report of the Company, Proposal on the Financial Report of the Company for the year 2020, Proposal on the Dividend Distribution Plan of the Company for the year 2020 and Proposal on the Financial Budget of the Company for the year 2021, etc.

2. On August 31, 2021, the third session of the Board of Supervisors convened its twelveth meeting and deliberated and approved Proposal on 2021 Interim Results Announcement and 2021 Interim Report of the Company.

3. On November 2, 2021, the fourth session of the Board of Supervisors convened its first meeting and deliberated and approved Proposal on the Election of the Chairman of the Fourth Session Board of the Supervisors.

II. WORK OF THE BOARD OF SUPERVISORS

1. Examine the lawful operation of the Company

During the Reporting Period, Supervisors attended all the general meetings convened by the Company, were present at all the meetings convened by the Board of Directors, and reviewed the proposals submitted to the Board of Directors. At the relevant meetings, Supervisors supervised the decision-making process regarding major issues and the performance of duties by the Directors and senior management members. The Board of Supervisors opines that the decisions on major issues are made legally and that all Directors and senior management members of the Company were dutiful and diligent at work and strictly implement resolutions of the general meetings in the principle of legal operation and prudent decision-making, and neither violate laws, regulations or the Articles nor damage the interests of the Company and Shareholders in performing duties.

2. Examine the financial information of the Company

During the Reporting Period, the Board of Supervisors reviewed relevant financial information of the Company and its Subsidiaries and audit reports of the Company and its affiliates provided by auditors. The Board of Supervisors opines that accounts and financial accounting of the Company and its affiliates comply with the Accounting Law of the People's Republic of China, the PRC Accounting Standards for Business Enterprises and the IFRSs, and does not find any problems regarding the aforesaid issues.

3. Strengthen building of internal control of the Company

During the Reporting Period, the Board of Supervisors participated in the work of the construction of internal control system of the Company, cooperated with other departments, actively sorted tidied up and improved various systems, documents, rectified the defects, and participate in the successful completion of the inspection work of regulatory agencies such as the board of supervisors of Poly Group and SASAC.

Li Wenliang
Chairman of the Board of Supervisors

The Company and its Subsidiaries are committed to maintaining high level corporate governance to protect the interests of Shareholders and improve its corporate value and accountability. During the Reporting Period, save that the re-election of the Board and the Board of Supervisors took place in November 2021, upon the expiry of their three-year tenures, which was deviated from code provision B.2.2 (pervious code provision A.4.2) of the Corporate Governance Code, the Company has adopted the Corporate Governance Code in Appendix 14 to the Listing Rules as its own corporate governance practices and complied with all other applicable code provisions and principles and adopted most of the recommended best practices therein.

1. BOARD OF DIRECTORS

1.1 Composition of the Board of Directors

As at the date of this report, the Board of Directors comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Listed below are incumbent Directors of the Company:

Name	Position
Zhang Xi	Chairman and executive Director
Jiang Yingchun	Vice chairman and executive Director
Wang Bo	General manager and executive Director
Xu Bei	Executive Director
Zhang Hong	Non-executive Director
Fu Chengrui	Non-executive Director
Li Xiaohui	Independent non-executive Director
Sun Hua	Independent non-executive Director
Yip Wai Ming	Independent non-executive Director

Note: At the 2021 first extraordinary general meeting held on November 2, 2021, the Company completed the re-election of the fourth session of the Board. Mr. Wang Bo and Mr. Xu Bei were appointed as executive Directors, Ms. Zhang Hong and Mr. Fu Chengrui were appointed as non-executive Directors, and Mr. Sun Hua was appointed as an independent non-executive Director. Meanwhile, Mr. Xu Niansha ceased to serve as a Director of the Company due to age reason, Mr. Li Weiqiang, Mr. Huang Geming and Mr.Wang Keling ceased to serve as Directors due to work arrangement; Mr. Li Boqian ceased to serve as a Director due to age and health reasons.

During the Reporting Period, the Board of Directors has complied with the requirement of the Listing Rules on appointment of at least three independent non-executive Directors, representing at least one-third of members of the Board of Directors and at least one of whom has relevant professional qualifications, or accounting or relevant financial management expertise. The qualifications of the three independent non-executive Directors fully comply with Rules 3.10 (1) and (2) of the Listing Rules.

None of the independent non-executive Directors has any business or financial interests in the Company and its Subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as per Rule 3.13 of the Listing Rules. As at the Latest Practicable Date, the Company was of the opinion that all the independent non-executive Directors were independent pursuant to Rule 3.13 of the Listing Rules.

The term of Ms. Li Xiaohui, Mr. Sun Hua, and Mr. Yip Wai Ming, who are the independent non-executive Directors is a period of three years with effect from November 2, 2021. The term of Ms. Zhang Hong, and Mr. Fu Chengrui who are non-executive Directors is a period of three years with effect from November 2, 2021.

The profiles of the Directors are set out in pages 65 to 71 of this report. Members of the Board of Directors do not have any relations between each other (including financial, business, family or other material or related relations). The Board of Directors is well-balanced in structure and each of its members is knowledgeable, richly experienced and talented in the business operation and development of the Company. All the Directors understand their joint and several responsibilities for the Shareholders.

1.2 Board Meetings

The Board of Directors holds Board meetings on a regular basis: at least four meetings per year and essentially on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance for them to arrange the attendance for the meeting, with the matters to be discussed specified in agenda of the meeting.

A Board meeting shall be attended by more than half of the Directors. Directors shall personally attend the meeting. In the event that any Director is unable to attend a meeting for any reason, he/she may appoint another Director by a written power of attorney.

During the year ended December 31, 2021, the Board of Directors held four meetings in total, with details of the attendance of Directors as follows:

Name of director	Position	Meetings attended/ Meetings eligible to attend	Attendance rate
Zhang Xi	Chairman and executive Director	4/4	100%
Jiang Yingchun	Vice chairman and executive Director	4/4	100%
Wang Bo[1]	Executive Director	2/2	100%
Xu Bei[1]	Executive Director	2/2	100%
Zhang Hong[1]	Non-executive Director	2/2	100%
Fu Chengrui[1]	Non-executive Director	2/2	100%
Li Xiaohui	Independent non-executive Director	4/4	100%
Sun Hua[1]	Independent non-executive Director	2/2	100%
Yip Wai Ming	Independent non-executive Director	4/4	100%
Resigned Directors			
Xu Niansha[2]	Chairman and executive Director	1/2	50%
Li Weiqiang[3]	Executive Director	2/2	100%
Huang Geming[3]	Non-executive Director	2/2	100%
Wang Keling[3]	Non-executive Director	2/2	100%
Li Boqian[4]	Independent non-executive Director	1/2	50%

Notes:

1. Mr. Wang Bo, Mr. Xu Bei, Ms. Zhang Hong, Mr. Fu Chengrui and Mr. Sun Hua were appointed as Directors on November 2, 2021. Subsequent to their appointments, only two Board meeting was convened for the year ended December 31, 2021.

2. Mr. Xu Niansha was not able to attend the eleventh meeting of the third session of the Board of Directors on March 30, 2021 due to other work arrangement, and appointed Mr. Zhang Xi as his proxy to represent him and vote on his behalf. Mr. Xu Niansha resigned as an executive Director of the Board of Directors since November 2, 2021.

3. Mr. Li Weiqiang, Mr. Huang Geming and Mr. Wang Keling resigned as Directos since November 2, 2021.

4. Mr. Li Boqian was not able to attend the eleventh meeting of the third session of the Board of Directors on March 30, 2021 due to physical reasons, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf. Mr. Li Boqian resigned as a Director since November 2, 2021.

1.3 Functions and Powers Exercised by the Board of Directors and the Management

The rights and duties of the Board of Directors and the management are specified in the Articles, so as to guarantee an adequate balance and restriction mechanism for a good corporate governance and internal control of the Company.

The Board of Directors shall be responsible for determining the Company's operation plans and investment programs and the setting of its internal management organizations, formulating basic management system of the Company and hearing chief executive officer's work report and examining the work thereof.

The Board of Directors admits that it is the common responsibility of all Directors to perform the duty of corporate governance, including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(c) to review and monitor the training of Directors and senior management and sustainable development;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors, Supervisors and employees; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

1.4 Chairman and Chief Executive Officer

Positions of the chairman and the chief executive officer (being chief executive officer under relevant rules of the Listing Rules) of the Company are served by different persons to secure independence of their duties and accountabilities and balanced distribution of rights and authorizations. Mr. Zhang Xi serves as the chairman of the Board of Directors and Mr. Wang Bo serves as the chief executive officer. The Articles define duties of the chairman and the chief executive officer.

1.5 Directors' Appointment and Re-election

According to the Articles, Directors (including non-executive Directors) shall be elected at the general meeting. A Director shall serve a term of office for no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the nomination committee of the Board (the "Nomination Committee") and then submitted their recommendations to the Board of Directors, subject to the approval of the general meeting.

1.6 Board Diversity Policy

The Company has adopted the board diversity policy (the "Policy") of Poly Culture Group Corporation Limited, which has been approved by the Board of Directors, as summarized below:

The Policy specifies that in designing the composition of the Board of Directors, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board of Directors. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

Gender	Male 78%	Female 22%	
Age	55 years or below 44%	56-60 years old 44%	61 years or above 11%
Identity	Non-executive Director 22%	Independent non-executive Director 33%	Executive Director 44%
Directors (number of companies) of other public listed companies (outside the Group)	0 78%	1 to 3 11%	4 or above 11%

The Nomination Committee will disclose the composition of the Board of Directors in Corporate Governance Report every year and supervise the implementation of this Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board of Directors for examination and approval.

1.7 Emoluments of Directors, Supervisors and Senior Management and Five Highest Paid Individuals

Emoluments of Directors, Supervisors and senior management shall be proposed by the remuneration and assessment committee of the Board of Directors (the "Remuneration Committee") based on criteria including educational background and work experience, and upon approval of the general meeting, be determined by the Board of Directors with reference to Director's experience, work performance and position as well as the market.

Details of emoluments of the Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in Notes 9, 10 and 35(a) to the financial statements.

During the year ended December 31, 2021, the emoluments of the senior management of the Group (not include the Directors of the Company) are within the following bands:

Bands of the emoluments	Number
HKD0 to HKD500,000	1
HKD500,001 to HKD1,500,000	–
HKD1,500,001 to HKD2,000,000	3
HKD2,000,001 to HKD2,500,000	2

1.8 Training for Directors

The Company submits "monthly management reports" to the Directors, to keep them posted with the latest information of the Company, the industry status and developments. The Company also collects the latest amendments to the securities laws, regulations and regulatory rules which come to its attention and submits them to the Directors, Supervisors and senior management of the Company. In addition, during the Reporting Period, all Directors (namely Mr. Xu Niansha, Mr. Zhang Xi, Mr. Jiang Yingchun, Mr. Wang Bo, Mr. Li Weiqiang, Mr. Xu Bei, Mr. Huang Geming, Mr. Wang Keling, Ms. Zhang Hong, Mr. Fu Chengrui, Mr. Li Boqian, Ms. Li Xiaohui, Mr. Sun Hua and Mr. Yip Wai Ming) have participated in the training of Hong Kong listed companies information disclosure, connected transactions, disclosure of inside information, the responsibilities of the Directors, Supervisors and senior management and the recent new regulatory requirements, to ensure that they continue to have comprehensive information and contribute to the Board of Directors when necessary.

1.9 Liability Insurance for Directors, Supervisors and Senior Management

The Company has arranged liability insurance for any of the possible legal action against the Directors, Supervisors and Senior Management.

2. BOARD COMMITTEES

There are five committees under the Board of Directors, namely, the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Art Committee and the Strategy Committee.

2.1 Audit Committee

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

The primary responsibilities of the Audit Committee are reviewing and supervising our financial reporting procedures, including to propose appointment or replacement of the external auditors; to oversee the Company's internal audit system and its implementation; to coordinate the communication between internal and external auditors; to review the Company's financial information and its disclosure; to examine the Company's internal monitoring and the risk management system, to audit material connected transactions; to nominate the person in charge of the internal audit department of the Company; to examine the authenticity and impartiality of the interim and annual financial statements of the Company, to discuss the nature and scope of the audit with the external auditor before starting the audit, and to discuss its conclusions and suggestions with the auditor after the audit process and the completion of the audit; and other matters as authorized by the Board of Directors. The Audit Committee will conduct annual assessment on the internal control and financial monitoring system, the risk management system, the scope of the work of the external auditor and the important matters in relation to the appointment the external auditor, and the effectiveness of the arrangement of the employees' attention to possible misconduct, so that the Board can inspect the overall financial situation of the Group and protect its assets. After each meeting, the chairlady of the Audit Committee summarizes the work of the committee, focusing on the concerns and recommending recommendations to the Board of Directors.

During the year ended December 31, 2021, the Audit Committee held two meetings, attendance of which is as follows:

Name of director	Category of director	Meetings attended/ Meetings eligible to attend	Attendance rate
Li Xiaohui	Independent non-executive Director	2/2	100%
Yip Wai Ming	Independent non-executive Director	2/2	100%
Wang Keling[1]	Non-executive Director	2/2	100%
Fu Chengrui[2]	Non-executive Director	–	–

Notes:

1. Mr. Wang Keling ceased to be a member of the Audit Committee since November 2, 2021.

2. Mr. Fu Chengrui was appointed as a member of the Audit Committee since November 2, 2021. Subsequent to his appointment, no Audit Committee meeting was convened during the year ended December 31, 2021.

The Audit Committee directed and supervised the Company's internal audit department, considered and approved the re-appointments of the domestic and international auditors and the Financial Reports 2021 of the Company, and submitted the above proposals to the Board of Directors for their consideration. The Audit Committee also confirmed the Connected Transactions of the Company in 2021.

The Audit Committee has reviewed the Company's annual results for 2021, and the financial statements of the Company for the year ended December 31, 2021 which are prepared in accordance with the International Financial Reporting Standards (the "IFRSs").

2.2 Nomination Committee

The Nomination Committee consists of three Directors: Mr. Sun Hua (independent non-executive Director), Ms. Li Xiaohui (independent non-executive Director) and Mr. Xu Bei (executive Director). Mr. Sun Hua currently serves as the chairman of the Nomination Committee.

The primary responsibilities of the Company's Nomination Committee are preparing the procedures and criteria for determining the candidates for the Directors and senior management of the Company and conducting preliminary review on their qualifications and credentials, including proposing to the Board on its size and composition in accordance with the Company's operating results, assets and shareholding structure; reviewing the procedures and criteria for determining the candidates for the Directors and chief executive officer of the Company and making proposals to the Board of Directors; and conducting a wide search for the qualified Director candidates.

When assessing the composition of the Board of Directors, the Nomination Committee takes into account a number of aspects described in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee will discuss and adopt the measurable objectives of the Board Diversity Policy, and recommend it to the Board of Directors.

The Nomination Committee will take into account the character, qualifications, experience, independence and other necessary conditions for cooperation with the enterprises strategies and diversification of the Board of Directors (if appropriate) before making recommendations to the Board of Directors.

During the year ended December 31, 2021, the Nomination Committee held one meeting, and considered and passed the proposal on nominating Mr. Wang Bo as general manager and Ms. Zhao Lin as chief accountant. Attendance at the meeting was as follows:

Name of director	Category of director	Meetings attended/ Meetings eligible to attend	Attendance rate
Li Boqian[1]	Independent non-executive Director	1/1	100%
Wang Keling[1]	Non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Sun Hua[2]	Independent non-executive Director	–	–
Xu Bei[2]	Executive Director	–	–

Notes:

1. Mr. Li Boqian and Mr. Wang Keling ceased to be members of the Nomination Committee since November 2, 2021.

2. Mr. Sun Hua and Mr. Xu Bei were appointed as the members of the Nomination Committee since November 2, 2021. Subsequent to their appointments, no Nomination Committee meeting was convened during the year ended December 31, 2021.

2.3 Remuneration and Assessment Committee

The Remuneration and Assessment Committee consists of three Directors: Mr. Yip Wai Ming (independent non-executive Director), Ms. Li Xiaohui (independent non-executive Director) and Mr. Xu Bei (executive Director). Mr. Yip Wai Ming currently serves as the chairman of the Remuneration and Assessment Committee.

The Company has adopted the model recommended by the Remuneration and Assessment Committee to the Board of Directors to determine the remuneration packages of executive Directors and senior management.

The primary responsibilities of the Remuneration and Assessment Committee are formulating the criteria for and conducting assessment on the Directors and senior management as well as determining and reviewing the remuneration policies and plans for the Directors and senior management, including formulating remuneration plans and proposals in accordance with the scope of duties, responsibilities, and roles and positions of Directors and Senior Management as well as the remuneration benchmarks for the relevant positions in other comparable companies; the remuneration plans and proposals include, but not limited to criteria, procedures and main assessment system for performance assessment, main proposals and regulations on award and punishment; reviewing the performance of the Directors and senior management and conducting annual assessment on their performance and results; supervising the implementation of the remuneration policies of the Company; and other matters that the Board of Directors has authorized it to deal with.

During the year ended December 31, 2021, the Remuneration and Assessment Committee held one meeting, deliberated and adopted the proposal on the remuneration standard of Mr. Wang Bo, the general manager, and Ms. Zhao Lin, the chief accountant. Attendance at the meeting was as follows:

Name of director	**Category of director**	**Meetings attended/ Meetings eligible to attend**	**Attendance rate**
Yip Wai Ming	Independent non-executive Director	1/1	100%
Zhang Xi[1]	Executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Xu Bei[2]	Executive Director	–	–

Notes:

1. Mr. Zhang Xi ceased to be a member of the Remuneration and Assessment Committee since November 2, 2021.

2. Mr. Xu Bei was appointed as a member of the Remuneration and Assessment Committee since November 2, 2021. Subsequent to his appointment, no Remuneration and Assessment Committee meeting was convened during the year ended December 31, 2021.

2.4 Art Committee

The Art Committee consists of three Directors: Mr. Wang Bo (executive Director), Mr. Jiang Yingchun (executive Director) and Ms. Zhang Hong (non-executive Director). Mr. Wang Bo currently serves as the chairman of the Art Committee.

The primary responsibilities of the Art Committee are: conducting research and making proposals on the plans for investments and operation of the Company in culture and arts; conducting research and making proposals on important projects which involve culture and arts and need to be approved by the Board of Directors pursuant to the Articles; conducting research and making proposals on important projects of significant international influence; conducting research and making proposals on the projects for which the management consider necessary to obtain the opinions of the Art Committee; presenting suggestions and proposals directly to the Board of Directors if the Art Committee considers it necessary; and other matters that the Board of Directors has authorized it to deal with.

No meeting of the Art Committee was convened during the year ended December 31, 2021. During the year, the Art Committee studied the Company's business plan in culture and art and made relevant suggestions.

2.5 Strategy Committee

The Strategy Committee consists of five Directors: Mr. Zhang Xi (executive Director), Mr. Jiang Yingchun (executive Director), Mr. Wang Bo (executive Director), Ms. Zhang Hong (non-executive Director), and Ms. Li Xiaohui (independent non-executive Director). Mr. Zhang Xi currently serves as the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are: to study and make recommendations on the strategic plan for the Company's long-term development; to consider and make recommendations on the material investments and financing plans which are subject to the Board of Directors' approval, in accordance with the Articles; to consider and make recommendations on material capital operation and asset operating project, which are subject to the Board of Directors' approval, in accordance with the Articles; to study and make recommendations on other material matters that will affect the development of the Company; to review the implementation of above matters; and other matters that the Board of Directors has authorized it to deal with.

During the year ended December 31, 2021, the Strategy Committee held one meeting, deliberated and adopted the proposal on the 14th five year development plan of the Company. Attendance at the meeting was as follows:

Name of director	Category of director	Meetings attended/ Meetings eligible to attend	Attendance rate
Xu Niansha[1]	Executive Director	1/1	100%
Zhang Xi	Executive Director	1/1	100%
Jiang Yingchun	Executive Director	1/1	100%
Huang Geming[1]	Non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Wang Bo[2]	Executive Director	—	—
Zhang Hong[2]	Non-executive Director	—	—

Notes:

1. Mr. Xu Niansha and Mr. Huang Geming ceased to be members of the Strategy Committee since November 2, 2021.

2. Mr. Wang Bo and Ms. Zhang Hong were appointed as the members of the Strategy Committee since November 2, 2021. Subsequent to their appointment, no Audit Committee meeting was convened during the year ended December 31, 2021.

3. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors has confirmed its responsibility for preparing annual financial statements of the Company for the year ended December 31, 2021.

The Board of Directors is responsible for submitting a well-defined assessment on the interim and annual reports, stock price sensitive information, and other matters that need to be disclosed according to the Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information to the Board of Directors so that the Board of Directors is able make informed assessment on the financial data and position of the Company for examination and approval.

The Company does not face any significant uncertainty likely to give rise to the significant doubt of the Company's capability of sustained operations.

4. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has also set guidelines no less exacting than the Standards specified in the Model Code on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors and Supervisors about their compliance with the Model Code, and they all confirmed that they have complied with the standards specified in the Model Code during the Reporting Period.

The Company has made specific inquiries to relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

5. JOINT COMPANY SECRETARIES

On March 31, 2022, Ms. Leung Suet Lun resigned from her position as joint company secretary, authorized representative and representative for receiving legal process documents in Hong Kong. On the same day, the Board passed a resolution to appoint Ms. Ng Sau Mei as the Company's joint company secretary, authorized representative and representative for receiving legal process documents in Hong Kong.

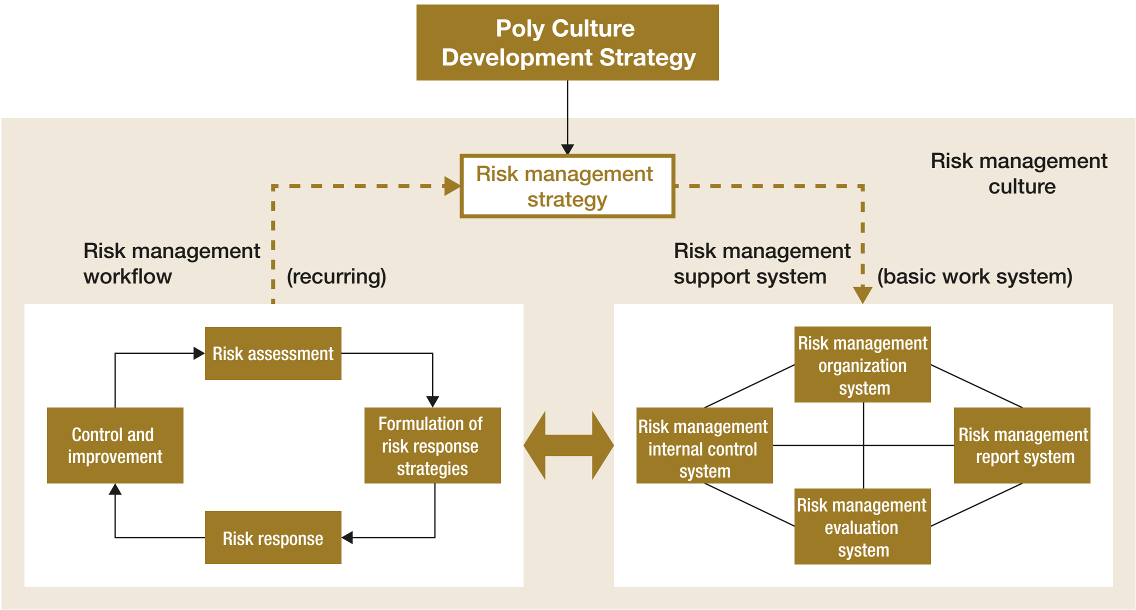
In 2021, Ms. Wang Wei was responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures as well as compliance with relevant laws and regulations. In order to maintain good corporate governance practices and to ensure compliance with the Listing Rules and applicable laws, the Company has also appointed Ms. Ng Sau Mei, the director and the head of the Listing Services Department of TMF Hong Kong Limited (達盟香港有限公司), a company secretarial service provider, as the joint company secretary of the Company to assist Ms. Wang Wei to discharge her duties as the company secretary of the Company. Ms. Wang Wei is Ms. Ng Sau Mei's primary contact person in the Company.

Ms. Wang Wei and Ms. Leung Suet Lun participated in not less than 15 hours of relevant professional trainings in 2021 in accordance with Rule 3.29 of the Listing Rules.

6. INTERNAL CONTROL

The Company has prepared the "Comprehensive Risk Management Manual" which was considered and approved by the third meeting of the second session of the Board. Its aims are to enhance the risk management level of the Company through the establishment and operation of the systematic risk management mechanism (i.e., the comprehensive risk management system), in order to prevent, resolve, and reasonably undertake or exploit the risks faced by the Company to promote sustained, healthy and stable development for the Company.

The Company's comprehensive risk management mechanism mainly comprises four main components: risk management strategies, risk management assurance system, risk management workflow and risk management culture (see below). The four main components are interdependent, interactive and interrelated. They ensure the operation of the Company's comprehensive risk management functions.

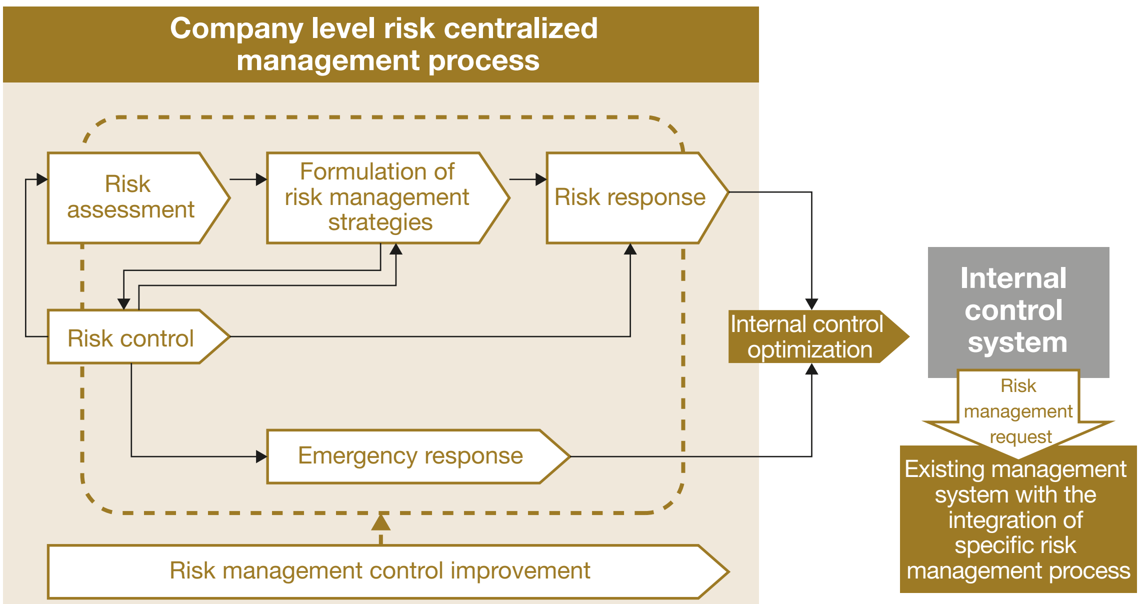


The Company's comprehensive risk management organization is divided into fourtiers, namely risk management decision-making body, comprehensive risk management leading team, risk management executive body and risk management supervisory body, where the risk management executive body is further divided into risk centralized management function department and specific risk management department.

The Board of Directors is the ultimate decision-making body of Poly Culture in respect of risk management. Comprehensive risk management team is responsible for the management and decision-making of the Company's risk management matters and the provision of guidance and coordination to risk centralized management function department, specific risk management department under the authorization of the Board of Directors. The enterprise development department is the risk centralized management function department of Poly Culture, it carries out risk centralized management functions, and is responsible for the centralized management of risk, the organization and arrangement of the Company's cross-divisional and other risk management activities. Specific risk management departments are established under the Company and its Subsidiaries to, on one hand, participate in cross-divisional and other relevant risk management activities at Subsidiary level under the organization and coordination by the risk centralized management function department and, on the other hand, carry out corresponding specific risk management assessments and follow-up measures during the department's operations and management activities.

The audit and supervision department is the risk management supervisory body of Poly Culture, which is responsible for the supervision and inspection of the general operation of the comprehensive risk management of Poly Culture.

The Company refines its risk management process framework by dividing it into risk centralized management process and specific risk management process (see below).



Framework of Risk Management Process of the Company

The risk centralized management process contains six sectors, namely risk assessment, formulation of risk management strategies, risk response, risk control, risk contingency and risk management supervision and improvement. Specific risk management process shall always be integrated into the existing management mechanism, with the relevant management systems and procedural documents of each functional departments and procedures as the main vehicle for implementation.

The Company has established a risk assessment mechanism (see below) to carry out a comprehensive risk assessment for the risks faced by the Company on an annual basis. The Company will formulate risk management strategies and implement risk responses for significant risks identified during the annual risk assessment, which should be prioritized.

1.0 Risk assessment process - annual risk assessment

The Company has established a comprehensive risk management evaluation mechanism to continuously monitor and evaluate the efficiency and effectiveness of risk management. The Company conducts a comprehensive risk management evaluation on an annual basis, evaluates the implementation and completion of risk management tasks of the Subsidiaries and improves and enhance the comprehensive risk management of the Company according to the evaluation results.

Based on the overall operation of the comprehensive risk management mechanism, the Company conducts risk management supervision and evaluation on a regular basis and compiles risk management supervision and evaluation report. The Company commences risk management enhancement pursuant to the advice on improving risk management stated in the report. The audit and supervision department keeps track of the progress of the improvement in risk management and makes adjustments to the plans as needed in a timely manner.

The Company prepares Annual Report on Comprehensive Risk Management on an annual basis. On the basis of in-depth investigation and distribution of risk assessment surveys, the Company identifies the potential risks for the whole year item by item, and rearranges their orders with respect to their importance to explore in-depth the causes of risk and estimates the impact of the risks for the formulation of corresponding solutions and responses to ensure smooth and stable business operations throughout the year, and to minimize the adverse effects brought by the potential risks. Based on the results of the report, the Company will actively formulate responses and pay close attention to the implementation of the plans to ensure that all potential risks are within the controllable range and no major losses will be incurred due to the potential risks throughout the year.

The Directors understand that the Board is responsible for maintaining a sufficient internal control system to safeguard the investments by the Shareholders and the assets of the Company as well as to review the effectiveness of the system on an annual basis. The risk control functions assumed by the Board of Directors are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee assisted the Board of Directors in reviewing the internal control system of our company and affiliated companies' financial monitoring, operation monitoring, compliance monitoring and risk management during the Reporting Period, and found no major problems or major errors in the Company's internal control. The Board believes that the Company's current monitoring system is effective and that the internal control and risk management system is effective and sufficient.

- The Company is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbors set out in the SFO;

- The Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" updated by the Securities and Futures Commission in November 2012 and the Stock Exchange in 2008 respectively; and

- The Company has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior management of the Company is identified and authorized to act as the Company's spokesperson and responds to enquiries in allocated areas of issues.

7. AUDITORS' REMUNERATIONS

For the year ended December 31, 2021, the remuneration to external auditors in respect of their annual audit services was RMB 3.68 million and no non-audit services fees incurred.

8. GENERAL MEETINGS

During the year ended December 31, 2021, the Company convened two general meetings, as detailed below:

Date	Venue	Meetings
June 25, 2021	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	2020 Annual General Meeting
November 2, 2021	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	The 2021 First Extraordinary General Meeting

Attendance by Directors:

Name of director	Position	Meetings attended/ Meetings eligible to attend	Attendance rate
Zhang Xi	Chairman and executive Director	2/2	100%
Jiang Yingchun	Vice chairman and executive Director	2/2	100%
Wang Bo[1]	General manager and executive Director	1/1	100%
Xu Bei[1]	Executive Director	1/1	100%
Zhang Hong[1]	Non-executive Director	1/1	100%
Fu Chengrui[1]	Non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	2/2	100%
Sun Hua[1]	Independent non-executive Director	1/1	100%
Yip Wai Ming[2]	Independent non-executive Director	1/2	50%
Resigned Directors			
Xu Niansha[3]	Chairman and executive Director	0/1	0%
Li Weiqiang[3]	Executive Director	0/1	0%
Huang Geming[4]	Non-executive Director	1/1	100%
Wang Keling[4]	Non-executive Director	1/1	100%
Li Boqian[5]	Independent non-executive Director	0/1	0%

Notes:

1. Mr. Wang Bo, Mr. Xu Bei, Ms. Zhang Hong, Mr. Fu Chengrui and Mr. Sun Hua were appointed as Directors on November 2, 2021. Subsequent to their appointment, only one Board meeting was convened during the year ended December 31, 2021.

2. Mr. Yip Wai Ming was not able to attend the 2020 annual general meeting on June 25, 2021 due to travel restriction in relation to the COVID-19 pandemic.

3. Mr. Xu Niansha and Mr. Li Weiqiang were not able to attend the 2020 annual general meeting on June 25, 2021 due to other work arrangement. Mr. Xu Niansha and Mr. Li Weiqiang ceased to be Directors since November 2, 2021.

4. Mr. Huang Geming and Mr. Wang Keling ceased to be Directors since November 2, 2021.

5. Mr. Li Boqian was not able to attend the 2020 annual general meeting on June 25, 2021 due to health reason, and Mr. Li Boqian ceased to be as a Director since November 2, 2021.

9. COMMUNICATIONS WITH SHAREHOLDERS

The Company continuously attaches great importance to maintaining and developing investor relations for a long time, enhances transparency of the corporate information by promptly and effectively releasing the corporate information to the public, and has established effective channels for the Company to communicate with the investors.

9.1 Shareholders' Rights

Where the Company convenes a general meeting, a notice of the meeting in written form and in electronic form (by publishing announcement on, including but not limited to, the websites of the Stock Exchange for information disclosure and the Company) shall be given not less than 45 days before the date of the meeting to notify all of the Shareholders in the Shareholders' register of the matters to be considered and the date and venue of the meeting to be held. Any Shareholder intending to attend the meeting shall deliver to the Company a written reply showing his/her intention to attend at least 20 days before the meeting.

Shareholder(s) holding more than 10% of the Shares, individually or jointly, have the right to request the Board of Directors to convene an extraordinary general meeting or class Shareholders' general meeting, which shall be made in writing to the Board of Directors. The Board of Directors shall provide its written feedback on agreeing or disagreeing to convene an extraordinary general meeting or a class general meeting within 10 days after receiving the proposal in accordance with the provisions of laws, administrative regulations and the Articles.

If the Board of Directors agrees to convene an extraordinary general meeting or a class Shareholders' general meeting, a notice of general meeting shall be issued within 5 days after the resolution of the Board of Directors meeting is made. For changes in the original proposal, prior consent of the Shareholders who make related proposals shall be acquired.

If the Board of Directors disagrees to convene an extraordinary general meeting or a class Shareholders' general meeting, or does not provide feedback within 10 days after receiving the proposal, Shareholders' holding more than 10% of the Shares, individually or jointly, shall have the right to request the Board of Supervisors in writing to convene an extraordinary general meeting or a class Shareholders' general meeting.

According to the Articles, Shareholders who individually or collectively holding more than 3% of the Shares may submit written provisional proposal to the convener 10 days before a Shareholders' general meeting is convened. The convener shall serve a supplementary notice of shareholders' general meeting to other Shareholders within two days after receipt of a proposal and include it for consideration at the general meeting.

9.2 Inquiry and Communication of Shareholders

The Company releases its announcements, financial data and other relevant data on its website at www.polyculture.com.cn, which serves as a channel facilitating effective communication. The Shareholders may send any inquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all inquiries in time.

The Board of Directors welcome suggestions from Shareholders, and encourages Shareholders to attend general meetings to directly express misgivings that they may have to the Board of Directors and the management. Usually, the chairman of the Board of Directors and the chairmen of respective committees would attend annual general meetings and other general meetings to answer questions raised by Shareholders.

Detailed voting procedure and resolutions to be voted on are set out in the circular to Shareholders despatched previously.

10. INVESTOR RELATIONS

The Company considers it crucial to provide investors with accurate information in a timely manner and maintain communication with investors through effective communication channels, with an aim to enhance mutual understanding between investors and the Company and improve the transparency of the Company's information disclosure.

In accordance with the Listing Rules, the Company shall duly disseminate its corporate information via various channels. Such channels include annual reports, announcements and the Company's website. After formal announcement of its results in accordance with the Listing Rules, the Company will arrange for meetings during which the management will answer questions from investors. The Company will meet overseas investors and facilitate communication with them through analysts' conference and roadshows.

11. CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2021, there was no change to the Articles. The Articles are available on the websites of the Stock Exchange and the Company.

DIRECTORS

Executive Directors

Mr. Zhang Xi, aged 59, joined the Company in December 2014 and has been an executive Director of the Company since then. Mr. Zhang has been the vice general manager of Poly Group and the curator of Poly Art Museum (保利藝術博物館) since September 2014. Mr. Zhang joined Poly Group since 1996 and successively served as the project manager of finance department of Poly Group, the chief accountant of Poly Plaza Co., Ltd. (保利大廈有限公司), the vice general manager and the general manager of Poly Finance Co., Ltd. (保利財務有限公司), the assistant to general manager of Poly Group and the chairman of Poly Energy Holdings Co., Ltd. (保利能源控股有限公司). Mr. Zhang served as the vice general manager and the chief accountant of Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600048). Mr. Zhang has been the chairman of Beijing New Poly Plaza Real Estate Development Co., Ltd. (北京新保利大廈房地產開發公司), a director of Poly United Chemical Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002037). Mr. Zhang obtained a bachelor's degree in economics and was granted the qualification of senior accountant.

Mr. Jiang Yingchun, aged 53, joined the Company in December 2001, and has been an executive Director since December 2010 and vice chairman of the Company since November 2021. Mr. Jiang served as assistant to general manager of the Company from December 2001 to February 2007, vice general manager from February 2007 to November 2010. Mr. Jiang served as the general manager from December 2010 to August 2021. Mr. Jiang is currently the chairman of Poly Auction Beijing, Poly Auction Hong Kong, Poly Art Centre and Poly Culture North America Investment Corporation Limited. Mr. Jiang holds a bachelor's degree in History majoring in archaeology and librarian professional qualification.

Mr. Wang Bo, aged 38, joined Poly Group in July 2014 and he has successively served as the deputy secretary of the Discipline Inspection Commission of Poly Group and the secretary of the Party Committee and the director of Poly Energy Holdings Co., Ltd. (保利能源控股有限公司), the deputy secretary of the Party Committee, the secretary of the Discipline Inspection Commission, the director, the general manager of China Silk Corporation (中國中絲集團有限公司) ("China Silk Group"), the general manager assistant of Poly Group and the secretary of the Party Committee and the chairman of China Silk Group. Mr. Wang has served as the secretary of the Party Committee and the general manager of the Company since August 2021. Mr. Wang is a member of the Standing Committee of All China Youth Federation and the vice chairman of China Chamber of International Commerce. Mr. Wang holds a bachelor's degree in journalism and a senior title of chief reporter.

Mr. Xu Bei, aged 55, joined the Company in November 2018. Mr. Xu successively served as the office director and the secretary of the board of China Orient Telecomm Satellite Company Limited, the manager of general management department of China Direct Broadcast Satellite Company Limited, the deputy director of corporate development department of China Satellite Communication Co., Ltd., the deputy general manager and general manager of corporate strategy and development department of Poly Technologies Inc., the deputy director and the director of the party and mass work department of Poly Group. Mr. Xu currently serves as the deputy secretary of the Party Committee of the Company and the chairman of the labour union of the Company. Mr. Xu holds a doctoral degree in management and has been granted the qualification of senior engineer and senior policy advisor.

Non-executive Directors

Ms. Zhang Hong, aged 57, joined the Company in November 2021. Ms. Zhang successively served as the office head of Beijing Radio Instrument Factory No. 2, the head of general manager office, the head of the Party Committee office and the assistant to the general manager of China Scientific Equipment Import and Export Company, and the assistant to the general manager, deputy general manager, member of the Party Committee, deputy secretary of the Party Committee and vice chairman of China National Arts & Crafts (Group) Corporation. Ms. Zhang currently serves as the supervisor of Poly International and the director of China Silk Group.Ms. Zhang has a master's degree in business administration.

Mr. Fu Chengrui, aged 47, joined the Company in November 2021. Mr. Fu successively served as the finance manager of Poly Construction Developments Company (保利建設開發總公司), the finance head of the Second Engineering and Business Division, the project manager of the Finance and Accounting Division, the director of Accounting Division, the deputy general manager of the Finance and Accounting Division of Poly Technologies, Inc., the chief accountant of Poly Energy Holding Co., Ltd., the deputy director of the finance department of Poly Group, the chief accountant of Poly Chemical Holding Corporation, the member of the Party Committee, the chief accountant and the deputy general manager of Poly Permanent Union Holding Group Limited, and the chief accountant of Poly Union Chemical Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002037). Mr. Fu currently serves as the director and the chief accountant of Poly International. Mr. Fu has a master's degree in business administration.

Independent non-executive Directors

Ms. Li Xiaohui, aged 54, joined the Company in December 2010 and has been an independent non-executive Director since then. Ms. Li has served as a professor and doctoral tutor of the School of Accountancy of the Central University of Finance and Economics since January 2007 and a member of the Professional Technology Consultancy Committee of the Association of Registered Accountants of the PRC (中國註冊會計師協會專業技術諮詢委員會). Ms. Li is currently an independent non-executive director of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601328; a company listed on the Stock Exchange, stock code: 3328), State Grid Information & Telecommunication Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600131), BBMG Corporation (a company listed on the Shanghai Stock Exchange, stock code: 601992; a company listed on the Stock Exchange, stock code: 2009) and Fangda Special Steels Technology Co., Ltd. (方大特鋼科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600507), and the external supervisor of Bank of Beijing Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601169). Ms. Li holds a doctoral degree in economics.

Mr. Sun Hua, aged 62, joined the Company in November 2021 and has been an independent non-executive director since then. Mr. Sun has served as a teacher in Peking University since he graduated from Peking University with a master's degree in Archaeology in 1987. Mr. Sun currently serves as the chairman of the Academic Committee of School of Archaeology and Museology of Peking University, the academic member of the Department of Science under the School of Humanities, Peking University, the member of the Talent Employment Team of Peking University. Mr. Sun has also served as the member of the Disciplines Evaluation Panel of the State Council (Archaeology), the member of the Leading Group of National Planning on Collation and Publication of Chinese Ancient Books, and the standing director of the China Cultural Relics Academy, etc. Mr. Sun once served as the deputy president of the School of Archaeology and Museology of Peking University. Mr. Sun holds a master's degree in archaeology, is a professor, doctoral tutor and an expert and scholar in archaeology and cultural heritage protection of Peking University.

Mr. Yip Wai Ming, aged 57, joined the Company in December 2013 and has been an independent non-executive Director since then. Mr. Yip is currently an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the Stock Exchange, stock code: 3336), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the Stock Exchange, stock code: 327), Far East Horizon Limited (遠東宏信有限公司) (a company listed on the Stock Exchange, stock code: 3360), Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639), Huobi Technology Holdings Limited (火幣科技控股有限公司) (a company listed on the Stock Exchange, stock code: 1611) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the Stock Exchange, stock code: 9996). Mr. Yip is a member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Yip holds a bachelor's degree in social science and a bachelor's degree in law.

SUPERVISORS

Mr. Li Wenliang, aged 51, joined the Company in November 2021 and has served as the chairman of the Board of Supervisors since then. Mr. Li successively served as a cadre in the International Market Development Division of China National Tourism Administration, the vice president of China Travel Network Company Limited, the vice general manager of Beijing BTGACCOR Travel Agency Co., Ltd., the chief marketing officer of BTG International Travel & Tours Co., Ltd. (北京神舟國際旅行社集團有限公司), the director of China Council for the Promotion of International Trade Beijing Sub-council (北京市貿促會), the director of the International Liaison Office and International Communication Division 1 of the Foreign Affairs Office of the People's Government of Beijing Municipality, the director of the Foreign Affairs Department, a deputy head of the Counsellor Affairs Department 2 and the Culture and History Affairs Department of the Counsellors' Office of the State Council, the deputy director of Chinese Cultural Research and Communication Center (中國國學研究與交流中心) of Ministry of Culture and Tourism, the secretary of the Discipline and Inspection Commission and the director of the office (the Party Office) of Chinese Academy of History of the Chinese Academy of Social Sciences, the vice president of the Strategy Research Institute of Poly Group (the Policy Research Division) (the deputy director). Mr. Li currently serves as the secretary of the Discipline and Inspection Commission and the chairman of the Board of Supervisors of the Company. Mr. Li holds a doctor's degree in science.

Mr. Ma Wenxu, aged 51, joined the Company in November 2021 and has been a Supervisor since then. Mr. Ma successively served as the section officer of the second equipment division of the Ministry of Mechanical and Electronic Industry, the deputy chief section officer and chief section officer of the Major Equipment Division of the Ministry of Mechanical Industry, the project manager of China National Construction and Agricultural Machinery I/E Corporation, the project manager of China CAMC Engineering Co., Ltd., the project manager of International Engineering Department of China Worldbest Group Co., Ltd., the project manager, the division director and the deputy general manager of the Overseas Engineering Division of Poly Technology Co., Ltd., the deputy general manager of the Overseas Engineering Division of Poly International. Mr. Ma currently serves as the general manager of risk management department of Poly International. Mr. Ma has a master's degree in economics.

Mr. Wang Fuqiang, aged 52, joined the Company in January 2011 and has been the deputy director of Audit Department of the Company. Mr. Wang holds a college degree in accounting. He was granted the qualification of certified accountant and he holds the title of senior accountant.

SENIOR MANAGEMENT

Mr. Li Weiqiang, aged 50, joined the Company in 2002 and was appointed as the executive vice general manager of the Company in November 2018 and as the executive Director of the Company from June 2019 to November 2021. Mr. Li also serves as the the chairman of Poly Film, Poly Shixun Technology (Beijing) Co., Ltd. and Chongqing Poly Wanhe Cinema Circuit Co., Ltd., a non-executive director of Digital Domain Holdings Limited (a company listed on the Stock Exchange, stock code: 547) a director of Straco Corporation Limited (新加坡星雅集團) and a director of Poly Theatre Management. Mr. Li holds a doctoral degree in management and is a senior economist.

Ms. Wang Wei, aged 54, joined the Company in June 2010 and has been the chief financial officer since April 2013. She has been the vice general manager of the Company since January 2016, has been the joint company secretary and the secretary to the Board of Directors since January 2017 and has been serves as a General counsel since September 2021. Ms. Wang also serves as a director and the general manager of Poly Auction Beijing, the chairman of Poly Ronghe Financial Leasing and Beijing Poly Art Investment Management, and a director of Poly Theatre Management and Poly Auction Hong Kong. Ms. Wang holds a bachelor's degree in engineering and qualification as a senior accountant.

Mr. Guo Wenpeng, aged 52, joined the Company in 2003 and has served as the vice general manager since August 2015. Mr. Guo also serves as the chairman of Poly Theatre Company, Beijing Poly Music Art and Poly Art Education and a director of Poly Film. Mr. Guo has obtained a master's degree in economics.

Ms. Zhao Lin, aged 52, joined the Company as chief accountant in August 2021. Ms. Zhao has successively served as deputy director, general director and deputy chief accountant of the Finance Department of China New Era Technology Co., Ltd., deputy chief accountant and general manager of the Finance Department of Poly International Holdings Co., Ltd., and deputy chief accountant and general manager of the Finance Department of Poly Technology Co., Ltd. Ms. Zhao holds a master's degree in management, and is a senior accountant, certified public accountant and certified tax agent.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

On November 2, 2021, the election of the fourth session of the Board was completed at the 2021 first extraordinary general meeting of the Company. Mr. Zhang Xi, Mr. Jiang Yingchun, Mr. Wang Bo, Mr. Xu Bei, Ms. Zhang Hong, Mr. Fu Chengrui, Ms. Li Xiaohui, Mr. Sun Hua and Mr. Yip Wai Ming were appointed as the Directors of the fourth session of the Board, with effect from the date of approval by the general meeting for a term of three years. The Directors may be re-elected after the expiry of their terms of office. Since the establishment of the new session of the Board, Mr. Xu Niansha ceased to serve as a Director due to age reason, Mr. Huang Geming, Mr. Li Weiqiang and Mr. Wang Keling ceased to serve as Directors due to work arrangement, and Mr. Li Boqian ceased to serve as a Director due to age and health reasons. At the first meeting of the fourth session of the Board held immediately after the 2021 first extraordinary general meeting of the Company, the Board agreed to appoint Mr. Zhang Xi as the chairman of the fourth session of the Board, and appoint Mr. Jiang Yingchun as the vice chairman of the fourth session of the Board, with effect from November 2, 2021, whose terms of office will last until the expiry of the service term of the fourth session of the Board. On the same day, the Board agreed to appoint the members of the Audit Committee, Nomination Committee, Remuneration and Assessment Committee, Art Committee and Strategy Committee under the fourth session of the Board, with effect from November 2, 2021, whose terms of office will last until the expiry of the fourth session of the Board.

Supervisors

On November 2, 2021, the election of the fourth session of the board of supervisors of the Company was completed at the 2021 first extraordinary general meeting of the Company. Mr. Li Wenliang and Mr. Ma Wenxu were appointed as the shareholder supervisors of the fourth session of the Board of Supervisors, with effect from the date of approval by the general meeting for a term of three years. The supervisors may be re-elected after the expiry of their terms of office. Since the establishment of the new session of the Board of Supervisors, Mr. Chen Yuwen and Mr. Hou Hongxiang ceased to serve as supervisors of the Company due to work arrangement. Through democratic election procedures at the employee representative meeting of the Company, Mr. Wang Fuqiang was appointed as the employee representative supervisor of the fourth session of the Board of Supervisors for a term of three years, subject to re-election after the expiry of his term of office. At the first meeting of the fourth session of the Board of Supervisors held immediately after the 2021 first extraordinary general meeting of the Company, the Board of Supervisors agreed to appoint Mr. Li Wenliang as the chairman of the fourth session of the Board of Supervisors, with effect from November 2, 2021, whose term of office will last until the expiry of the service term of the fourth session of the Board of Supervisors.

Senior Management

On August 31, 2021, the Board passed a resolution and agreed to appoint Mr. Wang Bo as the general manager of the Company. His appointment took effect from August 31, 2021 and the term of office will be three years; agreed to appoint Ms. Zhao Lin as the chief accountant of the Company. Her appointment took effect from August 31, 2021 and the term of office is three years. On March 31, 2022, the Board passed a resolution to appoint Ms. Ng Sau Mei as the Company's joint company secretary, authorized representative and agent for service of process in Hong Kong. Before that, Ms. Leung Suet Lun had proposed to resign from her position as joint company secretary, authorized representative and agent for service of process in Hong Kong due to change of work allocation, with effect from March 31, 2022.

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Principles of reporting

This Environmental, Social and Governance Report (also referred as "**ESG Repor**t") is prepared in accordance with the Environmental, Social, and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange.

Reporting period

From January 1, 2021 to December 31, 2021.

Reporting scope

Including Poly Culture and its Subsidiaries.

Data sources

The ESG Report authentically reflects the ESG activities carried out by us. Adhering to the principle of Materiality, Quantitative, Balance and Consistency in the Environmental, Social, and Governance Reporting Guide, the report adopts the information and data in the official documents and statistics reports of the Company and its Subsidiaries.

Materiality: Identify major issues of the ESG Report through communication with stakeholders and disclose these issues in this report;

Quantitative: Objectively evaluate the Company's ESG Report through quantitative data;

Balance: Reveal the current situation of the Group's ESG management in a fair and objective manner;

Consistency: The disclosure standards and statistical methods maintained consistent in prepation of the ESG Report.

Responsibility Management

The Group attaches importance to the harmonious development of the Company and the society, combines the concept of sustainable development with the Company's development strategy and business objectives, and gradually improves the working system of sustainable development strategy. The ESG-related affairs of the Group are led by the Board of Directors and handled by the authorization of the Board of Directors, and a three-tier management structure consisting of the Board of Directors, the ESG Report Working Group, functional departments and subsidiaries has been formed to ensure the smooth implementation of the ESG work of the Company. The Board of Directors is responsible for supervising and examining and approving the ESG management policy and the sustainable development strategy, leading the sustainable development direction of the Group, regularly checking the progress of environment, society and governance and the achievement of objectives, and examining and approving the ESG reports submitted by the ESG Report Working Group. The ESG Report Working Group consists of the representatives from the Office of the Board of Directors, the enterprise development department, the human resources department, party and mass work department, the discipline inspection and supervision department and the audit department, and is responsible for identifying important stakeholders, preparing the list of important issues and analysis reports, etc., and comprehensively implementing the ESG-related management. The functional departments and subsidiaries are responsible for collecting relevant information, implementing the ESG daily work, and report the progress to the ESG Report Working Group.

Communication with stakeholders

Communication with stakeholders is the foundation of corporate sustainability. According to the characteristics of the industry, and in combination with our own operating characteristics, we have established a multi-level and multi-channel communication mechanism to communicate effectively with all stakeholders, including investors, customers, employees, suppliers and partners, governments and regulatory authorities, media and the public. Stakeholders can provide opinions and suggestions for sustainable development from the following ways:

Stakeholder Category	Communication Mode
Investors	Enterprise communication Shareholders' general meeting Conferences for result announcement Investor hotline and e-mail
Customers	Daily communication Customer satisfaction surveys
Employees	Employees' representatives conference Labour union Education and training Employee activity
Suppliers and partners	Procurement and bidding Strategic cooperation agreement Participation in industry exchanges Business conference
Governments and regulatory authorities	On-site investigation and inspection Forums and seminars Submitting written reports Daily communication
Media and the public	Auctions and press conferences Media interview Charitable donation Cultural public welfare activities

Materiality Assessment and Key Issues Identification

The ESG Report discloses information which is in compliance with the materiality principle for the preparation of ESG report in the Environmental, Social, and Governance Reporting Guide to ensure the content disclosed can both reflect the strategic priorities of the Company and the concerns of key stakeholders (Shareholders, customers, employees, suppliers and partners, etc.). Based on the existing business of the Group, we identified potential social, environment and governance issues, and taking into account the business operation, industry development trend and the material issues identified and determined in the previous year, we reviewed and updated the material social, environment and governance issues for the year. We conducted a specific survey on the key stakeholders of the Group and identified the main concerns of the internal and external stakeholders, including compliance operation, risk management, social responsibility, use of resources, development and training, etc.

Compliance Operation

The Group is committed to achieving and maintaining a high level of corporate governance to meet business needs and Shareholders' requirements. In accordance with the Company Law of the People's Republic of China, the Securities Law, the Listing Rules and other laws and regulations, the Group has formulated a series of systems, established and improved a corporate governance structure with the Shareholders' general meeting as the Company's highest authority, the Board of Directors as the Company's decision-making core and the Board of Supervisors as the Company's supervisory body, and defined the responsibilities and powers in decision-making, execution and supervision, so as to form a scientific and effective mechanism of division of responsibilities and checks and balances. The Board of Directors has five special committees, namely, the Strategy Committee, the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Art Committee, which perform their respective duties and work together. The Board of Supervisors, the audit department and the discipline inspection and supervision department form a supervision system to strengthen the vertical supervision of subsidiaries and the professional supervision of various business sectors.

Risk Management

The Company has prepared the Comprehensive Risk Management Manual, which aims to improve the risk management level of the Company by establishing and operating a systematic risk management mechanism (i.e. comprehensive risk management system), effectively prevent and dissolve the risks, and reasonably expose or make use of the risks faced by the Company, so as to promote the sustained, healthy and stable development of the Company. For details, please refer to the internal control in the Chapter headed "Corporate Governance Report" of the 2021 Annual Report of the Company.

Environment

The Company has learnt, promoted and strictly complied with relevant laws and regulations regarding environmental protection, energy conservation and emission reduction (including but not limited to The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), The Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), insisted on the concept of scientific and green development, effectively saved resources, and simplified processes, so as to create values for the enterprise.

Waste Emission

In view of its business nature, the main non-hazardous wastes of the Company include used daily office supplies and daily necessities. We make great efforts to recycle the wastes and deliver the non-recyclable wastes to Municipal Sanitation Department to dispose in the way of landfill or incineration, and thus cannot count the quantity. During the Reporting Period, the Company was not aware of any significant hazards caused by any hazardous wastes and packaging materials used in any manufactured products and there was also no significant emission of waste gas or waste water.

In order to ensure maximum control of wastes and proper disposal of them, and to reduce waste pollution to the Company and its' surroundings, we implement the following measures:

Actively propose economical, green and low-carbon production and office mode, promote paperless office, establish and use OA office system, advocate to reuse of office paper, collect waste paper for recycling. The wastes in the office area and the business premises are handled by the departments for centralize storage and handling, and the cleaning is carried out by the cleaners.

Advocate staffs to change bad consumption pattern and living habits to put an end to waste. The wastes in the canteen area should be managed uniformly and handled rationally by the canteen.

The responsible department of the Company organizes regular safety training to enhance the staff's skills and safety awareness.

Greenhouse gas emission

The Company strives to reduce greenhouse gas by reducing the consumption of energy and water. Our carbon emissions come from energy consumption including use of electricity purchased from power companies and use of water. During the Reporting Period, the energy consumed by us was mainly purchased electricity and water. Pursuant to the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change under the National Development and Reform Commission of the PRC, the indirect greenhouse gas emission in the financial year 2021 amounted to 71.3 thousand tons of carbon dioxide.

Use of Resources

The main energy consumption of the Company is electricity and water. The water consumed by the Group is mainly the domestic water, and it is sourced from the municipal pipe network, which can satisfy the water demand of daily operation. During the Reporting Period, the energy consumption of the Company was as follows:

Energy consumption	Unit	Quantity
Natural gas	m^3/year	1,277,200
Electricity	kwh/year	122,746,780
Area of operating buildings	square meter (m^2)	2,866,902
Energy intensity of operating buildings	kwh/m^2/year	43
Water	m^3/year	1,514,163
Water intensity	m^3/m^2/year	0.53

Note: Some of the Group's theaters and offices are in a comprehensive business complex and energy consumption cannot be calculated separately.

To reduce energy consumption and increase energy efficiency, we implement the following measures:

The Company's lighting facilities use energy-saving equipment as much as possible to adjust and control the air-conditioning operating temperature in each office area, and strictly manage power-consuming equipment to reduce the waste of power resources.

The Company puts up slogans such as saving electricity and saving water in the office area to improve the awareness of energy conservation among employees and customers.

The Company suggests that our employees go out on foot or by public transportation and encourages our employees to travel in economy class to reduce carbon emissions.

All of the Company's business premises implemented the environmental and fire protection inspection policies strictly in compliance with national requirements in order to prevent the occurrence of environmental and safety issues at the source.

Through the above measures, we effectively manage the use of resources such as water and electricity in our operations, fully reuse recyclable waste, and reduce the amount of paper used for printing, to further save resources and protect the environment, and reduce the greenhouse effect. The Group will pay close attention to and actively respond to the national environmental protection policies and guidelines, gradually reduce the annual carbon emission density, electricity consumption density and water consumption density, improve the efficiency of resource use, and endeavor to reduce the impact of the Company's operations on the environment.

Environment and natural resources

Most of our offices are located in the business areas of cities, which are not belong to forest resource area, thus without material impact to the environment and natural resources.

Combating Climate Change

Climate change has become the focus of widespread social concern, and extreme weather caused by climate change has become more and more frequent. The Group understands the importance of combating climate change, and identifies acute or chronic climate risks such as hurricanes, rainstorms, floods, fires, hail and scorching weather. Acute risks will bring safety problems to the audiences of the Group's theatres and studios. We have formulated relevant emergency plans and evacuation guidelines. All theatres and studios have established safety committees, equipped with safety management personnel, and set up emergency teams such as fire fighting team, evacuation team and ambulance team to ensure the safety of the audiences and staff.

On 20 July 2021, Zhengzhou City, Henan Province suffered from an extreme rainstorm. The rainfall was wide in scope, strong in intensity and long in duration. Henan Poly Art Center Management Co., Ltd. quickly established an emergency response team for flood control and rescue, led the staff not to scare of danger, devote to their duties and work hard to ensure the safety of Henan Art Center. This climate change did not cause the death or missing of the employees of the Group.

STAFF POLICY

The Company has established good staff training system to facilitate their career development and improve their work-life balance, and will explore and construct a middle to long-term incentive mechanism, striving to create a good environment for innovative development and growth sharing.

In 2021, the Company focused on the construction of three teams, striving to strengthen the construction of management talents, professional and technical teams, and skilled talents. Meanwhile, all business sectors strengthened learning exchanges, learned from each other's strong points, and made efforts to build a learning-oriented enterprise, constantly improving personal comprehensive quality and accomplishment, business level and professional skills, so as to realize the common growth of individuals and enterprises. The Company continued to carry out online training courses with the theme of "fighting the pandemic and improving internal strength", the contents of which focused more on business areas, including industry research on the Company's existing business such as the Cultural Industry Information, the Poly Auction Briefing, etc., and research on expanding new businesses such as the Rule Breakthrough and Establishment of Red Tourism Development, the Review of the Current Status of VR/AR Industry Development and the Strategic Layout of Important Enterprises, etc., so as to lay a solid foundation for improving the management and control level of the Company's functional departments. In 2021, the Company conducted 37 sessions of the "Lecture per Week" training in total, with more than 8,000 people participating in the training.

The Company strictly complies with the laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, and has formulated the "Regulation on the Management of Labour Contract for Poly Culture Group Corporation Limited" and the "Code of Conduct for Poly Culture Group Corporation Limited" in accordance with the laws and the practical conditions of the Company, covering aspects such as recruitment and employment, labour relations management, work time attendance and leave management, reward and punishment management, and remuneration and welfare. At the same time, the Company respects the protection of the legitimate rights and interests of employees, constantly improves the employment management system and establishes a good supervision and protection system on the rights and interests of employees.

We strive to build a comfortable and healthy working and living environment to promote employees' physical and mental health. Strictly abiding by the Labour Law of the People's Republic of China, the Prevention and Control of Occupational Diseases Law of the People's Republic of China and relevant local regulations, the Company and the domestic entities mentioned in the report constantly improve the employees' health management and organize health checkups for employees. Its Subsidiaries also formulate the corresponding requirements and measures for implementation to ensure employees' physical and mental well-being.

The Group strictly complies with the Law of the People's Republic of China on the Protection of Minors, the Provisions of the People's Republic of China on the Prohibition of Using Child Labor and other relevant national laws and regulations, and puts an end to the employment of child labor. In the recruitment process, the Group will review the identity documents of employees to ensure compliance with the legal requirements of working age. The Group prohibits any form of forced labor, and respects the right of employees to join associations and trade unions freely. In case of any child labor or forced labor, the Group will assist the injured employees to report to the police or the competent labor department in accordance with the relevant national laws and regulations, and fully cooperate with the police or the competent labor department in investigation to investigate the responsibilities of the handling persons. During the Reporting Period, the Group did not employ child labor, forced labor or discriminate against employees.

Staff grouping

As of December 31, 2021, the Group has 7,905 employees in total.

By employment type		
Full-time	Headcounts	7,278
Part-time	Headcounts	627
By gender		
Male	Headcounts	3,879
Female	Headcounts	4,026
By age		
Below 30	Headcounts	3,494
30-50	Headcounts	3,777
50 or above	Headcounts	634
By region		
Beijing	Headcounts	772
Other regions of the Mainland China	Headcounts	7,056
Hong Kong, Macau, and Taiwan regions	Headcounts	72
Other regions	Headcounts	5

Number of employee turnover

For the year ended December 31, 2021, the number of loss in the Group's employees was 2,056, represents a turnover ratio of 27.29%. The mobility of the services and security personnel employed by theaters and studios is relatively high mainly due to the nature of the Group's business.

By gender		
Male	Headcounts	1,105
Female	Headcounts	951
By age		
Below 30	Headcounts	1,658
30-50	Headcounts	359
50 or above	Headcounts	39
By region		
Beijing	Headcounts	91
Other regions of the Mainland China	Headcounts	1,953
Hong Kong, Macau, and Taiwan regions	Headcounts	11
Other regions	Headcounts	1

Number of newly hired employees

For the year ended December 31, 2021, the number of the Group's newly hired employees was 2,046.

By gender		
Male	Headcounts	985
Female	Headcounts	1,061
By age		
Below 30	Headcounts	1,351
30-50	Headcounts	590
50 or above	Headcounts	105
By region		
Beijing	Headcounts	128
Other regions of the Mainland China	Headcounts	1,918
Hong Kong, Macau, and Taiwan regions	Headcounts	0
Other regions	Headcounts	0

Staff training

For the year ended December 31, 2021, a number of 6,644 employees in total joined the training.

By gender		
Male	Headcounts	3,277
Female	Headcounts	3,367
By duty		
Senior management officers	Headcounts	144
Mid-level management officers	Headcounts	630
Other	Headcounts	5,836

For the year ended December 31, 2021, by gender and duty, the average hours of each employee's training completed:

By gender		
Male	Average hours	39.56
Female	Average hours	39.93
By duty		
Senior management officers	Average hours	34.40
Mid-level management officers	Average hours	46.40
Other	Average hours	38.30

Occupational health and safety

On one hand, the Company has arranged annual health check and health and safety education courses for staff to minimize their health risks. On the other hand, the Company has strived to create a safe and protected work environment for all its staff, strictly carried out the regulatory authority's decisions and arrangements in relation to strengthening the work safety, actively implemented various measures of work safety. The Company recorded zero accident in relation to work safety during the year. There was no fatality incident due to work related causes from 2019 to 2021.

	Number of person	Percentage
Injury at work		
Lost days due to work injury	839	N/A
Number of work-related fatalities	0	N/A

SUPPLY CHAIN MANAGEMENT

The main product and service suppliers of the Group include domestic and foreign performance groups, cinema companies, artwork holders, decoration builders, printers and others. In particular, it is difficult to count the number of domestic and foreign performance groups and artwork holders as they are relatively fragmented. The Group has formulated management systems such as the Interim Measures for Supervision of Bidding Effectiveness and the Centralized Procurement Management Regulations, which have defined our principles and management procedures in the bidding and procurement process. We are committed to establishing good long-term cooperative relationships with suppliers, carefully selecting suppliers with high credibility and reliability of products and services, and giving priority to suppliers with good records in labor management, environment and safety management, so as to minimize the adverse impact on the environment and society. The Audit Department also regularly checks the relevant purchase prices (including the social responsibility of suppliers).

SERVICE AND PRODUCT RESPONSIBILITY

In terms of service management, Poly Theatre, a subsidiary of the Group, drafted and prepared a group standard (10206-2021)-Implementation Guide of Evaluation of Theatre Service Quality. These Standards are the first recommended group standards for services formulated by the China Association for Quality in the theater industry. On the basis of the application and implementation of Poly Theatre, the standard pilot demonstration work will be promoted and applied in more than 70 Poly theatres nationwide, followed by implementation and continuous improvement by the member units recommended by the Theater Committee of the China Association of Performing Arts.

In terms of handling of customers' feedback and complaints, we are committed to maintaining a good customer relationship, unblocking customer complaint channels, standardizing the handling of customers' complaints, responding and solving problems in a timely manner to meet customer needs.

In terms of management of intellectual property rights, the Company pays attention to the maintenance and protection of intellectual property rights, strictly complies with the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other laws and regulations, and prevents any infringement. The Group prohibits employees from installing unauthorized computer application software to protect intellectual property rights.

In terms of data privacy, the Group attaches great importance to information security and customer privacy protection, strictly complies with laws and regulations such as the Personal Information Protection Law of the People's Republic of China and the Cybersecurity Law of the People's Republic of China and has established a sound information security and privacy protection mechanism to fully protect the security of customers' personal information and prevent the leakage of customers' personal information.

As the Group is not a production-oriented enterprise, the proportion of packaging material used for finished products per production unit, the quality inspection process and the product recovery procedure, and the percentage of total products sold or shipped subject to recalls for safety and health reasons are not applicable to the Group.

WORK SAFETY

The cinemas and theatres operated by the Company are crowded locations where the pressure of work safety maintenance is higher. The Company strictly standardized management, strengthened awareness of work safety, and adopted measures, such as establishing safety committees at various levels, building up rules and systems, and conducting safety spot checks and fire drills, to ensure operating safety.

For the year ended December 31, 2021, the Company has set up more than 140 safety committees, deployed more than 1,500 management staff, established more than 146 safety management systems and emergency plans, and amended and perfected more than 26 various types of systems and plans. Throughout the year, the Company carried out 3,324 trainings for production safety, organized 972 emergency drills and more than 1,200 safety check. The Company has managed to promote the sustainable and safe development of the enterprises with the systems as the basis and implementation as a method of protection. The Company recorded zero accident in relation to work safety during the year.

ANTI-CORRUPTION

The Group complied with the Anti-Money Laundering Law of the People's Republic of China, the Supervision Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Regulations on the Prevention of Bribery and other relevant laws and regulation, formulated Anti-money Laundering Regulations, paid attention to the training on relevant management system of the Company for the employees, and prohibited misconduct including corruption, bribery, extortion, fraud and money laundering. The Company also formulated the Management Measures for Discipline Inspection and Supervision of Letters and Visits, encouraged employees to report behaviours which are suspected to involve corruptions and has established a complaint hotline and e-mail. The Group will take a series of disciplinary actions, including warning, penalty, demotion, or dismissal to all employees who failed to comply with the management systems and send those who have violated the criminal law to the judicial authorities according to the laws. During the Reporting Period, the Group was not involved in any relevant cases.

COMMUNITY PARTICIPATION

The Group has been deeply cultivated the cultural industry for many years, and has always insisted on meeting the spiritual and cultural needs of the broad masses of the people as the starting point, actively fulfilling the responsibility of cultural central enterprises. The Group actively carries out a variety of community activities, popularizes cultural knowledge through operas, music and other popular forms, and benefits the broad masses of people from the development of cultural industries. The Group organizes special public welfare free movie-watching activities for visually impaired audiences, left-behind children and children of new resident volunteers to meet their spiritual and cultural needs. Every year, the Group organizes a performance season of benefiting the people, and sets low-priced tickets that do not exceed RMB100 for every performance, so that more people can enjoy "low-priced, high-quality" performances, and people can truly feel the happiness brought by culture benefiting the people. Looking forward to the future, the Group will continue to care for the disadvantaged groups, strive to promote community development, give full play to the demonstration effect of state-owned cultural brands, and more and better benefit the people.

SOCIAL RESPONSIBILITIES

Awards

In January 2021, the General Office of the National Radio and Television Administration announced the list of outstanding works selected for outstanding network audiovisual works in the third quarter of 2020, and the live video of the opening concert of the "Tribute to Heroes – Poly • Wuhan Qintai Concert Hall Charity Performing Season" was selected as one of 36 outstanding network audiovisual works, and it was also the only work belonging to the content of concert in the list.

In September 2021, Guangming Daily and Economic Daily jointly released the 13th list of "Top 30 Culture Enterprises in China" in Beijing. Poly Culture Group Corporation Limited successfully made it to the list. From 2008 to 2021, Poly Culture has been included in the "Top 30 Culture Enterprises in China" for 12 times. In the past year, facing the severe impact of the COVID-19 pandemic, Poly Culture insisted on putting social benefits first, realizing the unity of social benefits and economic benefits, and the brand of Poly Culture was widely recognized by the society.

In September 2021, Beijing Kaide Grand Canyon Store of Poly International Cinema, a subsidiary of Poly Film, was awarded the title of "Capital Civilized Unit" in 2018-2020. Since its opening in 2010, Beijing Kaide Grand Canyon Branch of Poly International Cinema has been operating steadily and continuously, further promoting the creation of spiritual civilization, vigorously cultivating and practicing socialist core values, and demonstrating the social responsibility of central enterprises.

In November 2021, The documentary film "A Journey Together" (《一起走過》) jointly produced and distributed by Poly Film was nominated for the "Best Documentary/Science and Education Film" at the 34th China Golden Rooster Awards. The "A Journey Together" is the first documentary film that truly records the anti-pandemic process in Wuhan in a panoramic way. The lens shuttles through the front line of the anti-pandemic battlefield, which most authoritatively, truly and warmly restores the urgency and arduousness of the anti-pandemic task. At the same time, it also creates a large number of ordinary heroes from all walks of life, such as "doctors and nurses in white coat", "military personnel in green uniform", "police officers in blue gear" and "volunteers wearing red waistcoat". Starting from different aspects such as country, nation, city and individual, the "A Journey Together" integrates individual memory into grand narrative through the emotional interweaving and difficult choices of "country" and "home", and shows the respect and protection of individual life in the theme expression of "the integration of home and country".

In November 2021, the national opera "Under the Ginkgo Tree" (《銀杏樹下》) jointly produced by Poly Theatre won the Excellent Play of the 4th China Opera Festival. The opera "Under the Ginkgo Tree" has been successively included in the funded project of Henan Art Support Fund, the key creative repertoire of the "Five Ones" project of the Publicity Department of the CPC Henan Provincial Committee, and the key repertoire of "100 Years, 100 Movies" of the Ministry of Culture and Tourism celebrating the centenary of the Communist Party of China. This opera performed the touching story of the Red Army, enthusiastically eulogized the revolutionary spirit of the Dabie Mountains-"28 years of red flag does not fall", brought a soul-shaking performance experience to the audience, and brought to a warm response at the 4th China Opera Festival.

In December 2021, according to the relevant provisions of the Measures of the China Association for Quality for the Administration of Group Standards, and with the approval of the China Association for Quality, the Group Standards (10206-2021) of the Guide for the Implementation of Theater Service Quality Evaluation drafted by Beijing Poly Theatre Management Co., Ltd. was officially issued and came into effect. These Standards are the first recommended group standards for services formulated by the China Association for Quality in the theater industry. On the basis of the application and implementation of Poly Theatre, the standard pilot demonstration work will be promoted and applied in more than 70 Poly theatres nationwide, followed by implementation and continuous improvement by the member units recommended by the Theater Committee of the China Association of Performing Arts.

In January 2022, Beijing Emergency Management Bureau released the List of Safety Culture Construction Demonstration Enterprises (Groups) in Beijing in 2021. Beijing Poly Forbidden City Theatre Management Co., Ltd., recommended by Beijing Dongcheng District Emergency Management Bureau, was rated as a safety culture construction demonstration enterprise in Beijing through layer-by-layer evaluation.

Youth Development

In July 2021, "Yin Xiumei and Dai Yuqiang Opera Performance and Training Class" of Suzhou Poly Grand Theatre Management Co., Ltd. was successfully selected into the annual art fund art talent training project of Jiangsu, and it was the only art activity sponsored by the theater among 75 units shortlisted for this year's provincial art fund. "Yin Xiumei and Dai Yuqiang Opera Performance and Training Class" implements the new mission and new requirements of "striving to be an example, striving to be a model, and being at the forefront", pays attention to the cultivation and construction of top-notch talents in basic, professional and comprehensive operas, and provides all-round, professional and standardized opera art guidance to young people who are engaged in opera or vocal music majors free of charge, aiming at further promoting the popularization of the professional level of opera art, strengthening the original ability of artistic creation, and speeding up the construction of a highland of literary and artistic creation, build a long-lasting and influential cultural brand, dig out a group of opera talents, form a strong vocal opera performance team, and take Jiangsu as the birthplace to cultivate and reserve outstanding talents for the development of Chinese national opera.

In July 2021, Shanghai Poly Grand Theatre Management Co., Ltd. hosted the third "Summer of Poly" Children's Chorus Festival. This Children's Chorus Festival is the first large-scale art education exchange and exhibition event sponsored by Shanghai Poly Grand Theatre Management Co., Ltd., in order to strengthen the communication and exchange of art education among theaters, improve the level of art education, and enhance the brand reputation of the "Summer of Poly" Children's Chorus Festival and cinema art education.

In August 2021, the "BAXY • Opening the Door to Art-2021 Summer Art Festival" selected by the Forbidden City Concert Hall ended successfully in the wonderful performance of the National Ballet of China. 46 performances, 6 art summer camps and 12 art lectures, accompanied by nearly 50,000 art lovers, entered the Forbidden City Concert Hall to enjoy the summer of art. As a brand project of youth art education dedicated by the Group, the "Opening the Door to Art" entered its 28th year and became a well-known art brand covering more than 20 provinces across the country and radiating millions of people.

In February 2022, the Central Committee of the Communist Youth League and the State-owned Assets Supervision and Administration Commission of the State Council awarded Nanjing Poly Grand Theatre Management Co., Ltd., a subsidiary of Poly Theatre, the title of the 20th National Youth Civilization. Since the opening of the premiere on October 2, 2014, Nanjing Poly Grand Theatre Management Co., Ltd. has continuously introduced high-quality performances from all over the world, insisting on improving the serialization and branding of performances. Nanjing Poly Grand Theatre Management Co., Ltd. has successively launched brand performance seasons such as "Nanjing Drama Festival", "European and American Symphony Music Season", "Poly Art Festival", "Opening the Door to Art", "Weekend Concert" and "Nanjing Musical Theatre Festival". The Poly Art Lecture Hall, the Elegant Art Entering Campus and the Cultural Volunteer Service Team, as three series of free art popularization and public welfare activities of Nanjing Poly Grand Theatre, are held in a normal way. Up to now, Nanjing Poly Grand Theatre has held more than 1,400 performances and activities, and about 1.6 million people have entered the theater, with an average attendance rate of 85%. Nanjing Poly Grand Theatre has launched more than 150 Poly Art Lecture Halls and more than 30 elegant arts entering campus, and has continued to do well in the public welfare activities of the Cultural Volunteer Service Team, and implemented the business philosophy of "noble but not expensive • culture benefiting the people" with practical actions.

Social Assistance

In March 2021, in recognition of Poly Culture North America's contribution and help to the local community in Vancouver, Canada during the COVID-19 pandemic, Richmond Cares Richmond Gives (RCRG), a local Canadian non-profit charity, registered and obtained the naming right of a planet, which was officially named Poly Culture North America and given to Poly Culture North America, awarded the title of "Angel Donor" to Poly Culture North America, and awarded the planet accreditation certificate named "Poly Culture North America" to Poly Culture North America to commemorate its contribution to helping local disadvantaged families.

In May 2021, Poly Film undertook the activity of classic film with revolutionary theme - "The Pillars of a Great Country Will Always Go with the Party" (大國頂樑柱 永遠跟黨走) stepped into central enterprises, giving full play to the unique role of films with revolutionary theme in propaganda and guidance and dissemination of mainstream values, and creating a film party class in an innovative form. This activity has become part of the "Exhibition of Excellent Films Celebrating the 100th Anniversary of the Communist Party of China" held nationwide. The Company organized the employees of central enterprises to watch films with revolutionary theme, took Chinese revolutionary history as the best nutrient, and condensed the enterprising spirit of central enterprises' reform and development by feeling the majestic power of party history through real historical images.

In June 2021, Shanxi Economic Daily published the article titled the "Let Hequ Traditional Folk Songs Sing the Praise of the Times" (《讓河曲傳統民歌唱響時代讚歌》) on the website www.xuexi.cn, which gave an in-depth report on Poly Group and the Company's insistence on "I do practical things for the masses", helping Hequ folk song duet art and promoting Hequ rural revitalization. Since 2014, Hequ County has become the designated poverty alleviation county assisted by the Group. The Group actively exerted its advantages in the field of cultural performing arts, fully demonstrated the responsibility of cultural central enterprises, invested funds and a large number of professional forces in artistic creation, and helped Hequ Folk Song Errentai Art Troupe (河曲民歌二人台藝術團) to create the excellent programs of "Poly Friendship · Western Pass Wind" (《保利情•西口風》) and "Songs from the Yellow River · Go Through Western Pass-Exhibition of Western Folk Songs" (《歌從黃河來•走西口的歌謠—西部民歌展演》), and continued to support the above troupe's items to enter the national cinema tour of Poly Theatre, helping Hequ Folk Song Errentai art rejuvenate. The Group made charitable donations totaling RMB1.5 million to Hequ County in 2021.

In July 2021, the Zhoushan Lvcheng Changzhi IMAX Branch of Poly International Cinema joined hands with the members of the program of "Elder Sister Wang is Coming" to organize the children of new residents volunteers to come to the cinema to watch movies for free for public welfare, and give them the knowledge of popular science and civilized viewing, which brought them a wonderful summer vacation memory. This public welfare movie watching activity has created a good atmosphere of caring for children and making love not lonely in the community. We hope that through this activity, more people will be aroused to pass on their love and true feelings, and join hands to warm their peers.

In 2021, Henan Poly Art Center Management Co., Ltd. held a series of 32 public welfare lectures, such as "A Date with Masters – Entering the Palace of Art". The lectures covered more than ten majors, such as flute, violin, chamber music, guzheng, flute, guqin, erhu, vocal music, piano, etc., and were carefully taught by well-known experts and professors from Henan province and China. For all public welfare lectures, the audience signed up for free to attend lectures, which made outstanding contributions to Henan audiences' multi-channel access to art appreciation knowledge.

In 2021, Poly Auction Beijing actively responded to the call of the trade union and participated in four public welfare and consumption poverty alleviation activities, helping purchase the agricultural products from the designated counties to receive assistance and donating poverty alleviation funds totaling more than RMB420,000.

Cultural Go-global

In May 2021, Poly Culture North America and Beijing Poly Forbidden/Beijing Forbidden City Concert Hall (a subsidiary of Poly Culture) jointly hosted an online public welfare concert through "The Voice From the East" to highlight the oriental arts, boost communication and understanding among ethnic communities and promote multicultural prosperity in Canada. The concert consists of three chapters: classical tracing, homesickness, blending and diversity. The concert not only has the powerful collision of national spirits, but also the different interpretations of cross-cultural musicians. It also shows the beauty of oriental music in an all-round and three-dimensional way, and was simultaneously launched on major video platforms around the world.

In September 2021, Poly Culture participated in hosting the Beijing International Film Festival for eleven consecutive years, and this year, together with its subsidiary-Poly Film, Poly Culture made a heavy appearance in the film market signing ceremony, the opening red carpet, the China Film Development Summit Forum, etc., and as the general organizer, Poly Culture promoted all the work of the "Game Animation Film Unit" as a whole, helped the development of the film industry and cultural communication, showed the style of Poly and demonstrated the responsibility of central enterprises.

In October 2021, Wang Bo, the general manager of Poly Culture, was invited to attend the 5th Chinese Opera Culture Week. With rich professional experience in planning and organizing large-scale performances, Beijing Poly Forbidden City, a subsidiary of Poly Culture, successfully won the bid for the professional activity section of the5th Chinese Opera Culture Week, being responsible for the planning, operation and guarantee of performances, academic activities and opera flash in six major parks including the opening and closing ceremonies, and bringing the popular art summer camp titled "Opening the Door to Art" to the Opera Culture Week for the first time in the form of learning camp.

In November 2021, Mr. Zhang Xi, the chairman of the Group, attended the opening ceremony of the 4th China International Import Expo (CIIE), and led CIIE Poly Trading Sub-delegation to participate in a number of meetings and signing activities. Poly Film signed a strategic cooperation agreement with Nam Kwong Culture and Creativity Industry Co., Ltd., and Mr. Zhang Xi attended and witnessed the signing. Both parties will establish a cooperation mechanism for film and television projects, and cooperate in information sharing, channel intercommunication, investment share opening, etc. of high-quality film and television investment projects.

Independent auditor's report to the shareholders of
Poly Culture Group Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Poly Culture Group Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 93 to 209 which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Assessing the net realisable value of art inventories

Refer to note 20 to the consolidated financial statements and the accounting policies in note 2(m).

The Key Audit Matter	How the matter was addressed in our audit
Art inventories comprise antiques, works of art, calligraphy, paintings and sculptures. As at December 31, 2021, the balance of art inventories was RMB2.2 billion, which represented 98% of the total inventories of the Group as at that date. Art inventories are measured at the lower of cost and net realisable value. The art market and domestic art sales have fluctuated in recent years. Accordingly, there is a greater risk that the cost of art inventories held by the Group at the reporting date may be greater than the corresponding net realisable value. Due to the uniqueness and special nature of art inventories, management engages external art experts to assess and evaluate the valuation of art inventories to determine their net realisable values at the reporting date. We identified the assessment of the net realisable value of art inventories as a key audit matter because the judgement exercised by management in determining the net realisable value of art inventories, which can be inherently uncertain, and because the impact on the consolidated financial statements could be material.	Our audit procedures to assess the net realisable value of art inventories included the following: • assessing the external art experts' experience, qualifications and credentials by inspecting the Group's records and information in the public domain; • obtaining the external valuation reports for art inventories as at December 31, 2021 and comparing valuation amount of art inventories to the net realisable value of the art inventories, on a sample basis; • obtaining an understanding of recent market trends for art inventories, on a sample basis, by inspecting recent auction prices and other publicly available information and enquiring external art experts in the auction division and applying the information obtained from the procedures above in evaluation of the net realisable value of art inventories; • assessing, on a sample basis, whether there were any losses or damage to art inventories by attending the inventory count with the assistance of the external art experts; and • comparing, on a sample basis, the carrying values of art inventories as at December 31, 2020 to prices achieved from the sales of art inventories after December 31, 2020, if any, to assess the reliability of management's process for determining the net realisable value of art inventories.

KEY AUDIT MATTERS (CONTINUED)

Allowances for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements

Refer to notes 19, 22 and 23 to the consolidated financial statements and the accounting policies in note 2(l).

The Key Audit Matter

As at December 31, 2021, the total balance of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements was RMB5.2 billion, which represented 39% of the total assets of the Group as at that date.

Prepayments for auctioned works of art

Prepayments for auctioned works of art represent the amounts advanced to sellers of works of art who have a good credit record or have a long-term business relationship with the Group. Amounts may be advanced to sellers prior to receiving full payment of the auction prices from the relevant buyers using the related auctioned works of art as collateral. The prepayments granted generally represent 40% to 60% of the collateral's auction price.

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.

How the matter was addressed in our audit

Our audit procedures to assess the allowance for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements included the following:

- understanding and assessing the design, implementation of key internal controls over the approval process of granting prepayments for auctioned works of art, consignor advances and loans under financing arrangements;
- obtaining the lists of receivables and loans and collateral, comparing whether these receivables and loans are collateralised by works of art, on a sample basis;
- assessing the external art experts' experience, qualifications and credentials by inspecting the Group's records and information in the public domain;
- on a sample basis, evaluating management's assessment of the forecast cash flows recoverable from collateral, which is based on the valuation assessed by external art experts, and comparing the recoverable amount to the outstanding balances of the receivables and loans with the value of collaterals to assess whether sufficient impairment allowance has been made;

KEY AUDIT MATTERS *(Continued)*

Allowances for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements *(Continued)*

Refer to notes 19, 22 and 23 to the consolidated financial statements and the accounting policies in note 2(l).

The Key Audit Matter	How the matter was addressed in our audit
Loans granted under financing arrangements The Group also grants term loans secured by works of art. Loans granted generally represent 20% to 50% of the collateral's estimated value. Management conducted an assessment of expected credit losses relating to the prepayments for auctioned works of art, consignor advances and loans. The Group considers that the credit risk arising from these receivables and loans is significantly mitigated by the value of art works held as collateral. The Group engaged external art experts to assess the value of the collateral held to determine if sufficient allowance has been made. We identified allowance for impairment of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements as a key audit matter because of its significance to the consolidated financial statements and because the judgement exercised by management in determining an appropriate level of loss allowances for these receivables and loans involves the estimation of the value of art collateral, which can be inherently uncertain.	• assessing, on a sample basis, whether the collateral held was in good condition by attending the physical count of collateral with the assistance of the external art experts; and • comparing actual amount recovered during the current year with carrying amounts of receivables and loans as at December 31, 2020 to assess the reliability of management's expected credit loss assessment process.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 31, 2022

	Note	2021 RMB'000	2020 RMB'000
Revenue	4	**3,170,312**	2,323,775
Cost of sales		**(2,156,610)**	(1,571,727)
Gross profit		**1,013,702**	752,048
Other net income	6	**93,403**	63,970
Changes in fair value of other equity securities		**25,908**	23,402
Selling and distribution expenses		**(453,411)**	(375,487)
Administrative expenses		**(566,158)**	(650,685)
Profit/(loss) from operations		**113,444**	(186,752)
Finance income		**109,392**	154,179
Finance costs	7(a)	**(228,944)**	(185,532)
Share of profits less losses of associates		**(82,726)**	(36,967)
Share of profits less losses of joint ventures		**(14,459)**	(19,840)
Loss before taxation	7	**(103,293)**	(274,912)
Income tax	8	**(34,108)**	(40,929)
Loss for the year		**(137,401)**	(315,841)
Attributable to:			
Equity shareholders of the Company		**(139,502)**	(354,489)
Non-controlling interests		**2,101**	38,648
Loss for the year		**(137,401)**	(315,841)
Loss per share			
Basic and diluted loss per share (RMB)	11(a)	**(0.57)**	(1.44)

The notes on pages 101 to 209 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the loss for the year are set out in note 31(b).

	Note	2021 RMB'000	2020 RMB'000
Loss for the year		**(137,401)**	(315,841)
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to profit or loss:			
Share of other comprehensive income of investments accounted for using the equity method		**–**	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investments accounted for using the equity method		**(2,748)**	(3,700)
Exchange differences on translation of financial statements of subsidiaries outside the PRC		**(14,666)**	(45,606)
Total comprehensive income for the year		**(154,815)**	(365,147)
Attributable to:			
Equity shareholders of the Company		**(154,119)**	(392,174)
Non-controlling interests		**(696)**	27,027
Total comprehensive income for the year		**(154,815)**	(365,147)

The notes on pages 101 to 209 form part of these financial statements.

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	12	**462,081**	528,371
Right-of-use assets	13	**761,999**	826,639
Intangible assets	14	**44,355**	35,117
Goodwill	15	**76,865**	76,865
Long-term prepayments		**2,152**	2,375
Deposits, prepayments and other receivables	23	**–**	71,628
Interest in associates	17	**614,440**	701,323
Interest in joint ventures	18	**409,087**	439,045
Other financial assets	19	**265,073**	368,733
Deferred tax assets	30(b)	**38,674**	30,177
		2,674,726	3,080,273
Current assets			
Inventories	20	**2,248,641**	2,302,336
Trade and bills receivables	21	**551,239**	447,033
Consignor advances	22	**1,527,198**	1,764,790
Deposits, prepayments and other receivables	23	**2,785,905**	2,668,941
Current tax assets		**5,318**	4,204
Other financial assets	19	**1,808,298**	2,193,058
Restricted cash		**27,649**	17,823
Deposits with original maturities over three months		**59,436**	50,892
Cash and cash equivalents	24	**1,607,593**	1,329,147
		10,621,277	10,778,224
Current liabilities			
Trade and other payables	26	**2,421,976**	1,755,690
Contract liabilities	27	**608,948**	562,818
Lease liabilities	28	**170,785**	188,593
Interest-bearing borrowings	25	**4,237,066**	5,378,851
Current taxation	30(a)	**23,548**	29,792
		7,462,323	7,915,744

The notes on pages 101 to 209 form part of these financial statements.

	Note	2021 RMB'000	2020 RMB'000
Net current assets		**3,158,954**	2,862,480
Total assets less current liabilities		**5,833,680**	5,942,753
Non-current liabilities			
Interest-bearing borrowings	25	**1,348,000**	500,000
Lease liabilities	28	**819,089**	875,460
Trade and other payables	26	**8,700**	406
Deferred revenue		**669**	4,885
Deferred tax liabilities	30(b)	**32,882**	26,470
		2,209,340	1,407,221
NET ASSETS		**3,624,340**	4,535,532
CAPITAL AND RESERVES			
Share capital	31(c)	**246,316**	246,316
Reserves		**3,011,012**	3,591,864
Total equity attributable to equity shareholders of the Company		**3,257,328**	3,838,180
Non-controlling interests		**367,012**	697,352
TOTAL EQUITY		**3,624,340**	4,535,532

Approved and authorised for issue by the board of directors on March 31, 2022.

Wang Bo
Director

Zhao Lin
Chief Accountant

The notes on pages 101 to 209 form part of these financial statements.

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 31(c)	Share premium RMB'000 note 31(d)(ii)	Capital reserve RMB'000 note 31(d)(i)	PRC statutory reserve RMB'000 note 31(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 31(d)(iv)	Total RMB'000	Non–controlling interests RMB'000	Total equity 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 2020:									
(Loss)/profit for the year	–	–	–	–	(354,489)	–	(354,489)	38,648	(315,841)
Other comprehensive income	–	–	(3,700)	–	–	(33,985)	(37,685)	(11,621)	(49,306)
Total comprehensive income	–	–	(3,700)	–	(354,489)	(33,985)	(392,174)	27,027	(365,147)
Acquisition of non-controlling interests (note 36)	–	–	–	–	–	–	–	(180)	(180)
Share of other changes of investments accounted for using the equity method	–	–	2,207	–	–	–	2,207	–	2,207
Capital contributions from non-controlling equity owners	–	–	–	–	–	–	–	13,850	13,850
Decrease in non-controlling interests due to disposal of a subsidiary	–	–	–	–	–	–	–	(2,257)	(2,257)
Dividends approved in respect of the previous year (note 31(b))	–	–	–	–	(17,488)	–	(17,488)	–	(17,488)
Dividends declared by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(15,431)	(15,431)
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 101 to 209 form part of these financial statements.

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 31(c)	Share premium RMB'000 note 31(d)(ii)	Capital reserve RMB'000 note 31(d)(i)	PRC statutory reserve RMB'000 note 31(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 31(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 2021:									
(Loss)/profit for the year	-	-	-	-	(139,502)	-	(139,502)	2,101	(137,401)
Other comprehensive income	-	-	(2,748)	-	-	(11,869)	(14,617)	(2,797)	(17,414)
Total comprehensive income	-	-	(2,748)	-	(139,502)	(11,869)	(154,119)	(696)	(154,815)
Acquisition of non-controlling interests (note 36)	-	-	(425,323)	-	-	-	(425,323)	(286,439)	(711,762)
Share of other changes of investments accounted for using the equity method	-	-	(1,410)	-	-	-	(1,410)	-	(1,410)
Capital contributions from non-controlling equity owners	-	-	-	-	-	-	-	900	900
Decrease in non-controlling interests due to disposal of a subsidiary	-	-	-	-	-	-	-	(6,000)	(6,000)
Dividends declared by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	(38,105)	(38,105)
Balance at December 31, 2021	246,316	1,982,448	(455,837)	158,361	1,338,070	(12,030)	3,257,328	367,012	3,624,340

The notes on pages 101 to 209 form part of these financial statements.

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from/(used in) operations	24(b)	**796,432**	(490,671)
Tax paid	30(a)	**(42,537)**	(61,966)
Net cash generated from/(used in) operating activities		**753,895**	(552,637)
Investing activities			
Payment for the purchase of property, plant and equipment		**(59,556)**	(34,195)
Net proceeds/(payment) for consignor advances		**237,593**	(90,328)
(Increase)/decrease in deposits with maturities of over three months		**(8,543)**	58,784
(Payment)/proceeds from disposal of property, plant and equipment		**(2,031)**	1,403
Net proceeds/(payment) from disposal of subsidiaries and joint ventures		**8,359**	(2,257)
Interest received		**98,408**	58,918
Investments in associates and other equity securities		**(432)**	(8,216)
Dividends received from other equity securities	6	**6,594**	7,563
Dividends received from associates		**–**	812
Dividends received from joint ventures		**–**	160
Net cash generated from/(used in) investing activities		**280,392**	(7,356)

The notes on pages 101 to 209 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2021 (Expressed in Renminbi ("RMB"))

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Capital element of lease rentals paid	24(c)	**(109,593)**	(66,299)
Proceeds from bank loans	24(c)	**3,135,368**	3,997,197
Proceeds from issue of debentures	24(c)	**1,000,000**	1,200,000
Proceeds from issue of bonds	24(c)	**800,000**	500,000
Proceeds from borrowings from joint ventures	24(c)	**1,600**	–
Proceeds from borrowings from a non-controlling equity owner	24(c)	**–**	532
Proceeds from borrowings from the controlling equity owner	24(c)	**100,000**	–
Proceeds from borrowings from a Poly Group's affiliate	24(c)	**191,271**	–
Repayment of bonds	24(c)	**(700,000)**	(300,000)
Repayment of debentures	24(c)	**(1,000,000)**	(400,000)
Proceeds from borrowings from an associate	24(c)	**–**	40,000
Repayment of borrowings from an associate	24(c)	**(20,000)**	(38,000)
Repayment of borrowings from a non-controlling equity owner	24(c)	**(732)**	–
Repayment of borrowings from joint ventures	24(c)	**(1,785)**	–
Repayments of borrowings from the controlling equity owner	24(c)	**–**	(180,000)
Repayment of bank loans	24(c)	**(3,791,809)**	(3,745,690)
Interest element of lease rentals paid	24(c)	**(54,567)**	(51,589)
Borrowing costs paid	24(c)	**(166,738)**	(127,000)
Deposit on acquisition of non-controlling interests		**–**	(71,628)
Acquisition of non-controlling interests		**(106,016)**	(180)
Capital contributions from non-controlling equity owners of subsidiaries		**900**	13,850
Dividends paid by subsidiaries to non-controlling equity owners		**(29,738)**	(14,949)
Dividends paid to equity shareholders of the Company	31(b)	**–**	(17,488)
Net cash (used in)/generated from financing activities		**(751,839)**	738,756
Net increase in cash and cash equivalents		**282,448**	178,763
Cash and cash equivalents at January 1	24(a)	**1,329,147**	1,151,244
Effect of foreign exchange rate changes		**(4,002)**	(860)
Cash and cash equivalents at December 31	24(a)	**1,607,593**	1,329,147

The notes on pages 101 to 209 form part of these financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Poly Culture Group Corporation Limited ("The Company") was established in the People's Republic of China (the "PRC") on December 14, 2010 as a joint stock company with limited liability. Poly Culture Group Corporation Limited and its subsidiaries ("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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2021 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other equity investments are stated at their fair value as explained in the accounting policies as set out below (see note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").The adoption does not have significant effect on the financial position and financial performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 30, 2021 to June 30, 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

In accordance with the transitional requirements, the 2021 amendment has been applied retrospectively, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at January 1, 2021. Payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 13). There is no impact on the opening balance of equity at January 1, 2021.

(d) Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 2(r) or (s) depending on the nature of the liability.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(h) and note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates and joint ventures *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquire; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)(iii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Other investments in equity securities *(Continued)*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(w) Others (iii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(w) Others (ii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives	
– Land, buildings and structures	30 years
– Equipment	3 – 5 years
– Motor vehicles	5 – 10 years
– Furniture, fixtures and others	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 – 10 years
– Right to use the brands	5 – 20 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. Where the contract contains the initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily plants. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and Impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, deposits with original maturities over three months, trade receivables, consignor advances, loans granted under financing arrangements, loans to an associate and a joint venture, deposits and other receivables);

- contract assets as defined in IFRS 15 (see note 2(n));

Financial assets measured at fair value, including equity securities measured at FVPL, is not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, the cash flows expected from collateral, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)Others(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– long-term prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries, interest in associates and joint ventures in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets,the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Credit losses and Impairment of assets *(Continued)*

(iii) Impairment of other assets *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on HKSE, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories mainly consist of works of art owned by the Art business and film and drama rights. Inventories are carried at the lower of cost and management's estimate of net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When works of art are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of works of art to net realisable value and all losses of works of art are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of works of art is recognised as a reduction in the amount of works of art recognised as an expense in the period in which the reversal occurs. Works of art are available for immediate sale. Ultimate timing of the sale is hard to predict given the unique nature of each art piece and the cyclicality of the global art market.

Film and drama rights comprise the distribution rights and copyrights of film and drama either acquired or produced by the Group. Film and drama rights are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Costs of film and drama rights comprise consideration payable upon acquisition of drama series and/or costs/expenses incurred during the production of film and drama series.

The amortisation of drama and film rights is determined using the drama and film forecast computation method. Under this method, the amount of amortisation is determined based on the proportion of the revenue recognised in the reporting period for each individual drama and film to the estimated total revenue expected to be recognised throughout the life cycle of the drama and film.

The Group take advantage of practical expedient in paragraph 94 of IFRS 15 and recognise the incremental cost of obtaining a contract as an expense if the amortisation period of the asset is less than one year.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(w)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are subsequently initially measured at fair value plus transaction costs. All receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(v).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Consignor advances

Consignor advances are recognised initially at fair value less allowance for impairment of doubtful debts (see note 2(l)). It represents financing provided to art collectors prior to their works of art being auctioned off, secured by works of art.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(y)).

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) Defined benefit plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

(iv) Share-based payment arrangement

Cash-settled share-based payment transactions

The Company operates a share appreciation rights ("SARs") plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group are entitled to a future cash payment (rather than an equity instrument) ("cash-settled transactions"), based on the increase in the entity's share price from a specified level over a specified period of time. The Company recognised the services received, and a liability to pay for those services, as the employees render services.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any change in fair value recognised in profit or loss for the year.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(w) Revenue recognition and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business. Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition and other income *(Continued)*

Art business and auction

(i) Revenue from auction service

Auction service revenue is generally recognised upon settlement of consideration with purchasers and/or sellers and when the related services are provided. Auction service revenue includes buyer premium and seller side commission which are based on a percentage of auction sales.

Interest income earned from loans granted under financial arrangement is recognised as it accrues using the effective interest method.

(ii) Revenue from art business

Revenue from art business is recognised in the period in which the sale is completed, title to the property passes to the purchaser and services have been rendered. The carrying value of art business' inventory sold during the period is recorded as cost of inventories.

(iii) Revenue from investment consultation

Revenue from consultation service is recognised when services have been rendered.

Performance and theatre management

(i) Revenue from show performance

Income from show performance is recognised when the services have been rendered to the audiences.

(ii) Rendering of theatre management service

Revenue from theatre management is recognised upon the fulfilment of service based on the service contract terms over a period of time. Contracts are generally signed with government agencies relating to theatre management services provided by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition and other income *(Continued)*

Cinema investment and management

(i) Movie box office takings

Income from box office takings is recognised when the services have been rendered to the audiences.

Income from gift voucher purchase is recognised when customers exchange for goods or services or upon expiry.

Others

(i) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Valuation of artworks inventory

Valuation of artworks inventory is subjective and the net realisable value fluctuates over time. Management relies on the valuation opinion of specialists who consider a number of factors including 1) recent transactions for comparable works of art and 2) supply and demand and current economic environment. Due to the subjectivity involved in estimating the realisable value, if the artwork market deteriorates and the overall economic condition were to deteriorate, actual write-offs would be higher than estimated.

For the work of art held as collateral not included in inventory, if the artwork market were to deteriorate, actual impairment losses on prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements would be higher than estimated.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(ii) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for expected credit losses (ECL) on bad and doubtful debts. ECLs on financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

(iii) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, right-of-use assets, long-term prepayments, and interest in associates and joint ventures, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair value less costs to sell of these assets because market price may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue mainly represents commission from auction services, the sales value of artworks and cultural relic collections, art investment consultation and other services, income from theatre management, box office income from performances and income from cinema box office.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	**644,528**	478,412
– Revenue from performance and theatre management	**1,867,419**	1,370,383
– Revenue from cinema investment and management	**452,827**	204,143
– Revenue from other services	**14,537**	15,967
	2,979,311	2,068,905
Revenue from other sources		
– Revenue from art business and auction	**160,719**	238,870
– Revenue from performance and theatre management	**14,343**	10,220
– Revenue from cinema investment and management	**15,939**	5,780
	3,170,312	2,323,775

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 5(a) and 5(c) respectively.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less and also for those performance obligations which are regarded as satisfied as invoiced.

There was no individual customer that represents more than 10 percent of the Group's revenue during the years ended December 31, 2021 and 2020.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by subsidiaries, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

– Art business and auction: including auction, buy and sell of antiques, modern and contemporary calligraphy and painting, ancient calligraphy and painting, oil painting and sculpture and other cultural relics and artwork. It also provides artwork investment consultation and other services, earns interest income and revenue from consignor advances and loans granted under financial arrangements.

– Performance and theatre management: including daily management of theatre, arrangement of performances, leases of theatres and theatre design consultation services.

– Cinema investment and management: including cinema construction and cinema operation.

5 SEGMENT REPORTING

(a) Segment results, assets and liabilities

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

Segment assets include all assets with the exception of interest in associates and joint ventures, other equity investment, current tax assets, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of 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, impairment losses on non-current assets, 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, amortisation, finance income and finance costs and impairment losses to non-current segment assets used by the segment in their operations.

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 years ended December 31, 2021 and 2020 is set out below:

	Year ended December 31, 2021			
	Art business and auction RMB'000	Performance and theatre management RMB'000	Cinema investment and management RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	644,622	1,867,419	440,260	2,952,301
Over time	160,625	14,343	28,506	203,474
Revenue from external customers and reportable segment revenue	805,247	1,881,762	468,766	3,155,775
Reportable segment profit (adjusted EBITDA)	201,072	42,186	135,054	378,312
Depreciation and amortisation	(42,994)	(27,624)	(148,579)	(219,197)
Finance income	90,472	12,572	8,394	111,438
Finance costs	(201,801)	(659)	(63,386)	(265,846)
Impairment of				
– property, plant and equipment	-	-	(24,670)	(24,670)
– Investment in joint ventures	-	-	(1,140)	(1,140)
Reportable segment assets	9,513,141	946,787	1,284,276	11,744,204
Reportable segment liabilities	7,791,482	567,284	1,615,874	9,974,640

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Year ended December 31, 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	475,540	1,370,383	195,456	2,041,379
Over time	241,742	10,220	14,467	266,429
Revenue from external customers and reportable segment revenue	717,282	1,380,603	209,923	2,307,808
Reportable segment profit/(loss) (adjusted EBITDA)	229,587	16,032	(91,808)	153,811
Depreciation and amortisation	(46,621)	(22,882)	(167,910)	(237,413)
Finance income	140,909	12,282	977	154,168
Finance costs	(207,055)	(793)	(83,336)	(291,184)
Impairment of				
– property, plant and equipment	–	–	(59,096)	(59,096)
– intangible assets	–	–	(7,665)	(7,665)
– goodwill	–	–	(68)	(68)
– Investment in joint ventures	–	–	(12,630)	(12,630)
Reportable segment assets	9,490,687	865,931	1,510,807	11,867,425
Reportable segment liabilities	7,730,631	494,762	1,749,158	9,974,551

5 SEGMENT REPORTING *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	**3,155,775**	2,307,808
Revenue from other sources	**14,537**	15,967
Consolidated revenue (Note 4(a))	**3,170,312**	2,323,775
Profit/(loss)		
Reportable segment profit (adjusted EBITDA)	**378,312**	153,811
Revenue from other sources	**14,537**	15,967
Unallocated corporate net income	**19,216**	10,127
Share of profits less losses of associates	**(82,726)**	(36,967)
Share of profits less losses of joint ventures	**(14,459)**	(19,840)
Changes in fair value of other equity securities	**25,908**	23,402
Impairment losses on non-current assets	**(25,810)**	(83,225)
Depreciation and amortisation	**(221,677)**	(241,443)
Finance income	**109,392**	154,179
Finance costs	**(228,944)**	(185,532)
Unallocated corporate expenses	**(77,042)**	(65,391)
Consolidated loss before taxation	**(103,293)**	(274,912)

5 SEGMENT REPORTING *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	**11,744,204**	11,867,425
Elimination of inter-segment receivables	**(4,937,863)**	(4,503,486)
Other equity securities	**265,073**	238,733
Interests in associates	**614,440**	701,323
Interests in joint ventures	**409,087**	439,045
Current tax assets	**5,318**	4,204
Deferred tax assets	**38,674**	30,177
Unallocated corporate assets	**5,157,070**	5,081,076
Consolidated total assets	**13,296,003**	13,858,497
Liabilities		
Reportable segment liabilities	**9,974,640**	9,974,551
Elimination of inter-segment payables	**(4,937,863)**	(4,503,486)
Current taxation	**23,548**	29,792
Deferred tax liabilities	**32,882**	26,470
Unallocated corporate liabilities	**4,578,456**	3,795,638
Consolidated total liabilities	**9,671,663**	9,322,965

5 SEGMENT REPORTING *(Continued)*

(c) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**3,014,153**	2,226,957	**2,338,853**	2,633,638
Others	**156,159**	96,818	**32,126**	47,725
	3,170,312	2,323,775	**2,370,979**	2,681,363

6 OTHER NET INCOME

	2021 **RMB'000**	2020 RMB'000
Government grants	**41,102**	56,111
Dividend income from other equity securities	**6,594**	7,563
Net foreign exchange loss	**(3,305)**	(9,110)
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	**13,733**	(978)
Others	**35,279**	10,384
	93,403	63,970

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2021 **RMB'000**	2020 RMB'000
Interest expenses (note 24(c))	**174,728**	134,053
Interest on lease liabilities (note 24(c))	**54,567**	51,589
Total interest expense on financial liabilities not at fair value through profit or loss	**229,295**	185,642
Less: interest expense capitalised into property, plant and equipment	**351**	110
	228,944	185,532

The borrowing costs have been capitalised at a rate of 4.65% per annum (2020: 4.65%).

7 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs

	2021 **RMB'000**	2020 RMB'000
Salaries, wages and other benefits	**730,315**	660,716
Expenses recognised in respect of defined benefit retirement plan	**8,950**	–
Contributions to defined contribution retirement plans	**90,128**	16,034
	829,393	676,750

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC subsidiaries participated in defined contribution retirement schemes (the "PRC Schemes") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 13% to 16% (2020: 13% to 16%) of average basic salaries of the employees in the cities where the Group operates. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. The local government authorities are responsible for the entire retirement obligations payable to retired employees.

In addition, the Company and some of its PRC subsidiaries have implemented a supplementary defined contribution retirement scheme for the staffs on the voluntary basis. Under the scheme, the Company and its PRC subsidiaries are required to make contributions to the PRC Schemes at 5% to 8% of average basic salaries of the employees in the cities where the Group operates.

The Group announced post-employment benefit plan to its retired employees in the PRC. These benefits were only applicable to the qualifying employees. The actuarial valuations of the present value of the defined benefit obligations as at December 31, 2021 were carried out by an independent firm of actuaries, Willis Towers Watson, a member of China Association of Actuaries. The present value of the defined benefit obligations, and the related current service cost were measured using the projected unit credit method.

A portion of the above liability is expected to be settled after more than one year. The Group expects to pay RMB250,000 in contributions to defined benefit retirement plan in 2022. The Group has no defined benefit plan assets.

7 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

The current service cost on net defined benefit liability is recognised in administrative expenses in the consolidated statement of profit or loss.

The significant actuarial assumptions and are as follows:

	2021
Discount rate	**3.25%**
Average expected future lifetime	**28.9**
Average expected future working lifetime	**0.5**
Annual increase rate of medical benefits	**6.00%**

(c) Other items

	2021 **RMB'000**	2020 RMB'000
Depreciation		
– property, plant and equipment (note 12)	**82,603**	102,892
– right-of-use assets (note 13)	**135,042**	134,760
Amortisation (note 14)	**4,032**	3,791
Impairment losses (reversed)/recognised in administrative expenses		
– trade and bills receivables (note 32(a))	**2,426**	1,852
– deposits, prepayments and other receivables	**(10,184)**	45,910
– property, plant and equipment (note 12)	**24,670**	59,096
– intangible assets (note 14)	**–**	7,665
– goodwill (note 15)	**–**	68
– interest in joint ventures	**1,140**	12,630
– interest in associates	**–**	3,766
Inventory provision	**–**	32,000
Auditors' remuneration		
– audit and audit-related services	**3,680**	3,680
– other services	**–**	100

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current tax – PRC corporate income tax		
Provision for the year	**23,877**	33,995
Under/(over)-provision in respect of prior years	**484**	(229)
	24,361	33,766
Current tax – Other regions		
Provision for the year	**14,060**	520
Over-provision in respect of prior years	**(2,128)**	(570)
	11,932	(50)
Deferred tax		
Origination and reversal of temporary differences	**(2,185)**	7,213
	34,108	40,929

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 **RMB'000**	2020 RMB'000
Loss before taxation	**(103,293)**	(274,912)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note)	**(25,512)**	(80,575)
Tax effect of non-deductible expenses	**9,279**	5,772
Tax effect of non-taxable income	**5,549**	(973)
Tax effect of unused tax losses not recognised	**49,638**	83,777
Tax effect of temporary differences not recognised	**3,478**	38,293
Tax effect of utilisation of tax losses in prior years	**(6,680)**	(4,566)
Over-provision in respect of prior years	**(1,644)**	(799)
Actual tax expense	**34,108**	40,929

Note:

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 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2021				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Xu Niansha (note i)	–	–	–	–	–
Mr. Zhang Xi	–	–	–	–	–
Mr. Jiang Yingchun	–	524	1,155	198	1,877
Mr. Li Weiqiang (note i)	–	524	1,155	169	1,848
Mr. Xu Bei (note ii)	–	476	1,007	159	1,642
Mr. Wang Bo (note ii)	–	190	230	50	470
Non-executive directors					
Mr. Wang Keling (note iii)	–	–	–	–	–
Mr. Huang Geming (note iii)	–	–	–	–	–
Ms. Zhang Hong (note iv)	–	–	–	–	–
Mr. Fu Chengrui (note iv)	–	–	–	–	–
Independent non-executive directors					
Mr. Li Boqian (note v)	102	–	–	–	102
Mr. Yip Wai Ming	123	–	–	–	123
Ms. Li Xiaohui	123	–	–	–	123
Mr. Sun Hua (note v)	21	–	–	–	21
Supervisors					
Mr. Li Wenliang (note vi)	–	128	115	32	275
Mr. Ma Wenxu (note vi)	–	–	–	–	–
Mr. Wang Fuqiang	–	260	326	98	684
Mr. Chen Yuwen (note vi)	–	–	–	–	–
Mr. Hou Hongxiang (note vi)	–	–	–	–	–
	369	2,102	3,988	706	7,165

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

	Year ended December 31, 2020				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Xu Niansha	–	–	–	–	–
Mr. Zhang Xi	–	–	–	–	–
Mr. Jiang Yingchun	–	517	1,334	190	2,041
Mr. Li Weiqiang	–	517	1,334	90	1,941
Non-executive directors					
Mr. Wang Keling	–	–	–	–	–
Mr. Huang Geming	–	–	–	–	–
Independent non-executive directors					
Mr. Li Boqian	133	–	–	–	133
Mr. Yip Wai Ming	133	–	–	–	133
Ms. Li Xiaohui	133	–	–	–	133
Supervisors					
Mr. Wang Fuqiang	–	309	335	49	693
Mr. Chen Yuwen	–	–	–	–	–
Mr. Hou Hongxiang	–	–	–	–	–
	399	1,343	3,003	329	5,074

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

Notes:

i: Mr. Xu Niansha and Mr. Li Weiqiang resigned as directors with effect from November 2, 2021.

ii: Mr. Xu Bei and Mr. Wang Bo were appointed as the executive directors of the Company with effect from November 2, 2021.

iii: Mr. Wang Keling and Mr. Huang Geming resigned as directors with effect from November 2, 2021.

iv: Ms. Zhang Hong and Mr. Fu Chengrui were appointed as the non-executive directors of the Company with effect from November 2, 2021.

v: Mr. Sun Hua was appointed as the independent non-executive director on November 2, 2021 when the term of office of the independent non-executive director Mr. Li Boqian expired.

vi: Mr. Li Wenliang and Mr. Ma Wenxu were appointed as the supervisors on November 2, 2021 when the term of office of the supervisors Mr. Chen Yuwen and Mr. Hou Hongxiang expired.

There was no arrangement under which a director or supervisor waived or agreed to waive any emoluments (2020: nil).

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and other employees included in the five highest paid individuals for the years ended December 31, 2021 and 2020 are set forth below:

	2021 Number of individuals	2020 Number of individuals
Director	**–**	1
Other employees	**5**	4

The emoluments of the directors are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**3,416**	5,177
Discretionary bonuses	**21,492**	10,039
Contributions to defined contribution retirement plans	**343**	30
	25,251	15,246

(Expressed in RMB unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2021 Number of Individuals	2020 Number of Individuals
HKD2,000,001 to HKD2,500,000	**1**	1
HKD2,500,001 to HKD3,000,000	**–**	1
HKD3,000,001 to HKD3,500,000	**1**	1
HKD3,500,001 to HKD4,000,000	**1**	–
HKD9,000,001 to HKD9,500,000	**–**	1
HKD9,500,001 to HKD10,000,000	**1**	–
HKD11,000,001 to HKD11,500,000	**1**	–

For the years ended December 31, 2021 and 2020, no emoluments were paid by the Group to directors, supervisors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to ordinary equity shareholders of the Company of RMB139,502,000 for the year ended December 31, 2021 (2020: loss attributable to ordinary equity shareholders of the Company of RMB354,489,000) and the weighted average number of ordinary shares in issue during the year of 246,316,000 shares (2020: 246,316,000 shares).

(b) Diluted loss per share

The Company did not have any potential dilutive shares throughout the years of 2021 and 2020. Accordingly, diluted loss per share is the same as the basic loss per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At January 1, 2020	865,267	44,016	331,056	53,180	86,649	47,676	1,427,844
Additions	2,325	–	5,354	3,626	6,558	1,759	19,622
Transfer from construction in progress	–	–	650	–	–	(650)	–
Disposals	(6,942)	–	(2,252)	(3,066)	(2,821)	–	(15,081)
At December 31, 2020	860,650	44,016	334,808	53,740	90,386	48,785	1,432,385
Additions	8,884	–	3,181	5,849	12,382	15,729	46,025
Transfer from construction in progress	13,209	–	2,255	–	–	(15,464)	–
Disposals	(13,032)	–	(13,090)	(3,002)	(10,814)	(2,886)	(42,824)
At December 31, 2021	869,711	44,016	327,154	56,587	91,954	46,164	1,435,586
Accumulated depreciation:							
At January 1, 2020	(395,981)	(17,882)	(239,455)	(29,482)	(55,220)	–	(738,020)
Charge for the year	(61,836)	(1,394)	(26,120)	(4,228)	(9,314)	–	(102,892)
Written back on disposals	6,344	–	926	2,496	2,036	–	11,802
At December 31, 2020	(451,473)	(19,276)	(264,649)	(31,214)	(62,498)	–	(829,110)
Charge for the year	(48,038)	(1,394)	(18,385)	(4,156)	(10,630)	–	(82,603)
Written back on disposals	5,099	–	9,785	2,766	9,614	–	27,264
At December 31, 2021	(494,412)	(20,670)	(273,249)	(32,604)	(63,514)	–	(884,449)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements RMB'000	Land, buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment:							
At January 1, 2020	(12,308)	–	(3,480)	–	(20)	–	(15,808)
Impairment losses recognised	(53,615)	–	(5,481)	–	–	–	(59,096)
At December 31, 2020	(65,923)	–	(8,961)	–	(20)	–	(74,904)
Impairment losses recognised	(8,748)	–	(513)	–	–	(15,409)	(24,670)
Written back on disposals	7,290	–	3,219	–	9	–	10,518
At December 31, 2021	(67,381)	–	(6,255)	–	(11)	(15,409)	(89,056)
Net book value:							
At December 31, 2021	307,918	23,346	47,650	23,983	28,429	30,755	462,081
At December 31, 2020	343,254	24,740	61,198	22,526	27,868	48,785	528,371

Note: The Group determines whether there are impairment indicators of property, plant and equipment at the end of reporting period. For the year ended December 31, 2021, the Group intends to shut down two cinemas. The Group assessed the recoverable amounts of those property, plant and equipment of these subsidiaries and as a result the carrying amount of it was written down to their recoverable amount of RMB7,047,000. An impairment loss of RMB9,261,000 was recognised as "Administrative expenses". There were six construction in progress projects which cannot operate due to turndown of economic conditions. The Group assessed the recoverable amounts of these projects and as a result the carrying amount of it was written down to their recoverable amount of RMB23,175,000. An impairment loss of RMB15,409,000 was recognised as "Administrative expenses". The estimates of recoverable amount of leasehold improvement, equipment and construction in progress were based on the fair values of the relevant fixed assets less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry, adjusted for differences such as remaining useful lives.

Construction in progress mainly represents cinemas under construction which are not ready for its intended use at the end of the reporting period.

13 RIGHT-OF-USE ASSETS

	Properties leased for own use (note (i)) RMB'000	Equipment (note (ii)) RMB'000	Total RMB'000
Cost			
At January 1, 2020	974,475	66,676	1,041,151
Additions	70,576	567	71,143
Lease modification (note)	(17,950)	–	(17,950)
Disposals	(7,610)	–	(7,610)
At December 31, 2020	1,019,491	67,243	1,086,734
Additions	123,164	–	123,164
Lease modification (note)	(2,039)	–	(2,039)
Disposals	(78,978)	(22)	(79,000)
At December 31, 2021	1,061,638	67,221	1,128,859
Accumulated amortisation and depreciation:			
At January 1, 2020	(113,037)	(16,852)	(129,889)
Charge for the year	(119,201)	(15,559)	(134,760)
Written back on disposals	4,554	–	4,554
At December 31, 2020	(227,684)	(32,411)	(260,095)
Charge for the year	(120,475)	(14,567)	(135,042)
Written back on disposals	28,266	11	28,277
At December 31, 2021	(319,893)	(46,967)	(366,860)
Net book value:			
At December 31, 2021	741,745	20,254	761,999
At December 31, 2020	791,807	34,832	826,639

Note: The lease modification is mainly caused by the future rental payment of cinemas.

13 RIGHT-OF-USE ASSETS *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities (note 7(a))	**54,567**	51,589
Expense relating to short-term leases	**31,868**	34,370
Variable lease payments not included in the measurement of lease liabilities	**10,285**	7,951
COVID-19-related rent concessions received	**(13,653)**	(31,716)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(d) and 28, respectively.

As disclosed in note 2(c), 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. Further details are disclosed in (i) below.

(i) Properties leased for own use

The Group has obtained the right to use properties as its cinemas, offices and warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 22 years. Lease payments are usually increased every 4 years to reflect market rentals.

During the year ended December 31, 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. During 2021 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 year is summarised below:

13 RIGHT-OF-USE ASSETS *(Continued)*

(i) Properties leased for own use *(Continued)*

	2021			
	Fixed payments RMB'000	**Variable payments RMB'000**	**COVID-19 rent concessions RMB'000**	**Total payments RMB'000**
Cinemas – China	**101,112**	**10,285**	**(12,397)**	**99,000**

	2020			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Cinemas – China	81,063	7,951	(28,634)	60,380

At December 31, 2021, it is estimated that an increase in revenue generated from these cinemas by 5% would have increased the lease payments by RMB400,000 (2020: RMB398,000).

(ii) Equipment

The Group leases equipment under leases primarily expiring in 5 years. None of the leases includes variable lease payment.

14 INTANGIBLE ASSETS

	Software RMB'000	Right to use the brands RMB'000	Total RMB'000
Cost:			
At January 1, 2020	19,254	28,775	48,029
Additions	7,774	–	7,774
At December 31, 2020	27,028	28,775	55,803
Additions	13,270	–	13,270
At December 31, 2021	40,298	28,775	69,073
Accumulated amortisation:			
At January 1, 2020	(1,413)	(5,405)	(6,818)
Charge for the year	(1,904)	(1,887)	(3,791)
At December 31, 2020	(3,317)	(7,292)	(10,609)
Charge for the year	(2,975)	(1,057)	(4,032)
At December 31, 2021	(6,292)	(8,349)	(14,641)
Impairment:			
At January 1, 2020	–	(2,412)	(2,412)
Impairment losses recognised	–	(7,665)	(7,665)
At December 31, 2020	–	(10,077)	(10,077)
Impairment losses recognised	–	–	–
At December 31, 2021	–	(10,077)	(10,077)
Net book value:			
At December 31, 2021	34,006	10,349	44,355
At December 31, 2020	23,711	11,406	35,117

The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss. The right to use the brands and the related goodwill (note 15) were raised from acquisition of Foshan XingX Entertainment Corporation Limited ("Xingxing Entertainment") in 2017.

15 GOODWILL

	RMB'000
Cost:	
At January 1, 2020, December 31, 2020 and December 31, 2021	173,380
Accumulated impairment losses:	
At January 1, 2020	(96,447)
Impairment loss	(68)
At December 31, 2020	(96,515)
Impairment loss	–
At December 31, 2021	(96,515)
Carrying amount:	
At December 31, 2021	76,865
At December 31, 2020	76,865

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the cash-generating units ("CGUs") of the related segment as follows:

	2021 **RMB'000**	2020 RMB'000
Cinema investment and management:		
– Xingxing Entertainment	**76,865**	76,865

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	RMB'000	RMB'000
Unlisted shares, at cost	**2,096,983**	1,385,220

As at December 31, 2021, the principal subsidiaries of the Company are listed as follows:

Name of company	Place and date of incorporation and operation	Paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activities
Beijing Poly Theatre Management Corporation Limited ("Beijing Poly Theatre") (Note B) 北京保利劇院管理有限公司	The PRC	RMB100,000,000	100%	100%	-	Theatre operation management
Beijing Poly International Auction Corporation Limited("Beijing Auction") (Note C) (Note D) 北京保利國際拍賣有限公司	The PRC	RMB10,000,000	86%	86%	-	Auction business
Beijing Poly Art Centre Corporation Limited ("Poly Art Centre") (Note B) 北京保利藝術中心有限公司	The PRC	RMB300,000,000	100%	100%	-	Sale of cultural relics and artworks (except for auction)
Poly Auction (Hong Kong) Limited (Note C) 保利香港拍賣有限公司	Hong Kong	70,000,000 shares	95.8%	70.0%	30%	Auction business
Poly Film Investment Corporation Limited) ("Poly Film") (Note B) 保利影業投資有限公司	The PRC	RMB800,000,000	100%	100%	-	Entertainment content production, promotion, and distribution; film screening, snacks retailing
Poly Ronghe Financial Leasing Corporation Limited ("Poly Ronghe") (Note A) 保利融禾融資租賃有限公司	The PRC	RMB200,000,000	60%	60%	-	Financing and leasing business

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

Notes:

Note A: Equity-joint venture

Note B: Domestic company

Note C: During the year ended December 31, 2021, the Company acquired additional 31% non-controlling interests of Beijing Auction at the consideration of RMB469,888,000. the Company also acquired 31.5% non-controlling interests of Poly Auction (Hong Kong) Limited at the consideration of RMB241,874,000 (see note 36).

Note D: During the ended December 31, 2021, Shanghai Huayi Poly International Auction Co., Ltd., the subsidiary of Beijing Auction, has been liquidated.

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Beijing Auction, the subsidiary of the Group, which has material non-controlling interest (NCI). The summarised financial information presented below represents the financial statements of Beijing Auction before any inter-group elimination with other subsidiaries of the Group.

	2021 **RMB'000**	2020 RMB'000
NCI percentage	**14%**	45%
Current assets	**4,026,397**	3,742,057
Non-current assets	**98,029**	86,198
Current liabilities	**(3,597,858)**	(3,347,900)
Non-current liabilities	**(27,041)**	(15,674)
Net assets	**499,527**	464,681
Carrying amount of NCI	**69,934**	209,106
Revenue	**390,328**	259,099
Profit for the year	**34,847**	19,323
Total comprehensive income	**34,847**	19,323
(Loss)/profit allocated to NCI	**(14,311)**	8,695
Dividend paid to NCI	**–**	–
Cash flows generated from/(used in) operating activities	**451,781**	(920,230)
Cash flows generated from/(used in) investing activities	**113,991**	(46,752)
Cash flows (used in)/generated from financing activities	**(186,475)**	798,853

(Expressed in RMB unless otherwise indicated)

17 INTEREST IN ASSOCIATES

The following list contains only the particulars of material associate:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Digital Domain Holdings Limited. ("Digital Domain")(note) 數字王國集團有限公司	Incorporated	Hong Kong	4,329,027,625 shares of HK$0.01 each	12.30%	12.30%	–	VFX production and post-production services

Note:

On January 18 and July 30, 2021, Digital domain issued 6,814,760,000 new ordinary shares and 2,400,000,000 new ordinary shares at a price of HK$0.05 and HK$0.065 separately, which resulted in a decrease in the Group's shareholding percentage in Digital domain from 15.62% to 12.30%. The associated dilution has resulted in an increase in the Group's share of net loss of associates accounted for under equity method by RMB29 million.

On December 31, 2021, the quoted market price of the investment in Digital Domain is HK$0.64 per share and the fair value based on the quoted market price of investment in Digital Domain was assessed to be RMB279 million. The investment in Digital Domain will support the Group to strengthen its cultural and technological strength, enhance its innovation ability, market image and customer base, and facilitate the cinema investment and management, performance and theatre management, art business and auction, art education, cultural tourism and the operation and management of cultural assets.

The above associate is accounted for using the equity method in the consolidated financial statements.

17 INTEREST IN ASSOCIATES *(Continued)*

Note: *(Continued)*

Summarised financial information of the material associate, fair value adjustments at acquisition and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Digital Domain	
	2021 RMB'000	2020 RMB'000
Gross amounts of the associate's		
Current assets	**337,688**	240,999
Non-current assets	**268,573**	619,532
Current liabilities	**279,103**	352,085
Non-current liabilities	**284,479**	223,888
Equity		
– attributable to shareholders of the associate	**104,071**	308,594
– attributable to non-controlling interests	**(61,392)**	(24,036)
Revenue	**717,332**	534,857
Loss attributable to shareholders of the associate	**(585,870)**	(260,986)
Other comprehensive income attributable to shareholders of the associate	**(15,717)**	(1,988)
Total comprehensive income attributable to shareholders of the associate	**(601,587)**	(262,974)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**104,071**	308,594
Group's effective interest	**12.30%**	15.62%
Group's share of net assets of the associate	**12,801**	48,202
Goodwill	**261,799**	332,573
Carrying amount in the consolidated financial statements	**274,600**	380,775

17 INTEREST IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	2021 **RMB'000**	2020 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**339,840**	320,548
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**19,292**	3,799
Total comprehensive income	**19,292**	3,799

18 INTEREST IN JOINT VENTURES

	2021 **RMB'000**	2020 RMB'000
Unlisted shares, at cost	**507,476**	532,476
Impairment loss	**(61,636)**	(60,496)
Share of profits less losses, net of dividends	**(36,753)**	(32,935)
Total	**409,087**	439,045

(Expressed in RMB unless otherwise indicated)

18 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: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
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
Anyang Bao Xin Property Corporation Limited (note (i)) 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Poly Armstrong (Beijing) International Arts& Communication Co.,Ltd (note (i)) 保利斯特朗 (北京) 國際藝術傳播有限公司	Incorporated	The PRC	51%	–	Theatre operation management
Beijing Eastern Poly Culture and Art Corporation Limited ("Eastern Poly") (note (i)) 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Wuhan Xijie XingX TianDi Cinema Corporation Limited (note (ii)) 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 (note (ii)) 希傑星星(天津)國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Beijing Xijie XingX International Cinema Corporation Limited (note (ii)) 北京希傑星星國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Fushun) Cinema Corporation Limited (note (ii)) 希傑星星(撫順)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Shanghai) Cinema Corporation Limited (note (ii)) 希傑星星(上海)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Zhongshan Xijie XingX Cinema Corporation Limited (note (ii)) 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 (note (ii)) 長沙希傑星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Nanjing XingX Rongsheng Cinema Corporation Limited (note (ii)) 南京星星榮盛影城有限公司	Incorporated	The PRC	60%	–	Cinema operation management
Foshan XingX Xijie Cinema Corporation Limited (note (ii)) 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.

18 INTEREST IN JOINT VENTURES *(Continued)*

Notes:

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

ii As the results of impact of COVID-19 and in view of the uncertainties of PRC movie market in the foreseeable future, the Group considers there is impairment indicator on this business. For the purpose of impairment testing, the recoverable amounts of the joint ventures have been determined by the Directors on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2020: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using discount rates ranging from 12.27% to 13.62% (2020: 11.07% to 13.44%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The impairment loss of RMB1,140,000 recognised in "Administrative expenses" during the year solely relates to interest in joint ventures in relate to Xijie XingX (Tianjin) International Cinema Corporation Limited. and the corresponding interest in joint ventures has been reduced to its recoverable amount of RMB1,888,000.

iii During the year ended December 31, 2021, Guilin Poly Culture Investment Development Corporation Limited was liquidated.

Summarised financial information of joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2021 **RMB'000**	2020 RMB'000
Aggregate carrying amount of joint ventures in the consolidated financial statements	**409,087**	439,045
Aggregate amounts of the Group's share of those joint ventures'		
Loss from continuing operations	**14,459**	19,840
Total comprehensive income	**14,459**	19,840

19 OTHER FINANCIAL ASSETS

	Note	**2021 RMB'000**	2020 RMB'000
Current			
Financial assets measured at amortised cost			
– Loans granted under financing arrangements	(ii)		
– Within 1 year or on demand		**1,779,643**	2,168,163
– Loans to associates		**13,655**	12,895
– Loans to a joint venture		**15,000**	12,000
		1,808,298	2,193,058
Non-current			
Financial assets measured at amortised cost			
– Loans granted under financing arrangements	(ii)		
– After 1 year but within 2 years		**–**	130,000
Financial assets measured at FVPL			
– Other equity securities	(i)	**265,073**	238,733
		265,073	368,733
		2,073,371	2,561,791

Notes:

(i) In 2016, The Company entered into a Capital Increase Agreement with Poly Finance Company Limited ("Poly Finance"), a related party, to acquire 5% of Poly Finance equity interest by cash injection.

(ii) Poly North America and Poly Ronghe 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.

20 INVENTORIES

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

	2021 RMB'000	2020 RMB'000
Antiques, works of art	**1,675,027**	1,707,424
Calligraphy, painting and sculptures	**521,778**	549,427
Small value items for resale	**8,404**	6,639
Low value materials	**2,507**	2,830
Drama rights	**23,496**	18,587
Film production	**17,429**	17,429
	2,248,641	2,302,336

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

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	**113,007**	90,110
Write down of inventories	**–**	32,000
	113,007	122,110

21 TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade and bills receivables for sale of goods and rendering of services, net of credit loss allowance, due from		
– related parties	**4,621**	2,512
– third parties	**546,618**	444,521
Financial assets measured at amortised cost	**551,239**	447,033

All trade and bills receivables (net of credit loss allowance) of the Group are expected to be recovered within one year.

Ageing analysis

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

	2021 RMB'000	2020 RMB'000
Within 1 month	**108,280**	136,261
1 to 3 months	**16,627**	10,626
3 to 6 months	**22,727**	45,150
6 to 12 months	**68,822**	71,992
Over 1 year	**334,783**	183,004
	551,239	447,033

Trade and bills receivables are generally due immediately without credit or within a credit period of two months. Further details on the Group's credit policy are set out in note 32(a).

22 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 December 31, 2021, 8.2% of the consignor advances was due from the largest debtor related to art business and auction (2020: 8.1%).

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

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments for auctioned works of art (note (i))	**1,847,070**	1,866,918
Receivables for auctioned works of art	**70,098**	83,475
Rental deposits	**24,669**	30,184
Guarantee deposits	**23,304**	50,327
Interest receivables from consignor advances on auction artwork	**197,885**	204,352
Advances to staff for business related activities	**9,177**	24,004
Loans to third parties (note (ii))	**60,321**	83,581
Others	**88,515**	73,817
Financial assets measured at amortised cost	**2,321,039**	2,416,658
Deposit on acquisition of non-controlling interests	**–**	71,628
Prepayments for purchase of inventories	**389,770**	218,960
Prepayments for performance	**87,471**	68,901
VAT recoverable	**23,032**	21,821
Others	**30,852**	20,044
	531,125	401,354
	2,852,164	2,818,012
Less: allowance for doubtful debts	**66,259**	77,443
Deposits, prepayments and other receivables, net of loss allowance		
– current portion	**2,785,905**	2,668,941
– non-current portion	**–**	71,628
	2,785,905	2,740,569

Notes:

(i) Prepayments for auctioned works of art represent the amounts advanced to sellers of works of art who have a good credit record or have a long-term business relationship with the Group. Amounts may be advanced to sellers prior to receiving full payment of the auction purchase prices from the relevant buyers using the related auctioned works of art as collateral. The prepayments granted generally represent 40% to 60% of the collateral's auction price.

(ii) The balances mainly represent loans granted by the Group to third-party executive producers for film and drama series with fixed repayment terms and bear interest at rates ranged from 8% to 13% per annum.

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

The movement in the allowance for doubtful debts during the year is as follows:

	2021 **RMB'000**	2020 RMB'000
At January 1	**77,443**	31,603
Impairment loss recognised	**3,260**	45,917
Reversal of impairment loss	**(13,444)**	(7)
Uncollectible amounts written off	**(1,000)**	(70)
At December 31	**66,259**	77,443

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

Cash and cash equivalents in the statements of financial position and cash flow statement comprise:

	2021 **RMB'000**	2020 RMB'000
Cash at bank and on hand	**1,607,593**	1,329,147

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	**2021 RMB'000**	2020 RMB'000
Loss before taxation		**(103,293)**	(274,912)
Adjustments for:			
Depreciation and amortisation	7(c)	**221,677**	241,443
Impairment loss on property, plant and equipment	7(c)	**24,670**	59,096
Impairment loss of intangible assets	7(c)	**–**	7,665
Impairment loss of goodwill	7(c)	**–**	68
Inventory provision	7(c)	**–**	32,000
Impairment of interest in joint ventures	7(c)	**1,140**	12,630
Impairment of interest in associates	7(c)	**–**	3,766
Impairment loss on deposits, prepayments and other receivables	7(c)	**(10,184)**	45,910
Impairment loss on trade and bills receivables	7(c)	**2,426**	1,852
Amortisation of deferred revenue		**(4,217)**	(5,263)
Finance costs	7(a)	**228,944**	185,532
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	6	**(13,733)**	978
Dividend income from other equity securities	6	**(6,594)**	(7,563)
Interest earned from consignor advances		**(91,941)**	(135,071)
Share of profits less losses of associates		**82,726**	36,967
Share of profits less losses of joint ventures		**14,459**	19,840
Changes in fair value of other equity securities		**(25,908)**	(23,402)
COVID-19-related rent concessions received	13	**(13,653)**	(31,716)
Net foreign exchange loss		**3,999**	860
Changes in working capital:			
Decrease/(increase) in inventories		**53,695**	(87,738)
Increase in trade and bills receivables		**(106,632)**	(68,848)
Decrease in loans granted under financing arrangements		**518,520**	419,252
(Increase)/decrease in loans to associates		**(760)**	16,608
Increase in deposits, prepayments and other receivables		**(45,736)**	(638,959)
Decrease in long-term prepayments		**223**	226
(Increase)/decrease in restricted cash		**(9,826)**	14,839
Increase/(decrease) in contract liabilities		**46,130**	(10,840)
Increase/(decrease) in trade and other payables		**30,300**	(305,891)
Cash generated from/(used in) operations		**796,432**	(490,671)

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (Note 25)	Bonds RMB'000 (Note 25)	Debentures RMB'000 (Note 25)	Borrowings from controlling equity owner RMB'000 (Note 25)	Borrowings from a Poly Group's affiliate RMB'000 (Note 25)	Borrowings from joint ventures RMB'000 (Note 25)	Borrowings from an associate RMB'000 (Note 25)	Borrowings from a non-controlling equity owner RMB'000 (Note 25)	Interest payable RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 28)	Total RMB'000
At January 1, 2021	3,565,069	1,200,000	1,000,000	-	-	92,450	20,000	1,332	42,245	1,064,053	6,985,149
Changes from financing cash flows:											
Proceeds from bank loans	3,135,368	-	-	-	-	-	-	-	-	-	3,135,368
Repayment of bank loans	(3,791,809)	-	-	-	-	-	-	-	-	-	(3,791,809)
Proceeds from issue of debentures	-	-	1,000,000	-	-	-	-	-	-	-	1,000,000
Proceeds from issue of bonds	-	800,000	-	-	-	-	-	-	-	-	800,000
Repayment of debentures	-	-	(1,000,000)	-	-	-	-	-	-	-	(1,000,000)
Repayment of bonds	-	(700,000)	-	-	-	-	-	-	-	-	(700,000)
Repayment of borrowings from joint ventures	-	-	-	-	-	(1,785)	-	-	-	-	(1,785)
Proceeds from borrowings from joint ventures	-	-	-	-	-	1,600	-	-	-	-	1,600
Repayment of borrowings from an associate	-	-	-	-	-	-	(20,000)	-	-	-	(20,000)
Proceeds from the controlling equity owner	-	-	-	100,000	-	-	-	-	-	-	100,000
Repayment of borrowings from a non-controlling equity owner	-	-	-	-	-	-	-	(732)	-	-	(732)
Proceeds from borrowings from a Poly Group's affiliate	-	-	-	-	191,271	-	-	-	-	-	191,271
Capital element of lease rentals paid	-	-	-	-	-	-	-	-	-	(109,593)	(109,593)
Interest element of lease rentals paid	-	-	-	-	-	-	-	-	-	(54,567)	(54,567)
Borrowing costs paid	-	-	-	-	-	-	-	-	(166,738)	-	(166,738)
Total changes from financing cash flows	(656,441)	100,000	-	100,000	191,271	(185)	(20,000)	(732)	(166,738)	(164,160)	(616,985)
Other changes:											
Effect of foreign exchange rate changes	(7,698)	-	-	-	-	-	-	-	-	277	(7,421)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	-	-	-	-	123,164	123,164
COVID-19-related rent concessions received	-	-	-	-	-	-	-	-	-	(13,653)	(13,653)
Lease modifications and disposal	-	-	-	-	-	-	-	-	-	(74,374)	(74,374)
Interest expenses (note 7(a))	-	-	-	-	-	-	-	-	174,728	54,567	229,295
Total other changes	(7,698)	-	-	-	-	-	-	-	174,728	89,981	257,011
At December 31, 2021	2,900,930	1,300,000	1,000,000	100,000	191,271	92,265	-	600	50,235	989,874	6,625,175

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank loans RMB'000 (Note 25)	Bonds RMB'000 (Note 25)	Debentures RMB'000 (Note 25)	Borrowings from controlling equity owner RMB'000 (Note 25)	Borrowings from joint ventures RMB'000 (Note 25)	Borrowings from an associate RMB'000 (Note 25)	Borrowings from a non-controlling equity owner RMB'000 (Note 25)	Interest payable RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 28)	Total RMB'000
At January 1, 2020	3,351,114	1,000,000	200,000	180,000	92,450	18,000	800	35,192	1,114,220	5,991,776
Changes from financing cash flows:										
Proceeds from bank loans	3,997,197	-	-	-	-	-	-	-	-	3,997,197
Repayment of bank loans	(3,745,690)	-	-	-	-	-	-	-	-	(3,745,690)
Proceeds from issue of debentures	-	-	1,200,000	-	-	-	-	-	-	1,200,000
Proceeds from issue of bonds	-	500,000	-	-	-	-	-	-	-	500,000
Repayment of debentures	-	-	(400,000)	-	-	-	-	-	-	(400,000)
Repayment of bonds	-	(300,000)	-	-	-	-	-	-	-	(300,000)
Proceeds from borrowings from an associate	-	-	-	-	-	40,000	-	-	-	40,000
Repayment of borrowings from an associate	-	-	-	-	-	(38,000)	-	-	-	(38,000)
Repayment of borrowings from the controlling equity owner	-	-	-	(180,000)	-	-	-	-	-	(180,000)
Proceeds from borrowings from a non-controlling equity owner	-	-	-	-	-	-	532	-	-	532
Capital element of lease rentals paid	-	-	-	-	-	-	-	-	(66,299)	(66,299)
Interest element of lease rentals paid	-	-	-	-	-	-	-	-	(51,589)	(51,589)
Borrowing costs paid	-	-	-	-	-	-	-	(127,000)	-	(127,000)
Total changes from financing cash flows	251,507	200,000	800,000	(180,000)	-	2,000	532	(127,000)	(117,888)	829,151
Other changes:										
Effect of foreign exchange rate changes	(37,552)	-	-	-	-	-	-	-	(1,205)	(38,757)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	-	-	-	71,452	71,452
COVID-19-related rent concessions received	-	-	-	-	-	-	-	-	(31,716)	(31,716)
Lease modifications and disposal	-	-	-	-	-	-	-	-	(22,399)	(22,399)
Interest expenses (note 7(a))	-	-	-	-	-	-	-	134,053	51,589	185,642
Total other changes	(37,552)	-	-	-	-	-	-	134,053	67,721	164,222
At December 31, 2020	3,565,069	1,200,000	1,000,000	-	92,450	20,000	1,332	42,245	1,064,053	6,985,149

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 **RMB'000**	2020 RMB'000
Within operating cash flows	**42,153**	42,321
Within financing cash flows	**164,160**	117,888
	206,313	160,209

These amounts relate to the following:

	2021 **RMB'000**	2020 RMB'000
Lease rentals paid	**206,313**	160,209

25 INTEREST-BEARING BORROWINGS

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

	2021 RMB'000	2020 RMB'000
Current Interest-bearing borrowings		
Bank loans		
– Unsecured	**2,852,930**	3,565,069
Borrowings from joint ventures (note 35(d))(note (i))	**92,265**	92,450
Borrowings from an associate	**–**	20,000
Debentures (note (ii))	**1,000,000**	1,000,000
Bonds	**–**	700,000
Borrowings from a Poly Group's affiliate (note (iv))	**191,271**	–
Borrowings from the controlling equity owner (note (v))	**100,000**	–
Borrowings from a non-controlling equity owner	**600**	1,332
	4,237,066	5,378,851
Non-current Interest-bearing borrowings		
Bonds (note (iii))	**1,300,000**	500,000
Bank loans		
– Unsecured	**48,000**	–
	1,348,000	500,000
	5,585,066	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.

25 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 July 8, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 8, 2022), nominal value per unit of RMB100 and coupon rate of 3.30% per annum. On July 16, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB200 million with a term of 270 days (the maturity date being April 15, 2022), nominal value per unit of RMB100 and coupon rate of 3.31% per annum. On August 24, 2021, the Company issued short-term debentures with an aggregate principal amount of RMB600 million with a term of 270 days (the maturity date being May 23, 2022), nominal value per unit of RMB100 and coupon rate of 3.10% per annum.

(iii) On February 28, 2020, the Company issued a mid-term note with an aggregate principal amount of RMB500 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 3.60% per annum respectively. On April 22, 2021 and November 17, 2021, the Company issued corporate bonds with an aggregate principal amount of RMB500 million and RMB300 million with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.57% and 4.38% per annum respectively.

(iv) The borrowings from a Poly Group's affiliate bear interest at 5.35% per annum, are unsecured with a maturity period of 130 days.

(v) The borrowings from the controlling equity owner bear interest at 4.85% per annum, are unsecured with a maturity period of one year.

25 INTEREST-BEARING BORROWINGS *(Continued)*

(b) The interest rates per annum on interest-bearing borrowings are as follows:

	2021 %	2020 %
Fixed-rate borrowings		
– Bank loans	**3.85-5.22**	3.85-5.22
– Borrowings from joint ventures	**2.40-3.20**	2.40-3.20
– Bonds	**3.60-4.57**	3.60-4.92
– Debentures	**3.10-3.31**	2.20-4.50
– Borrowings from a non-controlling equity owner	**4.35**	4.35
– Borrowings from the controlling equity owner	**4.85**	–
– Borrowings from a Poly Group's affiliate	**5.35**	–
Variable-rate borrowings		
– Bank loans	**1-year LPR-0.5%**	1-month HIBOR+2.5%-1-year LPR-0.47%
– Borrowings from an associate	**–**	0%-8%

(c) At December 31, 2021, the Interest-bearing borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year or on demand	**4,237,066**	5,378,851
After 1 year but within 2 years	**500,000**	–
After 2 years but within 3 years	**848,000**	500,000
	5,585,066	5,878,851

26 TRADE AND OTHER PAYABLES

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Current		
Trade payables to		
– related parties	**52,899**	62,278
– third parties	**114,480**	105,018
	167,379	167,296
Interest payables		
– related parties	**8,500**	8,497
– third parties	**41,735**	33,748
Payables for staff related costs	**53,149**	59,942
Payables for other taxes and surcharges	**57,539**	63,982
Dividends payable	**10,343**	1,976
Payment to consignors	**1,570,939**	1,111,395
Deposits received	**108,625**	99,740
Payables on acquisition of non-controlling interests	**65,275**	–
Other accruals and payables		
– related parties	**55,633**	39,712
– third parties	**282,859**	169,402
Financial liabilities measured at amortised cost	**2,421,976**	1,755,690
Non-current		
Payable for purchase of equipment		
– third parties	**–**	406
Pension contribution	**8,700**	–
	8,700	406

26 TRADE AND OTHER PAYABLES *(Continued)*

As at December 31, 2021, the aging analysis of trade payables presented based on the invoice date is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 12 months	**108,876**	106,030
Over 12 months	**58,503**	61,266
	167,379	167,296

27 CONTRACT LIABILITIES

	December 31, 2021	December 31, 2020
	RMB'000	RMB'000
Receipts in advance		
– Billings in advance of theatre and cinema performance	**379,471**	335,722
– Billings in advance of art business	**135,325**	146,587
Others	**94,152**	80,509
	608,948	562,818

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of services. The contract liability balance as at January 1, 2021 and 2020, has been substantially recognised as revenue during the respective year.

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	December 31, 2021		December 31, 2020	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**170,785**	**176,577**	188,593	193,026
After 1 year but within 2 years	**151,044**	**162,508**	141,791	151,220
After 2 years but within 5 years	**322,024**	**377,775**	305,168	358,815
After 5 years	**346,021**	**507,833**	428,501	639,084
	819,089	**1,048,116**	875,460	1,149,119
	989,874	**1,224,693**	1,064,053	1,342,145
Less: total future interest expenses		**234,819**		278,092
Present value of lease liabilities		**989,874**		1,064,053

29 SHARE-BASED PAYMENT ARRANGEMENTS

The Company's "H Share Appreciation Rights Incentive Plan and the Initial Grant" ("the Scheme") was approved by the 2018 first extraordinary general meeting of the Company on December 21, 2018. Pursuant to the Scheme, 4,926,320 units of SARs were granted to 77 employees of the Group at the exercise price of HK$9.82 per unit on December 21, 2018. As the performance conditions were not met, all SARs were lapsed. No shares have been issued under the Scheme.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

Group

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Tax payable at January 1	**29,792**	58,042
Provision for the year (note 8(a))	**37,937**	34,515
Over-provision in respect of prior years (note 8(a))	**(1,644)**	(799)
Income tax paid	**(42,537)**	(61,966)
Tax payable at December 31	**23,548**	29,792

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Credit loss: allowance RMB'000	Tax losses RMB'000	Accrued expense RMB'000	Right-of-use assets and others RMB'000	Exchange difference on translation of financial statements RMB'000	Right to use the brands RMB'000	Changes in fair value though profit or loss RMB'000	Total RMB'000
At January 1, 2020	1,279	7,000	278	26,011	526	(5,239)	(17,766)	12,089
Credited/(charged) to profit or loss	293	1,416	–	(5,457)	–	2,386	(5,851)	(7,213)
Exchange adjustments	–	–	–	–	(1,169)	–	–	(1,169)
At December 31, 2020	1,572	8,416	278	20,554	(643)	(2,853)	(23,617)	3,707
(Charged)/credited to profit or loss	(86)	(585)	1,989	7,279	–	264	(6,676)	2,185
Exchange adjustments	–	–	–	–	(100)	–	–	(100)
At December 31, 2021	1,486	7,831	2,267	27,833	(743)	(2,589)	(30,293)	5,792

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Reconciliation to the statement of consolidated financial position

	2021 **RMB'000**	2020 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**38,674**	30,177
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(32,882)**	(26,470)
	5,792	3,707

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB700,023,000 as at December 31, 2021 (2020: RMB675,099,000), as it is not probable that future taxable profits against which the losses or the temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. As of December 31, 2021, the unused tax losses of RMB33,662,000, RMB98,202,000, RMB99,884,000, RMB269,779,000 and RMB198,496,000 will expire at the end of the year 2022, 2023, 2024, 2025 and 2026, respectively.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at January 1, 2020		246,316	1,982,448	(20,593)	158,361	1,179,149	3,545,681
Changes in equity for 2020:							
Total comprehensive income for the year		–	–	(3,700)	–	85,660	81,960
Share of other comprehensive income of investments accounted for using the equity method		–	–	2,207	–	–	2,207
Dividends approved in respect of the previous year	31(b)	–	–	–	–	(17,488)	(17,488)
Balance at December 31, 2020 and January 1, 2021		246,316	1,982,448	(22,086)	158,361	1,247,321	3,612,360
Changes in equity for 2021:							
Total comprehensive income for the year		–	–	(2,748)	–	(52,793)	(55,541)
Share of other comprehensive income of investments accounted for using the equity method		–	–	(1,410)	–	–	(1,410)
Balance at December 31, 2021		246,316	1,982,448	(26,244)	158,361	1,194,528	3,555,409

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2021 **RMB'000**	2020 RMB'000
Final dividend proposed after the end of the reporting period of Nil per ordinary share (2020: Nil per ordinary share)	**–**	–

The final dividend proposed after the end of the reporting period has not been 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 and paid during the year:

	2021 **RMB'000**	2020 RMB'000
Dividend in respect of the previous financial year, approved and paid during the year, of Nil per ordinary share (2020: RMB0.071 per ordinary share)	**–**	17,488

(c) Share capital

Issued share capital

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

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represents contributions from equity shareholders, the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners, the carrying amount of the proportionate net assets and the share of other changes of investments accounted for using the equity method.

(ii) 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.

(iii) PRC statutory reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit to the general reserve fund as determined until the cumulative amounts reach 50% of the registered capital in accordance with the PRC accounting rules and regulations. The transfer to this reserve must be made before distribution of a dividend to equity shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB which are dealt with in accordance with the accounting policies as set out in note 2(x).

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Distributability of reserves

Under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory reserve as set out in note 31(d)(iii) above; and

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lower of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable costs.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at December 31, 2021 was 72.74% (2020: 67.27%).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, consignor advances, prepayments for auctioned works of art and loans granted under financing arrangements. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Except for the financial guarantees given by the Company, the Group and the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

(i) Trade receivables

Trade receivables mainly contains trade receivables from performance and theatre management, cinema investment and management and art business and auction.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 10% (2020: 8%) and 32% (2020: 29%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 0-60 days from the date of billing. Normally, for trade receivables from performance and theatre management and cinema investment and management, the Group does not obtain collateral from customers. For trade receivables from art business and auction, the Group obtains collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix according to different segments.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) Trade receivables *(Continued)*

(a) The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables of the performance and theatre management and cinema investment and management segments as at December 31, 2021:

	2021			2020	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**	Gross carrying amount RMB'000	Loss allowance RMB'000
Less than 1 year	**0.45%**	**107,811**	**(487)**	88,718	(1,131)
1-2 years	**20%**	**11,340**	**(2,267)**	9,038	(1,808)
2-3 years	**30%**	**4,475**	**(1,343)**	3,361	(1,008)
3-4 years	**50%**	**3,351**	**(1,676)**	4,727	(2,364)
4-5 years	**80%**	**3,952**	**(3,162)**	351	(281)
More than 5 years	**100%**	**601**	**(601)**	518	(518)
		131,530	**(9,536)**	106,713	(7,110)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) For trade receivables of the art business and auction segments, normally, the Group obtains collateral from customers. The Group considers that the credit risk arising from these receivables is significantly mitigated by the value of art works held as collateral. The fair value of the art works was approached by using market comparison approach by reference to recent auction price of similar art works.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) ***Trade receivables*** *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 **RMB'000**	2020 RMB'000
Balance at January 1,	**7,110**	5,258
Impairment loss recognised	**3,012**	2,072
Reversal of impairment loss	**(586)**	(220)
At December 31	**9,536**	7,110

(ii) ***Credit risk arising from prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements***

Prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements (collectively "the receivables" hereinafter) are fully secured by works of art which are held by the Group as collateral. The maximum exposure to credit risk in respect of the receivables at the end of the reporting period, without taking into account the collateral, are disclosed in notes 19, 22 and 23. The Group considers that the credit risk arising from the receivables is significantly mitigated by works of art held as collateral, with reference to the estimated market value of works of art at December 31, 2021 and December 31, 2020.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31 RMB'000
Bank loans (note 25)	2,928,514	2,352	48,722	–	2,979,588	2,900,930
Borrowings from joint ventures (note 25)	92,938	–	–	–	92,938	92,265
Bonds (note 25)	53,990	538,900	818,854	–	1,411,744	1,300,000
Debenture (note 25)	1,010,964	–	–	–	1,010,964	1,000,000
Borrowings from the controlling equity owner (note 25)	101,395	–	–	–	101,395	100,000
Borrowings from a Poly Group's affiliate (note 25)	193,940	–	–	–	193,940	191,271
Borrowings from a non-controlling equity owner (note 25)	608	–	–	–	608	600
Lease liabilities (note 28)	176,577	162,508	377,775	507,833	1,224,693	989,874
Trade and other payables measured at amortised costs (note 26)	2,421,976	250	750	7,700	2,430,676	2,430,676
	6,980,902	704,010	1,246,101	515,533	9,446,546	9,005,616

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31 RMB'000
Bank loans (note 25)	3,653,458	–	–	–	3,653,458	3,565,069
Borrowings from joint ventures (note 25)	94,489	–	–	–	94,489	92,450
Borrowings from an associate (note 25)	20,132	–	–	–	20,132	20,000
Bonds (note 25)	745,570	18,000	502,910	–	1,266,480	1,200,000
Debenture (note 25)	1,016,721	–	–	–	1,016,721	1,000,000
Borrowings from a non-controlling equity owner (note 25)	1,356	–	–	–	1,356	1,332
Lease liabilities (note 28)	193,026	151,220	358,815	639,084	1,342,145	1,064,053
Trade and other payables measured at amortised costs (note 26)	1,755,690	36	370	–	1,756,096	1,756,096
	7,480,442	169,256	862,095	639,084	9,150,877	8,699,000

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the profile of the Group's and the Company's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates of the Group's borrowings are disclosed in note 25.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) *Interest rate profile* (Continued)

	2021 RMB'000	2020 RMB'000
Floating rate financial assets:		
Other financial assets	**168,143**	172,083
Fixed rate borrowings:		
Bank loans	**(2,400,930)**	(2,848,413)
Borrowings from joint ventures	**(92,265)**	(92,450)
Bonds	**(1,300,000)**	(1,200,000)
Debentures	**(1,000,000)**	(1,000,000)
Borrowings from a non-controlling equity owner	**(600)**	(1,332)
Borrowings from the controlling equity owner	**(100,000)**	–
Borrowings from a Poly Group's affiliate	**(191,271)**	–
Floating rate borrowings:		
Bank loans	**(500,000)**	(716,656)
Borrowings from an associate	**–**	(20,000)
Total borrowings	**(5,585,066)**	(5,878,851)
Net borrowings	**(5,416,923)**	(5,706,768)
Fixed rate borrowings as a percentage of total borrowings	**91.05%**	87.47%

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At December 31, 2021, it is estimated that a general increase of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, the Group's loss after tax and retained profits would have decreased by RMB3,437,000 (2020: RMB4,555,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period. The impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash at bank and on hand that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Hong Kong dollars ("HKD") and Canada Dollars ("CAD").

(i) Recognised assets and liabilities

In respect of cash at bank and on hand, receivables and payables denominated in foreign currencies, the Group considers that the net exposure to foreign currency risk is insignificant. The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity shareholders.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the statement of financial position date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)	
	2021	2020
	RMB'000	RMB'000
Other financial assets		
– in USD	**225,524**	230,802
Cash and cash equivalents		
– in USD	**15,126**	35,908
– in HKD	**6,575**	175,761
– in CAD	**13**	616
– in RMB	**2,376**	4,545
Trade and other receivables		
– in USD	**781**	–
– in HKD	**180,640**	11,883
– in CAD	**6,399**	8,073
– in RMB	**97,408**	1,539
Trade and other payables		
– in HKD	**(175,865)**	(298,832)
– in CAD	**(236)**	–
– in RMB	**–**	(8,039)
Interesting-bearing borrowing		
– in USD	**(191,271)**	–
– in RMB	**(73,558)**	(241,169)
Net exposure	**93,912**	(78,913)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

	2021 **RMB'000**	2020 RMB'000
HKD	**494**	(11,335)
USD	**1,680**	9,815
CAD	**232**	(2,113)

A 5% weakening of RMB against the above currency as at December 31, 2021 would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting period. The analysis is performed on the same basis for 2020.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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 years ended December 31, 2020 and 2021, the fair value measure of all unlisted equity securities falls into Level 3 of the fair value hierarchy, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) *Financial assets and liabilities measured at fair value* *(Continued)*

Fair value hierarchy *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Other equity securities:		
At January 1	**238,733**	213,114
Additions	**432**	2,217
Changes in fair value during the year	**25,908**	23,402
At December 31	**265,073**	238,733

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at December 31, 2020 and 2021.

33 COMMITMENTS

Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at December 31, 2021 not provided for in the financial statements were as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted for	**78,083**	116,051
Authorised but not contracted for	**595,072**	702,594
	673,155	818,645

34 CONTINGENT ASSETS AND LIABILITIES

(a) Contingent liabilities

As an investment consultant of artwork trust plans, 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 reporting period, the directors of the Group consider the exposure in respect of trust plans is insignificant.

(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 December 31, 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.

35 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 years ended December 31, 2021 and 2020:

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2021 **RMB'000**	2020 RMB'000
Short-term employee benefits	**10,560**	13,401
Post-employment benefits	**1,283**	1,094
	11,843	14,495

Total remuneration was included in "staff costs" (see note 7(b)).

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Name and relationship with related parties

During the years ended December 31, 2021 and 2020, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation ("Poly Group") 中國保利集團公司	Parent and ultimate holding company
Poly Group's affiliates (note (i)) 中國保利集團公司附屬公司	Under common control
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
Beijing Poly New Stage Production Co., Ltd. 北京保利新舞台演出製作有限公司	Associate of the Group
Ningyi Cultural and Creative Development (Shenzhen) Co., Ltd. 凝一文化創意發展(深圳)有限公司	Associate of the Group
Cixi Poly Jinchen Culture development Co., Ltd. ("Cixi Poly") 慈溪保利錦辰文化發展有限公司	Associate of the Group
Poly 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
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

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Name and relationship with related parties *(Continued)*

Name of party	Relationship
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
Yixing Chengdong Cultural Tourism Investment and Development Co., Ltd. 宜興城東文化旅遊投資開發有限公司	Joint venture of the Group
Poly Strong (Beijing) International Art Communication Company 保利斯特朗(北京)國際藝術傳播公司	Joint venture 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

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) 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:

	2021 RMB'000	2020 RMB'000
Service provided to Poly Group and its affiliates	**6,911**	2,870
Receiving Service from (note (iii)) Poly Group and its affiliates	**147,324**	68,478
Receiving Service from Eastern Poly	**610**	925
Receiving Service from Associates	**–**	506
Rental from Poly Group and its affiliates	**4,929**	9,019
Rental from Eastern Poly	**333**	333
Interest income from Poly Group and its affiliates	**7,134**	8,086
Interest income from Eastern Poly	**539**	1,972
Interest income from Associates	**504**	–
Property management services (note (iv)) Poly Group and its affiliates	**3,623**	5,978

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Significant transactions with related parties *(Continued)*

	2021 RMB'000	2020 RMB'000
Borrowing from (note (v)) Poly Group and its affiliates	**291,271**	200,000
Borrowings from Poly Investment Fund	**–**	40,000
Borrowings from (note 25(a)) (note (vi)) Joint ventures	**1,600**	–
Borrowing costs to Poly Group and its affiliates	**38,500**	10,445
Borrowing costs to Joint ventures	**2,581**	2,691
Borrowing costs to Poly Investment Fund	**252**	1,403
Repayment of loans Poly Group and its affiliates	**200,000**	380,000
Repayment of loans (note (vii)) Poly Investment Fund	**20,000**	38,000
Repayment of loans Joint ventures	**1,785**	–
Repayment from loans to Associates	**–**	29,503
Loans to Joint ventures	**3,000**	–
Loans to Associates	**760**	12,895

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Significant transactions with related parties *(Continued)*

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.

(v) Borrowings from Poly Group and its affiliates refers to the loans, which was recognised in interest-bearing borrowings, of RMB100 million from Poly Group and RMB191 million from Poly Property Group Co., Limited (2020: RMB200 million from Poly Finance).

(vi) Borrowings from joint ventures refers to the loans, which was recognised in interest-bearing borrowings.

(vii) Repayment of loans to Poly Investment Fund refers to the entrusted loan, which was recognised in interest-bearing borrowings.

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents (note)		
Poly Group and its affiliates	**540,901**	521,733
Deposits with original maturities over three months (note)		
Poly Group and its affiliates	**40,465**	50,162
Trade and bill receivables (note 21)		
Poly Group and its affiliates	**4,621**	2,512
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**25,174**	23,283
Deposits, prepayments and other receivables		
Joint ventures	**5,419**	7,669
Deposits, prepayments and other receivables		
Associates	**4,608**	780
Loans to (note 19)		
Joint ventures	**15,000**	12,000
Loans to (note 19)		
Associates	**13,655**	12,895
Trade and other payables		
Poly Group and its affiliates	**76,873**	82,095
Trade and other payables		
Associates	**39,467**	28,392
Trade and other payables		
Joint ventures	**692**	–
Contract liabilities		
Poly Group and its affiliates	**695**	1,044

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Outstanding balances, including commitment, with related parties *(Continued)*

	2021 RMB'000	2020 RMB'000
Interest-bearing borrowings		
Poly Group and its affiliates	**291,271**	200,000
Interest-bearing borrowings (note 25(a))		
Joint ventures	**92,265**	92,450
Interest-bearing borrowings (note 25(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 1.43% to 3.3% according to the period of bank deposits.

(e) 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 RMB118,768,000, and a right-of-use asset with the balance of RMB66,000 and RMB111,762,000 as at December 31, 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 RMB411,000 and RMB37,872,000 interest expense of RMB0 and RMB4,677,000 (December 31, 2020: RMB279,000 and RMB12,077,000 interest expense of RMB4,000 and RMB15,263,000), respectively, and variable lease payments of RMB2,910,000 in its consolidated statement of comprehensive income of Poly Group's affiliates for the year ended December 31, 2021.

36 ACQUISITION OF NON-CONTROLLING INTERESTS

In April 2021, the Company acquired additional 31% non-controlling interests of Beijing Poly International Auction Corporation Limited ("Beijing Auction") at the consideration of RMB469,888,000, among which RMB206,903,000 will be settled in cash and RMB262,985,000 has been offset by receivables due from non-controlling shareholder of Beijing Auction. 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 RMB161,153,000.

In June 2021, the Company acquired 31.5% non-controlling interests of Poly Auction (Hong Kong) Limited ("Hong Kong Auction") at the consideration of RMB241,874,000, among which RMB36,016,000 will be settled in cash and RMB205,858,000 has been offset by receivables due from non-controlling shareholder of Hong Kong Auction. 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.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2021

(Expressed in RMB)

	Note	**December 31, 2021 RMB'000**	December 31, 2020 RMB'000
Non-current assets			
Property, plant and equipment		**958**	1,144
Right-of-use assets		**46,275**	–
Investments in subsidiaries	16	**2,096,983**	1,385,220
Deposits, prepayments and other receivables		**–**	71,628
Interest in associates		**612,655**	697,312
Interest in joint ventures		**9,990**	24,277
Deferred tax assets		**655**	–
Other financial assets		**261,052**	234,348
		3,028,568	2,413,929
Current assets			
Trade and bill receivables		**11,516**	46,216
Deposits, prepayments and other receivables		**4,816,240**	4,457,892
Other financial assets		**10,000**	10,000
Cash and cash equivalents		**273,196**	579,085
		5,110,952	5,093,193
Current liabilities			
Interest-bearing borrowings		**2,564,271**	3,061,000
Lease liabilities		**6,656**	–
Trade and other payables		**641,882**	297,371
Current taxation		**1,837**	12,332
		3,214,646	3,370,703

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2021 *(Continued)*

(Expressed in RMB)

	Note	**December 31, 2021 RMB'000**	December 31, 2020 RMB'000
Net current assets		**1,896,306**	1,722,490
Total assets less current liabilities		**4,924,874**	4,136,419
Non-current liabilities			
Deferred tax liabilities		**30,293**	23,616
Deferred revenue		**356**	443
Lease liabilities		**38,816**	–
Interest-bearing borrowings		**1,300,000**	500,000
		1,369,465	524,059
NET ASSETS		**3,555,409**	3,612,360
CAPITAL AND RESERVES	31		
Share capital		**246,316**	246,316
Reserves		**3,309,093**	3,366,044
TOTAL EQUITY		**3,555,409**	3,612,360

Approved and authorised for issue by the board of directors on March 31, 2022 and signed on its behalf by:

Wang Bo
Director

Zhao Lin
Chief Accountant

38 IMPACT OF COVID-19

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.

39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At December 31, 2021, the directors of the Company consider its parent and ultimate holding company to be Poly Group Corporation Limited, which is a state-owned enterprise established in the PRC. The parent company does not produce financial statements available for public use.

(Expressed in RMB unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to *IFRSs 2018-2020 Cycle*	January 1, 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	January 1, 2023
Amendments to IAS 8, *Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

"Articles"	the Articles of Association of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company", "Poly Culture" or "we", "us", "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
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Connected Transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules (up to December 31, 2021, revised and renamed as "Corporate Governance Code" on January 1, 2022)
"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
"Global Offering"	the Hong Kong Public Offering and the International Offering
"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$" or "Hong Kong dollars" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS(s)"	International Financial Reporting Standards and its notes
"Latest Practicable Date"	April 15, 2021, being the latest practicable date for the inclusion of certain information in this report prior to its publication

"Listing Date"	March 6, 2014
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing"	listing of the H Shares on the Stock Exchange
"Main Board"	The stock market operated by the Stock Exchange (excluding the option market), which is independent of and operating in parallel with the GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Poly Art Centre"	Beijing Poly Art Centre Co., Ltd. (北京保利藝術中心有限公司)
"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 Guangdong"	Poly Auction Guangdong Co., Ltd. (廣東保利拍賣有限公司)
"Poly Auction Hong Kong"	Poly Auction Hong Kong Co., Ltd. (保利香港拍賣有限公司)
"Poly Film"	Poly Film Investment Co., Ltd. (保利影業投資有限公司)
"Poly Leasing"	Poly Financial Leasing Company Limited (保利融資租賃有限公司)
"Poly Finance"	Poly Finance Company Limited (保利財務有限公司)
"Poly Group"	China Poly Group Corporation, a state-owned company incorporated in the PRC and our Controlling Shareholder, and (when the context requires) including its subsidiaries
"Poly International"	Poly International Holdings Limited (保利國際控股有限公司), a limited liability company incorporated in the PRC
"Poly Investment"	Poly Investment Holdings Company Limited (保利投資控股有限公司), a limited liability company incorporated in the PRC on August 13, 2013
"Poly Ronghe"	Poly Ronghe Financial Leasing Company (保利融禾融資租賃有限公司), a non wholly-owned subsidiary of the Company, with 80% of its equity interest held by the Company and its associates and 20% of its equity interest held by an independent third party

"Poly Southern"	Poly Southern Group Co., Ltd. (保利南方集團有限公司), a state-owned company incorporated in the PRC, a wholly-owned subsidiary of Poly Group and a Substantial Shareholder of our Company
"Poly Theatre Management"	Beijing Poly Theatre Management Co., Ltd. (北京保利劇院管理有限公司)
"Poly Wanhe Cinema Circuit"	Chongqing Poly Wanhe Cinema Circuit Co., Ltd. (重慶保利萬和電影院線有限責任公司), a company incorporated on July 26, 2005 in the PRC and a then subsidiary of the Company before being disposed to Poly Group in 2013; where applicable, it also refers to the cinema circuit managed by Chongqing Poly Wanhe Cinema Circuit Co., Ltd
"PRC" or "China" or "People's Republic of China"	the People's Republic of China which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus published by the Company on February 24, 2014
"Reporting Period"	the period from January 1, 2021 to December 31, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-Owned Assets Supervision and Administration Commission of the State Council of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Subsidiary(ies)"	has the meaning as defined in Section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"U.S." or "United States"	the United States of America, its territories, possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States

保利文化集團股份有限公司
POLY CULTURE GROUP CORPORATION LIMITED
www.polyculture.com.cn