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

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

Stock code: 3636

2022
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

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUTHORIZED REPRESENTATIVE

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Ms. Ng Sau Mei
31/F, 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 Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

Beijing Tian Yuan Law Firm
10th Floor, Pacific Insurance Building, 28 Fengsheng Hutong, Xicheng District, Beijing, PRC

PRINCIPAL BANKS

China CITIC Bank Corporation Limited (Beijing Branch Sales Department)
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Computershare Hong Kong Investor Service Limited
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STOCK CODE

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INVESTOR ENQUIRIES

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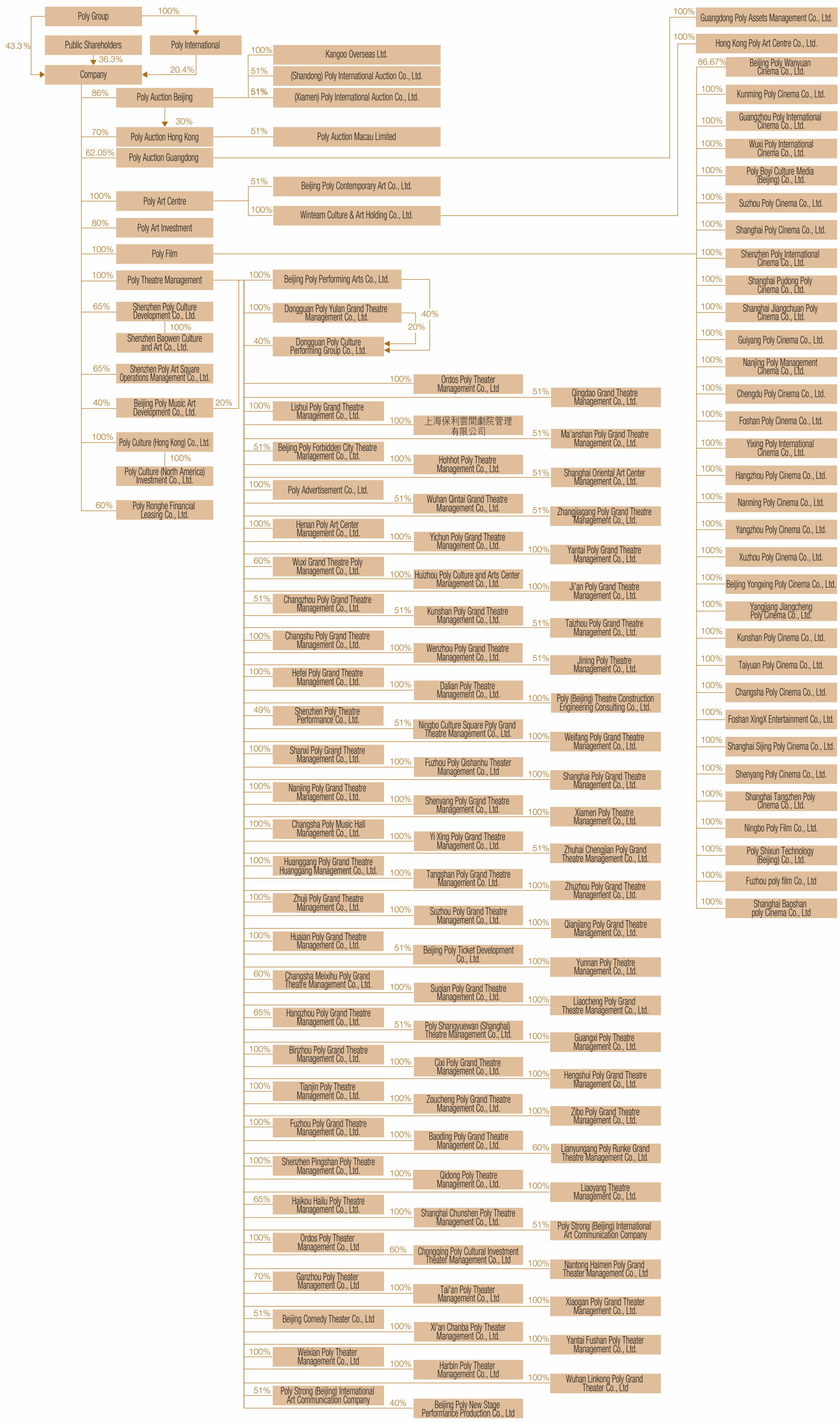
	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2018 *RMB'000*
Revenue	**2,617,044**	3,170,312	2,323,775	3,845,673	3,713,785
(Loss)/profit from operations	**(67,383)**	113,444	(186,752)	249,760	429,842
(Loss)/profit before taxation	**(260,553)**	(103,293)	(274,912)	236,895	507,605
Income tax	**(21,156)**	(34,108)	(40,929)	(108,947)	(139,322)
(Loss)/profit for the year	**(281,709)**	(137,401)	(315,841)	127,948	368,283
(Loss)/profit attributable to:					
Equity shareholders of the Company	**(290,196)**	(139,502)	(354,489)	49,719	241,992
Non-controlling interests	**8,487**	2,101	38,648	78,229	126,291
(Loss)/earnings per share					
Basic and diluted earnings per share (RMB)	**(1.18)**	(0.57)	(1.44)	0.2	0.98
Total comprehensive income for the year	**(237,125)**	(154,815)	(365,147)	122,984	389,941
Total comprehensive income attributable to:					
Equity shareholders of the Company	**(247,016)**	(154,119)	(392,174)	40,757	257,496
Non-controlling interests	**9,891**	(696)	27,027	82,227	132,445

	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2018 *RMB'000*
Total non-current assets	**2,371,980**	2,674,726	3,080,273	3,161,856	2,535,580
Total current assets	**9,568,937**	10,621,277	10,778,224	10,429,806	7,910,528
Total assets	**11,940,917**	13,296,003	13,858,497	13,591,662	10,446,108
Total current liabilities	**6,798,723**	7,462,323	7,915,744	6,813,058	4,310,307
Total non-current liabilities	**1,826,357**	2,209,340	1,407,221	1,858,626	1,133,940
Total liabilities	**8,625,080**	9,671,663	9,322,965	8,671,684	5,444,247
Net Assets	**3,315,837**	3,624,340	4,535,532	4,919,978	5,001,861
Total equity attributable to the equity shareholders of the Company	**2,977,448**	3,257,328	3,838,180	4,245,635	4,318,448
Non-controlling interests	**338,389**	367,012	697,352	674,343	683,413
TOTAL EQUITY	**3,315,837**	3,624,340	4,535,532	4,919,978	5,001,861

The financial information of the Group for the years ended December 31, 2018, 2019, 2020 and 2021 was extracted from 2018, 2019, 2020 and 2021 annual reports published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.polyculture.com.cn) on April 29, 2019, April 28, 2020, April 29, 2021, and April 26, 2022, respectively. The financial information of the Group for the year ended December 31, 2022 was set forth on pages 69 to 184 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 up to the Latest Practicable Date:



In January 2022, the drama "The Road We Have Taken" (《人間正道是滄桑》) jointly produced by Poly Theatre and Shanghai Oriental Art Center Management Co., Ltd. won three nominations at the 5th Chinese Theatre Awards, including the "Best Drama of the Year", "Best Director" and "Best Screenplay", and finally won two awards, namely, the "Best Screenplay" and "Best Director". Such drama also won the Outstanding Works Award of the 12th Five-One Project of Spiritual Civilization Construction in Jiangsu Province, the "Outstanding Drama Award" and the "Outstanding Performance Award" of the 2022 Zijin Culture and Art Festival, and was supported by the China National Arts Fund and the Jiangsu Arts Fund.

In February 2022, Poly Culture and China Tourism Group Travel Service Co., Ltd. held a signing ceremony of strategic cooperation in Beijing. As the only professional cultural industry enterprise in central enterprises and the only enterprise focusing on tourism, this cooperation aims to thoroughly implement the important exposition of the General Secretary Xi Jinping on culture and tourism, and jointly help promote the development of China's culture and tourism.

In April 2022, the eighth season online auction of Beijing Poly Auction, a subsidiary of Poly Culture, was successfully concluded. The "Dajing Ice and Snow Charity Project | Jindundun Charity Auction Special Session" jointly launched by Olympic champion Wu Dajing, China Youth Development Foundation and Beijing Poly Auction attracted great attention from all walks of life since its launch, and all 9 consignors were sold, with a transaction rate of 100%. The proceeds from this charity auction will be donated to the "Hope Project · Dajing Ice and Snow Public Welfare Program" of China Youth Development Foundation. Beijing Poly Auction escorted public welfare undertakings and contributed to the promotion of ice and snow sports and the spread of sportsmanship among Chinese youth.

In April 2022, the original drama "Taihang" (《太行》), jointly produced by Beijing Poly Theatre, a subsidiary of Poly Culture, and created and performed by Shanxi Vocational College of Art, was successfully selected for the 18th China (Shenzhen) Cultural Fair Art Festival. This drama was performed in 63 performances with the number of audiences of more than 24,000.

In June 2022, the cultural industry empowerment rural revitalization project of "Cultural Poly Moisturizes the Countryside" was officially launched. This project was directed by the Administration Center of Digital Film Content of the Publicity Department of the Central Committee of the Communist Party of China, sponsored by Poly Group, and jointly undertaken by seven county governments targeted assisted by Poly Culture and Poly Group. Based on the business characteristics of its own culture and art, Poly Culture Group gave full play to the advantages of the whole cultural industry chain, built a rural cultural and artistic exchange platform, and carried out four major task projects, namely, "Light and Shadow Moistens the Heart" (光影潤心), "Art Moistens the Industry" (藝術潤行), "Quyi Moistens the Emotion" (曲藝潤情) and "Treasure Moistens the Morality" (臻藏潤德), covering film screening, art education, characteristic folk art, public welfare auction, livestream marketing and other forms. In December 2022, as a typical case of rural revitalization empowered by culture and tourism, the project of "Cultural Poly Moisturizes the Countryside" was selected as the exhibition area of rural revitalization empowered by cultural industry in the 18th China (Shenzhen) International Cultural Industry, Fair.

Major Events in 2022

In June 2022, the documentary “I am Your Porcelain” (《我是你的瓷兒》) produced by Poly Culture in conjunction with Bilibili and Tiangong Chuanqi was officially launched in Bilibili. This documentary takes the decorative history of handmade porcelain in China as the thread, the value of porcelain as the breakthrough point, and appreciates the “beauty of porcelain” of Chinese porcelain from the perspective of ordinary people. The documentary “I am Your Porcelain” (《我是你的瓷兒》) was selected as the “2022 Network Audio-visual Boutique Program” by the National Radio and Television Administration, and was rated as an excellent domestic documentary in the third quarter of 2022 by the National Radio and Television Administration.

In July 2022, Poly Culture held the 10th Anniversary Auction of Poly Auction Hong Kong (from 9 July to 14 July) and the 2022 Spring Art Auction of Beijing Poly Auction (from 22 July to 29 July) respectively, with a total of 45 special sessions and nearly 6,500 art treasures, achieving a total turnover of RMB2.61 billion, nearly 50 consignors with the amount of over RMB10 million, and the number of live viewers exceeded 35 million, presenting a wonderful art festival that blends ancient, modern, domestic and overseas cultures to all collectors.

In August 2022, Poly Theatre, a subsidiary of Poly Culture, held a theme forum of “Theatre Youth Says the National Tide is Innovative” (劇院青年説國潮有新意) in Beijing, aiming at exploring new ideas for the development of the performance culture of the national tide and deeply digging the solid role of the theater youth in the inheritance and creation of Chinese excellent traditional culture.

In August 2022, the theme forum of the “Film and Technology Integration Development” of the 12th Beijing International Film Festival and the 20th anniversary celebration of Poly Film were successfully held in Beijing under the guidance of the Organizing Committee of Beijing International Film Festival, sponsored by Poly Culture Group and Poly Film, and co-organized by Poly Joy Spreader Digi-Entertainment Co., Ltd. (保利樂享文娛科技公司). The leaders and guests from all walks of life gathered at the bank of Yanqi Lake to witness the development of Poly Film in the past 20 years and look forward to the new trend of film and television technology integration in the future. At the signing ceremony to celebrate the 20th anniversary of Poly Film, the contracts for ten projects were signed. Among them, the “Strategic Cooperation of Public Welfare Film Screening” was jointly signed by Poly Culture Group, the Administration Center of Digital Film Content of the Publicity Department of the Central Committee of the Communist Party of China and the Office of the Organizing Committee of Beijing International Film Festival, which is the concrete implementation of Poly Culture Group’s strategic deployment of the cultural development plan for the “14th Five-Year Plan” period and “Improving the Digital Level of Public Culture” as a cultural central enterprise. At the same time, Poly Culture Group and Beijing Gehua signed the “Film and Television Cooperation Framework Agreement”, and Poly Film signed strategic cooperation agreements with a number of units, fully reflecting the new format layout of film and technology integration.

In November 2022, the TV series “A Lifelong Journey” (《人世間》) jointly produced by Poly Film, a subsidiary of Poly Culture, won the Outstanding TV Series, the Best Director of TV Series, the Best Actress Award and the Best Actor Award in the Golden Eagle Award.

In November 2022, Poly Performing, a subsidiary of Poly Culture, planned and organized a performance, and the opening ceremony and cultural performances of the 15th Sport Games of Anhui in which Wang Bo, the Party Secretary and Chairman of Poly Culture Group, served as the chief producer were grandly held. The cultural and sports performance of the opening ceremony was shocking and inspiring. Poly Culture gave full play to the role of the "main force" in the cultural industry, combined the needs of the country and the local areas with what Poly culture can do, bravely shoulders the heavy burden in serving "the utmost interests of the nation" with practical actions, highlighted the brand of central enterprises, and offer a splendid and unforgettable art feast with Anhui bearing and Chuzhou characteristics for the people.

In November 2022, the 6th China Opera Culture Week was successfully held. Beijing Poly Forbidden City Theater Management Co., Ltd., a subsidiary of Poly Culture, undertook the planning of the opening and closing ceremonies for the Opera Week, famous troupes, famous drama and famous artist, local operas in local parks, outstanding young masters and small theater operas, professional theater performances in the city, and "I Love Chinese Opera" (愛上戲曲) and other performances. Poly Culture organized 7 troupes of traditional Chinese opera, and 2 universities performed and interacted with each other in 6 venues and 11 points in Beijing Garden Expo and China Garden Museum. At the same time, in order to reflect the consistent purpose of benefiting the people in the Opera Week, Beijing Poly Ticketing Development Co., Ltd., as a ticketing support, specially set up a ticket grab to provide free viewing opportunities.

In November 2022, Poly Theatre took over the Harbin Grand Theatre. At this point, Poly Theatre operated and managed 76 theaters in 68 cities of 23 provinces, autonomous regions and municipalities directly under the central government in China, with over 150 auditoriums housing more than 150,000 seats.

In December 2022, Poly Auction Hong Kong, a subsidiary of Poly Culture, and Kids' Gallery held the "Children's Art Fun – Children's Art Exhibition" to present students' wonderful paintings to the audiences. The charity auction was held on December 11, and the auctioneer of Poly Auction Hong Kong joined hands with the students to set foot on the auction platform for auction of all the paintings. No cost was deducted from the charity proceeds of this activity, and all proceeds were donated to the Ebenezer School & Home for the Visually Impaired, which was of special significance.

In 2022, 3,617 performances were canceled and 2,267 performances were postponed; the 2022 Autumn Auction of Beijing Poly Auction was postponed to February 2023, and 67 cinemas were suspended. Facing the unfavorable situation, Poly Culture, under the leadership of the Board of Directors, resolutely implemented the overall guidelines of "preventing risks, stabilizing operations, strengthening management, improving quality and seeking development". First, Poly Culture enhanced its brand influence, undertaken its responsibilities, built its brand, implemented the national cultural development strategy, organized various exhibitions at the national level, promoted poverty alleviation through cultural development and rural revitalization, and kept the publicity of mainstream media, continuously improving its social influence and brand appeal; Second, Poly Culture focused on stabilizing operations, making every effort to seize the market and increase operation performance. The number of films and television works and original plays produced with Poly Culture as the main investor steadily increased. Poly Culture's internal coordination became smoother, and the external resources richer, and it boosted the development of local cultural tourism, with its main business indicators outperforming the general trend of the industry, and the year-on-year performance better than the industry average; Third, Poly Culture proactively promoted reform, focused on major projects and prevented risks. It was rated as an "Excellent Enterprise" in the assessment of the "Double-hundred Actions" (雙百行動) by the SASAC. Furthermore, Poly Culture comprehensively promoted the works such as the reform of State-Owned Enterprises, lean management and comprehensive governance, laying a solid foundation for further development.

In 2022, all the staff of Poly Culture kept their mission firmly in mind, prepared to carry responsibilities, worked hard to forge ahead and overcome the difficulties shoulder to shoulder. Poly Culture endeavored to restore normal operation of each business segment, with the indicators of principal businesses outperformed the industry trend.

I. SEGMENT BUSINESS INFORMATION

The performance and theater management business saw the steady increase in the scale of theaters and further improvement in the quality of original plays

In terms of theater circuit management, in 2022, Poly Theatre achieved presence in 68 cities nationwide with 76 theaters under operation and management. While striving to seize the window period of market, it completed 7,890 performances. Poly Theatre has made positive progress in outdoor performance business, and successfully held the “Yuanxiang Lake Art Festival” (遠香湖藝術節) in Shanghai and the “Concert for Nightlife in Riverside under Bright Moon” (夜生活江畔明月音樂會) in Chongqing; and promoted the production of original plays, and produced 10 plays. The drama “Battle of Triangle Hill” (《上甘嶺》) won many awards at the Chinese Drama Festival, and was shortlisted for the “Excellent Stage Art Exhibition to Celebrate the 100th Anniversary of the Founding of the Communist Party of China”. Poly Theatre specially planned a series of performances such as the “Red Theme Performance Season to Celebrate the Success of the 20th Chinese Community Party National Congress” and the “Performance Season to Celebrate the Centenary of the Communist Youth League of China”.

Further integrated online and offline platforms of artwork operation and auction business

The Autumn Auction of Beijing Poly Auction could not commenced in 2022, which had an adverse impact on the business, and the Group achieved a total auction turnover of RMB3.5 billion throughout the year. In the face of difficulties, Beijing Poly Auction solicited auction lots online, continuing to lead the Spring Auction in the Chinese Mainland with a turnover of RMB1.772 billion. Beijing Poly Auction upgraded its online platform and held 127 online auctions throughout the year, with an online auction turnover of more than RMB200 million. Poly Auction Hong Kong achieved a total auction turnover of RMB1.09 billion, promoting private sales business and achieving a turnover of nearly RMB300 million.

Business focusing on the layout of “Content + Channel + Technology” in cinema investment management has achieved initial results

In 2022, China’s film market indicators plummeted, and the supply of film sources and audience demand reduced significantly. Poly Film operated 68 directly-operated cinemas, and recorded a box office of RMB239 million, with turnovers for a single cinema and for a single screen both higher than the industry average. The film “The Tipping Point” (《掃黑行動》) produced by Poly Film achieved a box office of RMB174 million and won the Special Award of Macau International Film Festival. The co-produced film “Battle at Lake Changjin II” (《長津湖之水門橋》) won the box office championship in the Spring Festival; the co-produced television series “A Lifelong Journey” (《人世間》) achieved excellent ratings and won four awards at China Golden Eagle Television Art Festival. In addition, Poly Film jointly released the films “My Heart is Flying” (《我心飛揚》) and “A Man of the People” (《鄧小平小道》), which received good social response. Digital watermarking technology and Internet publicity technology empowered content production, distribution and projection, and has initially formed an industrial layout of “Content + Channel + Technology”.

Focus on innovative business and accelerate market development

In terms of digital business, first, Poly Culture carried out strategic discussions and cooperation on digitalization. Poly Culture cooperated with partners to build Poly Digital Artwork Trading Platform, promoted the content of digital artworks and the dissemination of public digital art, explored the digital performance and digital derivative development of Peking Opera, and held seminars on digital culture business to discuss the future development of digital culture with other enterprises, universities, and research institutes. Second, Poly Culture explored the cultural business development empowered by digital technology. Poly Culture released three digital artwork collections such as the "Bronze Statue of the Tiger Head of the Old Summer Palace", which were highly recognized by the market; and Poly Culture produced digital artworks based on the phoenix statue and the wine container with divine faces as gifts to important customers for the Spring Auction; Poly Joy Spreader Digi-Entertainment Co., Ltd. set up a "Service Platform for Film and Television Entertainment Digital Assets", and released digital souvenir seals, digital records and film souvenir shirts; in addition, Beijing Poly Contemporary Art Co., Ltd. undertook the global exhibition of digital artworks during the Mid-Autumn Festival of 2022.

In terms of art education business, Poly Culture persisted in carry out offline cultural activities and competitions to enrich students' experience, explored the teaching and marketing mode of online and offline integration, devoted significant efforts to develop a series of summer camp products, and finally implemented the preparatory program of the Royal Northern College of Music.

In terms of the cultural asset operation and management business, the construction and cooperative operation of Shenzhen Buji Culture and Sports Center project were steadily advanced, and Hainan International Cultural Relics and Artwork Trading Center was officially unveiled at the beginning of 2022 with a management team formed to promote the project implementation; Cixi Poly Art Museum completed its renovation and opening in 2022.

II. RESULTS ANALYSIS AND DISCUSSION

Business Overview

Revenue

Total revenue decreased by 17.5% from RMB3,170.3 million for the year ended December 31, 2021 to RMB2,617.0 million for the year ended December 31, 2022. Mainly due to the postponement of the 2022 autumn auction at Beijing Poly Auction to February 2023, and the suspension of some performances and cinema business by the group due to policy impact.

The respective segment revenue of the Group in 2022 and 2021 is as follows:

	Years ended December 31,		
	2022	2021	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**661.8**	805.2	(17.8)
Performance and Theatre Management	**1,658.8**	1,881.8	(11.9)
Cinema Investment and Management	**263.9**	468.8	(43.7)

Gross profit

Gross profit decreased by 12.7% from RMB1,013.7 million for the year ended December 31, 2021 to RMB885.4 million for the year ended December 31, 2022. Gross profit margin increased from 32.0% for the year ended December 31, 2021 to 33.8% for the year ended December 31, 2022.

Other net income

Other net income (mainly including government grants) increased from RMB93.4 million for the year ended December 31, 2021 to RMB103.4 million for the year ended December 31, 2022.

Selling and distribution expenses

Selling and distribution expenses decreased by 2.8% from RMB453.4 million for the year ended December 31, 2021 to RMB440.8 million for the year ended December 31, 2022.

Administrative expenses

Administrative expenses increased by 12.3% from RMB566.2 million for the year ended December 31, 2021 to RMB635.8 million for the year ended December 31, 2022, primarily due to the increase in impairment losses.

Reportable segment profit

Reportable segment profit was RMB205.3 million for the year ended December 31, 2022 compared with the reportable segment profit of RMB378.3 million for the year ended December 31, 2021.

The respective reportable segment profit of the Group in 2022 and 2021 is as follows:

	Years ended December 31,		
	2022	2021	
	RMB in millions	*RMB in millions*	*% of change*
Art Business and Auction	**121.5**	201.1	(39.6)
Performance and Theatre Management	**55.8**	42.2	32.2
Cinema Investment and Management	**28.0**	135.0	(79.3)

Finance income

Finance income decreased by 18.4% from RMB109.4 million for the year ended December 31, 2021 to RMB89.3 million for the year ended December 31, 2022, mainly due to a decrease in interest income from consignor advances.

Finance costs

Finance costs decreased by 3.8% from RMB228.9 million for the year ended December 31, 2021 to RMB220.3 million for the year ended December 31, 2022, primarily due to the decrease in the average amount of bank loans, short-term debentures and bonds.

Income tax

Income tax decreased by 37.8% from RMB34.1 million for the year ended December 31, 2021 to RMB21.2 million for the year ended December 31, 2022, primarily due to a decrease in taxable income caused by the decrease in the profit.

Loss for the year

The loss for the year ended December 31, 2022 amounted to RMB281.7 million compared with the loss of RMB137.4 million of the year ended December 31, 2021, and net profit margin decreased from -4.3% for the year ended December 31, 2021 to -10.8% for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2022, the Group maintained a stable financial position and adequate liquidity. As at December 31, 2022, the Group's cash and cash equivalents amounted to RMB1,129.7 million (2021: RMB1,607.6 million), decreased by 29.7% as compared to that of December 31, 2021.

During the year ended December 31, 2022, the net cash inflow from operating activities amounted to RMB5.2 million, compared with the net cash inflow of RMB753.9 million for the year ended December 31, 2021. During the year ended December 31, 2022, the net cash inflow from investing activities amounted to RMB365.1 million representing an increase of RMB84.7 million as compared with the net cash inflow of RMB280.4 million for the year ended December 31, 2021. During the year ended December 31, 2022, the net cash outflow from financing activities of the Group was RMB848.2 million, which representing an increase of RMB96.4 million as compared with RMB751.8 million for the year ended December 31, 2021. For the year ended December 31, 2022, the decrease in cash and cash equivalents was approximately RMB477.9 million as compared to the end of last year.

CHANGES TO KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly include, but are not limited to cinema equipment and self-owned offices. Our property, plant and equipment decreased by 11.6% from RMB462.1 million as at December 31, 2021 to RMB408.5 million as at December 31, 2022. The main reason of the decrease is impairment and depreciation of property, plant and equipment.

Current assets and current liabilities

The current assets decreased by 9.9% from RMB10,621.3 million as at December 31, 2021 to RMB9,568.9 million as at December 31, 2022. The decrease of current assets is primarily due to the decrease of consignor advances and other financial assets. Current liabilities decreased by 8.9% from RMB7,462.3 million as at December 31, 2021 to RMB6,798.7 million as at December 31, 2022. The decrease of current liabilities is primarily due to the decrease of the payment to consignors.

Inventories

Our inventories decreased by 0.8% from RMB2,248.6 million as at December 31, 2021 to RMB2,230.6 million as at December 31, 2022.

Consignor advances

The consignor advances decreased by 20.9% from RMB1,527.2 million as at December 31, 2021 to RMB1,208.2 million as at December 31, 2022, primarily due to efficient payment from well-known collectors.

Deposits, prepayments and other receivables

The deposits, prepayments and other receivables decreased by 12.1% from RMB2,785.9 million as at December 31, 2021 to RMB2,448.2 million as at December 31, 2022.

INDEBTEDNESS

As at December 31, 2022, we incurred interest-bearing borrowings of RMB5,161.1 million, which were mainly borrowed from reputable financial institutions and were unsecured. Bank loans decreased from RMB2,900.9 million as at December 31, 2021 to RMB2,490.3 million as at December 31, 2022 mainly due to the repayment of bank loans. 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, respectively, with a term of three years, nominal value per unit of RMB100 and coupon rate of 4.57% and 4.38% per annum, respectively.

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

CAPITAL EXPENDITURE

Our capital expenditures primarily comprised of the purchases of property, plant and equipment, and intangible assets which amounted to RMB47.3 million and RMB59.6 million, respectively, for the years ended December 31, 2022 and 2021.

OTHER FINANCIAL INDICATORS

Our debt-to-asset ratio which is calculated by dividing the total debts by total assets decreased from 72.7% as at December 31, 2021 to 72.2% as at December 31, 2022 due to the decrease of interest-bearing borrowings.

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 risk.

1. Market Risk

Uncertainties in the operation environment

In 2022, China's GDP has grown by 3% 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 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, when we are in the process of art business operations, we may not be able to collect favorable artworks at reasonable prices amidst keen market demands and we may find it difficult to gain expected returns on selling the relevant artworks under declining market demands. We will keep an eye on the market changes, understand rotation rules of hotspots in the artwork sector and work out countermeasures appropriately. In particular, we will focus on expanding the portfolio of new international clients and variety of artworks, as well as enhancing overseas sourcing so as to reduce the risks arising from volatility in the market demand.

2. Risk of staff turnover

Our success has been substantially attributable to the contribution of the excellent management professionals. In terms of the art business and auction segment, we rely on a number of industry professionals to provide authentication and valuation 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 theatres and cinemas with unified and high standards to improve the audience's experience, 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 rates and exchange rate

Due to our expansion of overseas business, we may generate revenue in terms of foreign currency in the future, and the contract we entered into with overseas customers may also be in the value denominated in the Euro or the U.S. dollar. Therefore, exchange rate fluctuation (especially among the RMB, the Euro and the U.S. dollar) may increase our costs 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, respectively.

IV. OUTLOOK

The internal and external environment for the development of China's cultural industry is undergoing profound changes. The foundation for economic recovery in China is not solid yet, and the business environment of the culture industry is still facing uncertainty in the short term. In general, the fundamentals of China's long-term economic growth remain unchanged, the general trend of high-quality development remains the mainstream, and the overall operation of the cultural market is expected to see a steady recovery. We believe that: **first, with the rebound of consumption, the cultural market is expected to recover.** Under the context "to foster a new pattern of development that is focused on the domestic economy and features a positive interplay between domestic and international economic flows", cultural consumption, as service consumption and new consumption, is an important part of expanding domestic demand. The favorable policies are expected to usher in an industrial recovery and restore market confidence and performance. **Second, the creation of high-quality content is still an urgent demand, and we need to stick to our main business.** The development of cultural industry and artistic creation in the new era should adhere to the principle of people-centered creation, uphold integrity and innovation, and stick to the position of Chinese culture. The content supply side still needs to take creation as the core task and high-quality works as the development foundation to improve both social and economic benefits. **Third, with technical innovation, science and technology will promote high-quality industrial development.** The implementation of the national strategy of cultural digitization and the strategy of strengthening China with science and technology and the promotion of the digital transformation of traditional cultural business have become the core driving force for the development of the cultural industry. **Fourth, the integration of culture and tourism will reach a new level with the interplay between culture and tourism.** The in-depth integration of culture and tourism, accommodating the trend of younger consumers, helps to complement each other's advantages, expands the scale and improves the quality of cultural tourism consumption, and jointly creates a high-quality cultural life. **Fifth, we will build a "new engine" for local construction with the integration of culture and industry.** Based on the cultural resources with local characteristics, we will jointly build a new public cultural pattern and characteristic consumption cluster to revitalize the urban culture.

In 2023, Poly Culture will make proper analysis of the market and competitors, pay close attention to the recovery of the domestic cultural consumption market and cultural exchanges at home and abroad as well as the relevant national policies, conduct pre-arranged planning to cope the rapid recovery or slow recovery of the market, so as to seize the opportunities with advance preparations and implement various management work throughout the year as directed by goals.

Performance and theater management business

The Company will spare no effort to properly handle the renew of expired theaters, follow up and promote the new theater projects, and actively study and explore the cultivation and development of small theaters and cinemas; properly conduct the tour of domestic projects and introduction of foreign projects, and strive to complete 10,000 performances throughout the year; create high-quality original plays and complete the production of 15 original plays; accelerate the implementation of "Theater+" emerging formats such as the theater integrating culture, business and travel, internet + performance, and the immersive experience of digital art; hold international forums and lead the establishment of an international theater alliance to strengthen exchanges between China and foreign countries.

Artwork operation and auction business

Facing the special situation that the auction structure in the new year is different from that in previous years, we will strengthen the business coordination between Beijing and Hong Kong to ensure the successful progress of each auction; effectively strengthen the collection, private sales and marketing, improve the online auction ability, expand overseas markets, and maintain a leading position in the artwork auction in China; we will continue to push forward the implementation of receivables and inventory control to effectively reduce operational risks. Poly Art Centre will formulate artwork sales plans based on scientific studies, optimize inventory management, develop business of chain museums/art galleries, and revitalize inventory artworks. For Hainan International Cultural Relics and Artwork Trading Center Project, we should fully learn from industry experience, develop overall design, strengthen internal coordination, and implement relevant policies as soon as possible.

Cinema investment management business

In terms of cinema management, we will strip off cinemas with long-term losses or close them in stages and batches, so as to achieve practical results in rent reduction; reasonably expand and develop high-quality asset-light projects, and realize a development situation of "rational advancing and withdrawal"; implement the "third-generation cinema" business mode, try to integrate operations, strive to reduce costs, and improve industry ranking and profitability. In terms of film investment, we will explore a content investment mechanism suitable for central enterprises, creates at least 1-2 high-quality film and television works with the project development mode of "main control, professional cooperation, mixed ownership and financial assistance", strengthen the reserve of high-quality content, and establish a brand of a cultural central enterprise of film and television content; continue to deepen the integration of film and television technology and cultivate and incubate new profit growth drives.

Art education business

Poly Art Education Investment Co., Ltd. will continue to optimize the curriculum system, focus on increasing the intake of students, accelerate the business expansion of studying abroad, and increase cooperation with foreign institutions. Poly WeDo will continue to improve the teaching quality, optimize the student experience, enhance the brand influence, increase the number and scale of schools when appropriate, and improve its profit level.

Key business to develop

Poly Performing will strengthen cooperation with theater companies to focus on the production of original plays; expand cultural and tourism integration projects, undertake large-scale cultural and performance activities, and create a cultural and tourism performance brand with high popularity and influence.

Beijing Poly Ticket Development Co., Ltd. will continue to promote the research and development and upgrading of the ticketing system, and constantly optimize and improve the system functions; continue to expand cooperative relationships with theaters not belonging to Poly Theatre's cinemas, and expand the scope of business coverage; strengthen the construction of sub-brands such as "Poly Cloud Theater" and "Yuboya" (娱伯牙) to enhance its influence in the industry.

Beijing Poly Contemporary Art Co., Ltd. will increase the floor space of the urban digital art museum, enhance the digital art creativity and IP productivity, and deepen the integration of businesses with new technologies like blockchain.

The digital business will speed up the industry exploration, fully understand the digital strategy development direction of cultural industry in the era of digital economy, compile industry analysis reports on a regular basis, integrate business data and establish the big data platform to provide support for decision-making. Moreover, Poly Culture will promote the digital upgrade of principal businesses, gradually realize the online, informatization and intellectualization of auction, theater, film industry, art education and other businesses, promote the construction of "intelligent theater", strengthen the technology of "digital watermarking", explore the transaction and management of digital assets, and create new business scenarios with the technologies such as blockchain and metauniverse.

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, 2022, the Board of Directors includes the following Directors:

Executive Directors

The executive Directors are Mr. Wang Bo (chairman), Mr. Jiang Yingchun (vice chairman), Mr. Guo Wenpeng (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. Fung Edwin.

On November 30, 2022, Mr. Guo Wenpeng was appointed as the executive Director at the 2022 first extraordinary general meeting. On the same day, Mr. Zhang Xi ceased to serve as an executive Director due to age reason. On June 21, 2022, Mr. Fung Edwin was appointed as an independent non-executive Director at the 2021 annual general meeting. On the same day, Mr. Yip Wai Ming ceased to serve as an independent non-executive director due to personal work reason.

The profile details of our Directors were set forth on pages 64 to 68 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 new businesses concurrently, such as art education, cultural tourism, cultural asset operation, and cultural digitization.

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" section of this report.

INFORMATION ABOUT THE ULTIMATE HOLDING COMPANY

Our ultimate holding company is Poly Group, which was established in 1992 as a large state-owned enterprise under the direct supervision and administration of SASAC. Apart from the culture and art business conducted through the Group, Poly Group is primarily engaged in international trade, real estate development, research, development and engineering service in the light industry field, operation and service of raw materials and products for crafts, production and sale and service of explosives for civilian uses and financial business.

ANNUAL RESULTS

The annual results of the Group for the year ended December 31, 2022 were published on the websites of the Stock Exchange and the Company on March 31, 2023.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended December 31, 2022 are set out in Note 12 to the Consolidated Financial Statements of this report.

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, 2022 are set out in the Consolidated Statement of Changes in Equity and Note 30 to the Financial Statements of this report, and details of reserves available for distribution to our Shareholders are set out in Note 30(e) to the Financial Statements of this report.

APPOINTMENT OF AUDITORS

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 end of 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, 2022. The Board decided that there would be no profit distribution for the year ended December 31, 2022. The above profit distribution plan has been approved by the Board on March 31, 2023 and will be submitted to the annual general meeting of the Company for deliberation.

The dividend policy 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 of the Company shall finish distributing dividends (or shares) within two months after conclusion of the Shareholders' general meeting. According to the Company's profit distribution policies, the dividends shall be distributed in cash or share certificate.

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 (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) (the "Notice") issued by the State Administration of Taxation on 28 June 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 THE COMPANY'S LISTED SECURITIES

Save as disclosed in this report, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the total sales to the top five customers of the Group and the total 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 ARRANGEMENTS

No contracts, transactions or arrangements of significance to which the Company or any of 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, 2022 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 high-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 persons are allowed to deal with clients' information.

The total 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 our 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, decorating constructors, printer 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, always will highly and continuously 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, 2022 were set forth in Note 25 to the Financial Statements of this report.

EMPLOYEE REMUNERATION AND POLICIES

As at December 31, 2022, the Group had 8,175 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, 2022, there has been no material change to our remuneration policy and training plans.

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 Statements of this report.

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 paper. We suggest our employees to go out by walk or public transportation and drive as little 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 including performance and theatre management, art operation and auction, cinema investment and management, and art education, culture finance, culture tourism, 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, and policies and supervision by relevant government authorities. 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 authorities 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, 2022 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 any of the Directors or Supervisors of 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

For the year ended December 31, 2022, the Company did not enter into any equity-linked agreements.

DEBENTURES ISSUED

For the year ended December 31, 2022, the Company did not issue new domestic RMB debt financing instruments.

DONATIONS

For the year ended December 31, 2022, the charity donations made by the Group amounted to approximately RMB1.82 million.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles and changes of our Directors, Supervisors and the Company's senior management were set forth on pages 64 to 68 of this report. Saved as disclosed in this report, there have been no changes to the information about the Directors, Supervisors and senior management 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 as per 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 as per 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 as per 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', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2022, 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 taken 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, 2022, 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 of the Company, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Shareholders	Class 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 interests of controlled corporation	156,868,400 (L)	100.00	63.69
Poly International	Domestic Shares	Beneficial owner	50,197,900 (L)	32.00	20.38
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, 2022 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, 2022, 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 and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 2022 (RMB Million)	Actual Transaction Amount of 2022 (RMB Million)
1.	Financial Services Agreement	Poly Finance (as the service provider)	the maximum daily deposit balance: 600 the maximum daily lending balance:/	depositing services: 599.94 credit lending services:/ settlement services:/ miscellaneous financial services:/
2.	General Services Framework Agreement	Poly Group (as the service receiver)	22.30	10.79
3.	Commodities Sale and Purchase Framework Agreement	Poly Group (as the purchaser)	29.00	3.55
4.	Property Lease Framework Agreement	Poly Group (as the lessor)	right-of-use assets: 308.64 floating rental: 20.32 total rental: 84.28	right-of-use assets: 16.17 floating rental: 0.74 total rental: 15.46
5.	Cinema Box Office Income Sharing Framework Agreement	Poly Group	417.45	79.27
6.	Finance Lease Framework Agreement	Poly Leasing (as the lessor)	198	0.51

- For the above-mentioned No.1 non-exempt Continuing Connected Transaction, its proposed 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 proposed annual caps from 2020 to 2022 and from 2023 to 2025 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. As the corresponding annual caps under the Property Lease Framework Agreement expired on 31 December 2022, and the Group will continue the transactions under the Property Lease Framework Agreement subsequent to 31 December 2022, the Company entered into the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement with Poly Group on 13 October 2022 (after trading hours). As the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement were not duly passed by the Shareholders, before obtaining the approval from the Shareholders' general meeting towards the proposed annual caps under the Property Lease Framework Agreement, the actual amount of transactions under the Property Lease Framework Agreement by the Group will be less than RMB35,697,297;

- 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. As the Cinema Box Office Income Sharing Framework Agreement and the corresponding annual caps expired on 31 December 2022, and the Group will continue the transactions under the Cinema Box Office Income Sharing Framework Agreement subsequent to 31 December 2022, the Company entered into the Cinema Box Office Income Sharing Framework Agreement with Poly Group on 13 October 2022 (after trading hours), which shall be valid from 1 January 2023 to 31 December 2025. As the Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 were not duly passed by the Shareholders, before obtaining the approval from the Shareholders' general meeting towards the Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps, the actual amount of transactions under the Cinema Box Office Income Sharing Framework Agreement will be less than RMB35,697,297;

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

Certain of the related party transactions disclosed in note 34(c) to the Financial Statements constitute connected transactions or continuing connected transactions 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 above.

1. Financial Services Agreement

Parties

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

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 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 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 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 of the Company. 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 Financial Services Agreement constitute Continuing Connected Transactions of the Company 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 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 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 proposes to provide 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 New 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 to be 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 Regulating 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 December 23, 2020, respectively, and the circular dated November 30, 2020.

2. General Services Framework Agreement

Parties

Poly Group (as the service receiver), 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 General Services Framework Agreement is valid for a term of three years commencing from 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 General Services Framework Agreement; and

(3) The price for the service provided under the 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 constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the 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 proposed annual caps 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 shall be 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 also provides relevant theatre management service for 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. 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 Commodities Sale and Purchase Framework Agreement are as follows:

(1) The Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing from 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 Commodities Sale and Purchase Framework Agreement; and

(3) The price of the commodities sold under the 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 constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the 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 purposed annual caps of the 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 from the Listing Date;

(2) Relevant subsidiaries of both parties or associates 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 corresponding purposed 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 proposed the annual caps in 2020 to 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 proposed 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 of the Company, the announcements of the Company published on October 21, 2019 and December 20, 2019 respectively and the circular of the Company published on November 22, 2019.

5. 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 Cinema Box Office Income Sharing Framework Agreement are as follows:

(1) The Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing from 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 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 proposed annual caps of the Cinema Box Office Income Sharing Framework Agreement in 2020 to 2022 were approved by the 2019 first 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 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 Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group is more than 5%, thus the Continuing Connected Transactions under the 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 Cinema Box Office Income Sharing Framework Agreements. Pursuant to such agreements, 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 continue 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 significantly 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 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 transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such continuing connected 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 such Continuing Connected Transactions have exceeded the applied maximum aggregate annual caps for the year 2022.

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 34 to Financial Statements. Other than disclosed in the paragraph headed "Connected Transactions" in this report, related party transactions disclosed in Note 34 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.

THE RIGHTS AND INTERESTS OF THE DIRECTOR IN THE COMPETITIVE BUSINESS

In the Reporting Period, no Directors and their associates have any competitive interests in any business that constitutes or may constitute competition directly or indirectly with the business of the Group (except for the disclosure in this report.)

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 the 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, Poly Group, 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, 2022, the Shareholders have no pre-emptive right or any share option arrangements in accordance with applicable PRC laws and the Articles.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, during the year ended December 31, 2022, 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 date of the report, which was in compliance with the requirements under the Listing Rules.

MAIN RISKS AND UNCERTAINTIES

For 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 EVENTS

Save as disclosed in this report, there has no any significant events after December 31, 2022 and up to the date of this report.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2022. So far as the Directors are aware, there is no material litigation or claim which are pending or threatened against the Company.

REVIEW OF ANNUAL RESULTS

The Consolidated Financial Statements of the Group for the year ended December 31, 2022, including the accounting principles and practices adopted, have been reviewed by the Audit Committee together with the external auditor of the Company.

By order of the Board of Directors
Wang Bo
Chairman

March 31, 2023

In 2022, the Board of Supervisors, for the sake of long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by 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 during the Reporting Period:

I. MEETINGS OF THE BOARD OF SUPERVISORS

1. On March 31, 2022, the fourth session of the Board of Supervisors convened its second meeting and deliberated and approved Proposal on Work Report 2021 of the Board of Supervisors of the Company, Proposal on 2021 Annual Results Announcement of the Company, Proposal on the 2021 Annual Report of the Company, Proposal on the Financial Report of the Company for the year 2021, Proposal on the Dividend Distribution Plan of the Company for the year 2021 and Proposal on the Financial Budget of the Company for the year 2022.

2. On August 29, 2022, the fourth session of the Board of Supervisors convened its third meeting and deliberated and approved Proposal on 2022 Interim Results Announcement and 2022 Interim Report of the Company.

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 Directors and senior management members. The Board of Supervisors opines that the decisions on major issues were made legally and that all Directors and senior management members of the Company are dutiful and diligent at work and strictly implement resolutions of the general meeting 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 data 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 of the Company, actively sorted, tidied up and improved various systems, documents, rectified the defects, and participated in the successful completion of the inspection work of regulatory agencies such as the board of supervisors of SASAC and Poly Group.

Li Wenliang
Chairman of the Board of Supervisors

The Group is committed to maintaining high-level corporate governance to protect the interests of Shareholders and improve the corporate value and accountability. During the Reporting Period, the Company has adopted the Corporate Governance Code as its own corporate governance practices and complied with all the 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(s)
Wang Bo	Chairman and executive Director
Jiang Yingchun	Vice chairman and executive Director
Guo Wenpeng	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
Fung Edwin	Independent non-executive Director

Note: On November 30, 2022, Mr. Guo Wenpeng was appointed as the executive Director at the 2022 first extraordinary general meeting of the Company. On the same day, Mr. Zhang Xi ceased to serve as an executive Director due to age reason. On June 21, 2022, Mr. Fung Edwin was appointed as an independent non-executive Director at the 2021 annual general meeting. On the same day, Mr. Yip Wai Ming ceased to serve as an independent non-executive Director due to personal work reason.

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 shall have appropriate 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 3.10(2) of the Listing Rules.

None of the independent non-executive Directors of the Company 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 pursuant to Rule 3.13 of the Listing Rules. As at the Latest Practicable Date, the Company is of the opinion that all the independent non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

The Board of Directors has established relevant mechanisms to ensure that the Board of Directors obtains independent views and opinions. The Board of Directors shall maintain more than half of the Directors as external Directors, and the number of independent non-executive Directors shall not be less than 3 and not less than one-third of all Directors according to the Articles and the Rules of Procedure of the Nomination Committee of the Board of Directors of the Company. The Independent non-executive Directors have the right to propose to the Board of Directors to convene an extraordinary general meeting, and have the right to solicit Shareholders' voting rights.

In addition, independent non-executive Directors should also express objective and impartial independent opinions on the matters discussed by the Company. The independent non-executive director of the Company does not hold any other position in the Company except Director, has no relationship with the Company and its major Shareholders that may affect its independent and objective judgment, and has no business or financial interests in the Company and its subsidiaries. The Nomination Committee of the Board of Directors is also responsible for evaluating the independence of independent non-executive directors. Therefore, the Board of Directors believes that the participation of independent non-executive directors can ensure that the Board of Directors has sufficient independent elements. The Board of Directors will review the implementation and effectiveness of the above-mentioned mechanism every year.

The term of Ms. Li Xiaohui and Mr. Sun Hua, who are the independent non-executive Directors is a period of three years with effect from November 2, 2021. The term of Mr. Fung Edwin who is the independent non-executive Director commenced from June 21, 2022 until the expiry of the term of office of the fourth session of the Board of the Company.

The term of Ms. Zhang Hong and Mr. Fu Chengrui who are the 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 64 to 68 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 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 their 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.

For the year ended December 31, 2022, the Board of Directors held seven meetings in total, with details of the attendance of Directors as follows:

Name of directors	Position(s)	Meetings attended/ Meetings eligible to attend	Attendance rate
Wang Bo	Chairman and executive Director	7/7	100%
Jiang Yingchun	Vice chairman and executive Director	7/7	100%
Guo Wenpeng[1]	General Manager and executive Director	2/2	100%
Xu Bei	Executive Director	7/7	100%
Zhang Hong[2]	Non-executive Director	6/7	85.71%
Fu Chengrui[3]	Non-executive Director	6/7	85.71%
Li Xiaohui[4]	Independent non-executive Director	6/7	85.71%
Sun Hua[5]	Independent non-executive Director	5/7	71.43%
Fung Edwin[6]	Independent non-executive Director	6/6	100%
Resigned Directors			
Zhang Xi[7]	Chairman and executive Director	2/5	40%
Yip Wai Ming[8]	Independent non-executive Director	0/1	0%

Notes:

1. On November 30, 2022, Mr. Guo Wenpeng was appointed as the executive Director at the 2022 first extraordinary general meeting of the Company. Subsequent to his appointment, two Board meetings were convened.

2. Ms. Zhang Hong was not able to attend the third meeting of the fourth session of the Board of Directors on June 21, 2022 due to other work arrangement, and appointed Mr. Wang Bo as her proxy to represent her and vote on her behalf.

3. Mr. Fu Chengrui was not able to attend the fourth meeting of the fourth session of the Board of Directors on August 29, 2022 due to other work arrangement, and appointed Mr. Xu Bei as his proxy to represent him and vote on his behalf.

4. Ms. Li Xiaohui was not able to attend the fourth meeting of the fourth session of the Board of Directors on August 29, 2022 due to other work arrangement, and appointed Mr. Fung Edwin as her proxy to represent her and vote on her behalf.

5. Mr. Sun Hua was not able to attend the third meeting of the fourth session of the Board of Directors on June 21, 2022 due to other work arrangement, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf; he was not able to attend the sixth meeting of the fourth session of the Board of Directors on November 30, 2022 due to other work arrangement, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf.

6. On June 21, 2022, Mr. Fung Edwin was appointed as the independent non-executive Director at the 2021 annual general meeting of the Company. Subsequent to his appointment, six Board meetings were convened.

7. Due to age reason, Mr. Zhang Xi applied to resign as the chairman of the Company and the chairman of the Strategy Committee of the Board with effect from September 9, 2022. Mr. Zhang Xi was not able to attend the fourth meeting of the fourth session of the Board of Directors on August 29, 2022 due to other work arrangement, and appointed Mr. Jiang Yingchun as his proxy to represent him and vote on his behalf; Mr. Zhang Xi was not able to attend the fifth meeting of the fourth session of the Board of Directors on September 9, 2022 due to other work arrangement, and appointed Mr. Wang Bo as his proxy to represent him and vote on his behalf.

8. Mr.Yip Wai Ming was not able to attend the second meeting of the fourth session of the Board of Directors on March 31, 2022 due to other work arrangement, and appointed Ms. Li Xiaohui as his proxy to represent him and vote on his behalf. Mr. Yip Wai Ming resigned as the independent non-executive Director of the Company, the chairman of the Remuneration and Assessment Committee of the Board and the member of the Audit Committee of the Board due to personal work arrangement, with effect from June 21, 2022.

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 general manager'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 on 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 Directors, Supervisors and employees; and

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

1.4 Chairman and the General Manager

Positions of the chairman and the general manager (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. Wang Bo serves as the chairman of the Board of Directors and Mr. Guo Wenpeng serves as the general manager as at the Latest Practicable Date. The Articles define duties of the chairman and the general manager.

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 and then submitted their recommendations to the Board of Directors, subject to the approval by the general meeting.

1.6 Board Diversity Policy

The Company has adopted 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' appointment (including potential successes) 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, educational background, professional experience, knowledge and skills.

Gender	Male 78%	Female 22%	
Age	55 years or below 56%	56-60 years old 33%	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.

In terms of implementing the Policy, the following measurable objectives have been adopted:

(1) It shall ensure that Directors are elected regardless of gender, age, culture and educational background;

(2) Candidates for Directors should have diversified industrial work experience;

(3) Have skills and knowledge in different fields; and

(4) The current male to female ratio of the Board (male: 78%, female: 22%) is a reasonable level and considers retaining the current gender ratio for some time to come so as to maintain the gender diversity of the Board.

By the end of the Reporting Period, these measurable targets have been achieved.

The Board of Directors attaches importance to the importance and benefits of gender diversity at the board level. At present, the 9 Directors of the Board of Directors of the Company include 2 female Directors. During the Reporting Period, the Nomination Committee and Board of Directors has reviewed the Policy and believe that the current composition of the Board of Directors conforms to the provisions of the Listing Rules on the gender diversity of the members of the Board of Directors, and conforms to the Policy formulated by the Company. The Company's Policy can ensure that the Board of Directors will have alternate potential successors to continue the existing gender diversity of the Board of Directors.

The Company values gender diversity among employees. As of the end of the reporting period, the proportion of male and female employees (including senior management) of the Company was 49.08% and 50.92%, respectively. It also endeavours to ensure that recruitment and selection practices at all levels, from the Board to its staff, are properly established, so as to take into account candidates from different backgrounds. During the Reporting Period, the Company did not identify any factors or circumstances that would make achieving gender diversity in the workforce, including senior management, more challenging or would be irrelevant to gender diversity. The Company believes that gender diversity has been achieved at the employee (including senior management) level during the reporting period. The Company will continue to implement measures to support gender diversity among employees.

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 based on criteria including educational background and work experience, and upon approval by 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 Directors, Supervisors, senior management and five highest paid individuals of the Company are set out in Notes 9,10 and 34(a) to the Financial Statements of this report.

During the year ended December 31, 2022, 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
HKD1 to HKD500,000	–
HKD500,001 to HKD1,000,000	–
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	2

1.8 Training for Directors

The Company submits "monthly management reports" to the Directors monthly, 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. Zhang Xi, Mr. Wang Bo, Mr. Jiang Yingchun, Mr. Guo Wenpeng, Mr. Xu Bei, Ms. Zhang Hong, Mr. Fu Chengrui, Ms. Li Xiaohui, Mr. Sun Hua, Mr. Yip Wai Ming and Mr. Fung Edwin) 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, Audit Committee, Nomination Committee, Remuneration and Assessment Committee, Art Committee and Strategy Committee.

2.1 Audit Committee

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

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 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 (including environmental, social and governance risks), 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 of the Company. The Audit Committee has an annual assessment of the internal control and financial monitoring system, the risk management system (including environmental, social and governance risks), the scope of the work of the external auditor and the important matters employed by 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 Audit Committee, with focusing on the concerns and recommending recommendations to the Board of Directors.

During the year ended December 31, 2022, the Audit Committee held two meetings, attendance of which is as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance rate
Li Xiaohui	Independent non-executive Director	2/2	100%
Yip Wai Ming[1]	Independent non-executive Director	1/1	100%
Fung Edwin[2]	Independent non-executive Director	1/1	100%
Fu Chengrui	Non-executive Director	2/2	100%

Notes:

1. Mr. Yip Wai Ming resigned as the independent non-executive Director of the Company, the chairman of the Remuneration and Assessment Committee of the Board and the member of the Audit Committee of the Board due to personal work arrangement, with effect from June 21, 2022.

2. On June 21, 2022, Mr. Fung Edwin was appointed as the independent non-executive Director, the chairman of the Remuneration and Assessment Committee of the Board and the member of the Audit Committee at the 2021 annual general meeting of the Company. Subsequent to his appointment, one Audit Committee meeting was convened.

The Audit Committee of the Company directed and supervised the Company's internal audit department, considered and approved the appointment of the domestic and international auditors and the Financial Reports 2022 of the Company, and submitted the above proposals to the Board of Directors for consideration. The Audit Committee of the Company also confirmed the Connected Transactions of the Company in 2022.

The Audit Committee of the Company has reviewed the Company's annual results for 2022, and the financial statements for the year ended December 31, 2022 in accordance with 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 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 other 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 the the general manager of the Company and make proposals to the Board of Directors; and conducting a wide search for the qualified candidates for the Directors.

Director Nomination Policy

When assessing the composition of the Board of Directors, the Nomination Committee takes into account a number of categories 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 get the measurement of Board diversification, if necessary, recommend it to the Board of Directors.

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

The Nomination Committee shall seek for the right candidates for the position of Directors in the Company itself and the talent market, and collect information about the candidates including their occupation, academic background, title, working experience in detail and all the part-time jobs to produce written materials. After obtaining the consent of the nominees, the Nomination Committee shall convene its meeting, reviewing the candidates according to the qualification required by the Company. After the Nomination Committee forms a majority of votes, the Nomination Committee will conduct other follow-up work after decisions and feedback of the Board.

During the Reporting Period, the Nomination Committee and the Board have reviewed the Company's Director nomination policy and consider it effective.

For the year ended December 31, 2022, the Nomination Committee held two meetings. Attendance at the meetings was as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance rate
Sun Hua	Independent non-executive Director	2/2	100%
Xu Bei	Executive Director	2/2	100%
Li Xiaohui	Independent non-executive Director	2/2	100%

2.3 Remuneration and Assessment Committee

The Remuneration and Assessment Committee consists of three Directors: Mr. Fung Edwin (independent non-executive Director), Ms. Li Xiaohui (independent non-executive Director) and Mr. Xu Bei (executive Director). Mr. Fung Edwin 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 terms of reference of the Directors and senior management and the importance of their positions 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.

For the year ended December 31, 2022, the Remuneration and Assessment Committee held one meeting. Attendance at the meeting was as follows:

Name	**Position**	**Meetings attended/ Meetings eligible to attend**	**Attendance rate**
Fung Edwin	Independent non-executive Director	1/1	100%
Li Xiaohui	Independent non-executive Director	1/1	100%
Xu Bei	Executive Director	1/1	100%

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 consider it necessary; and other matters that the Board of Directors has authorized it to deal with.

For the year ended December 31, 2022, the Art Committee held one meeting, Attendance at the meeting was as follows:

Name	Position	Meetings attended/ Meetings eligible to attend	Attendance Rate
Wang Bo	Executive Director	1/1	100%
Jiang Yingchun	Executive Director	1/1	100%
Zhang Hong	Non-executive Director	1/1	100%

2.5 Strategy Committee

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

The primary duties of the Strategy Committee are: to consider 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, 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 consider 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.

For the year ended December 31, 2022, no meeting of the Strategy Committee was convened.

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, 2022.

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 could 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 as the code for all Directors and Supervisors to conduct transactions of the Company's securities. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

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

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

5. JOINT COMPANY SECRETARIES

On March 31, 2022, Ms. Leung Suet Lun resigned from her position as the Company's 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.

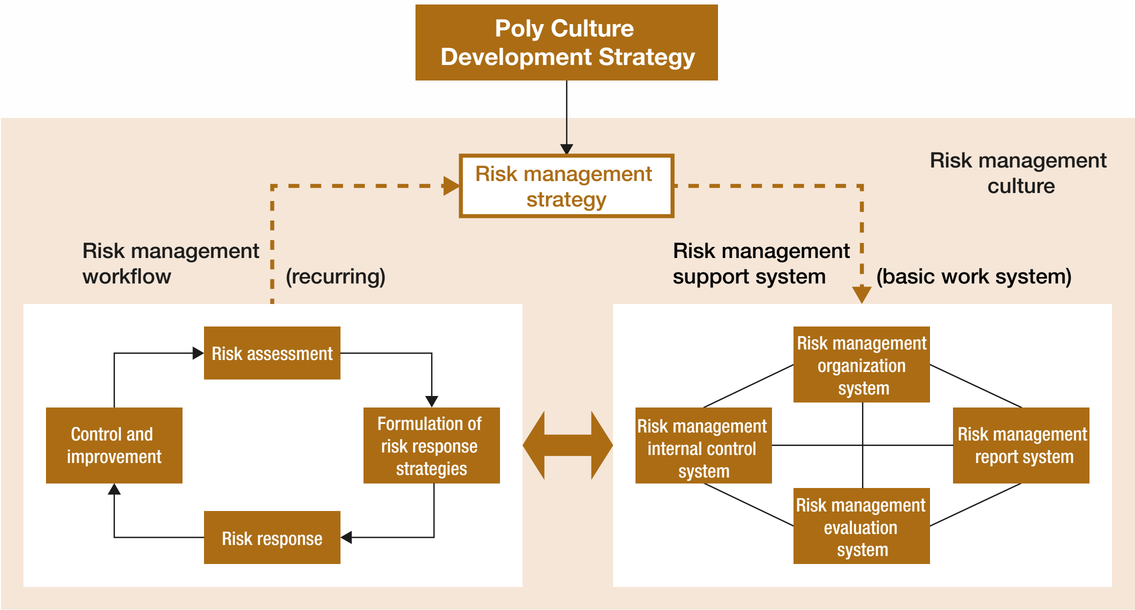
In 2022, Ms. Wang Wei was responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures as well as compliance with relevant laws and regulations. In order to maintain good corporate governance practices and to ensure compliance with 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 services provider, as the joint company secretary of the Company to assist Ms. Wang Wei in the performance of her duties as the company secretary. Ms. Wang Wei is the primary corporate contact person of the Company.

Ms. Wang Wei and Ms. Ng Sau Mei participated in not less than 15 hours of relevant professional trainings in 2022 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 (including but not limited to environmental, social and governance 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.

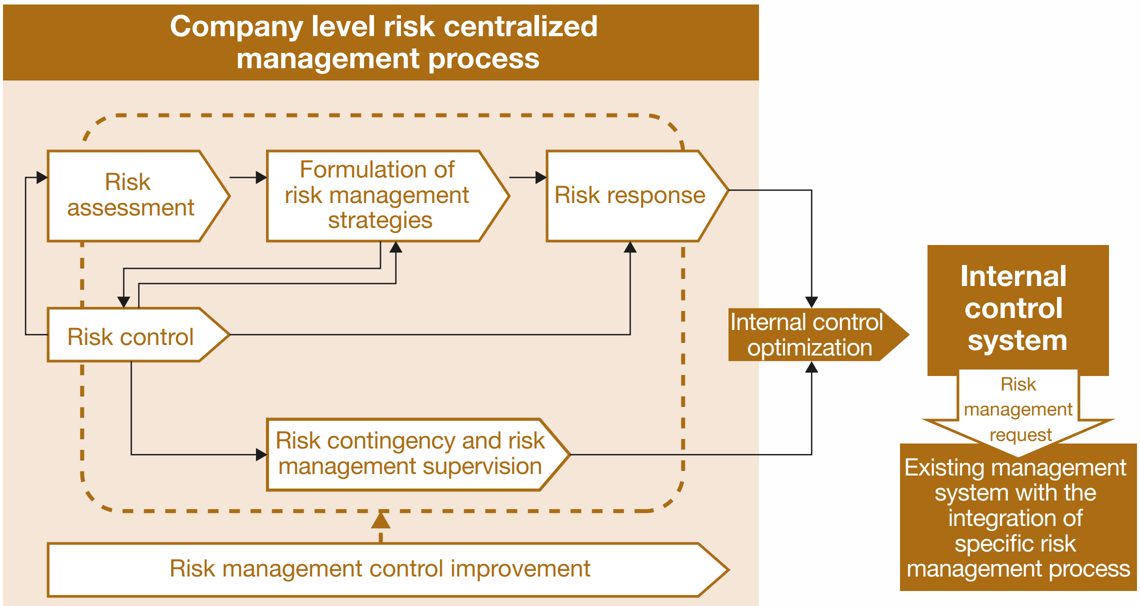


The Company's comprehensive risk management organization is divided into four-tiers, namely risk management decision-making body, comprehensive risk management leading team, risk management executive body and risk management supervisory body, where the risk management executive body is further divided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

The Board of Directors of the Company is the ultimate decision-making body of Poly Culture in respect of risk management. Comprehensive risk management team shall be responsible for the management and decision-making of the Company's risk management matters and the provision of guidance and coordination to risk (including but not limited to environmental, social and governance risks) centralized management function department, specific risk management department under the authorization of the Board of Directors of the Company. 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 links, 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 plan to conduct a comprehensive risk management evaluation on an annual basis, to evaluate the implementation and completion of risk management tasks of the subsidiaries and to improve 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 make adjustments to the plans as needed in a timely manner.

The Company prepares Annual Report on Comprehensive Risk Management and the Specialized Risk Management Report on an annual basis. On the basis of in-depth investigation and distribution of risk (including but not limited to environmental, social and governance risks) assessment surveys, the Company identified the potential risks of the whole year item by item, and rearrange their orders with respect to their importance to explore in-depth the causes of risk and estimate 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 (including but not limited to environmental, social and governance 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 of the Company 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 Group 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 it subsidiaries 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 the relation 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 the relative affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 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. AUDITOR'S REMUNERATIONS

For the year ended December 31, 2022, the remuneration to external auditors in respect of their annual audit services was RMB3.00 million and no non-audit services fees incurred.

8. GENERAL MEETINGS

During the year ended December 31, 2022, the Company convened two general meetings, as detailed below:

Date	Venue	Meetings
June 21, 2022	Meeting Room, 29/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing	Annual General Meeting of 2021
November 30, 2022	Meeting Room, 14/F, Office Tower of Poly Plaza, 14 South Street of Dongzhimen, Dongcheng District, Beijing	The 2022 First Extraordinary General Meeting

Attendance by Directors:

Name	Position(s)	Meetings attended/ Meetings eligible to attend	Attendance rate
Wang Bo	Chairman and executive Director	2/2	100%
Jiang Yingchun	Vice chairman and executive Director	2/2	100%
Guo Wenpeng[1]	General manager and executive Director	0/0	–
Xu Bei	Executive Director	2/2	100%
Zhang Hong[2]	Non-executive Director	1/2	50%
Fu Chengrui	Non-executive Director	2/2	100%
Li Xiaohui	Independent non-executive Director	2/2	100%
Sun Hua[3]	Independent non-executive Director	0/2	0%
Fung Edwin[4]	Independent non-executive Director	1/1	100%
Resigned Directors			
Zhang Xi	Chairman and executive Director	1/1	100%
Yip Wai Ming[5]	Independent non-executive Director	0/1	0%

Notes:

1. Mr. Guo Wenpeng was appointed as the executive Director at the 2022 first extraordinary general meeting of the Company on November 30, 2022, subsequent to his appointment, no general meeting was convened.

2. Ms. Zhang Hong was not able to attend the Annual General Meeting of 2021 on June 21, 2022 due to the work arrangement.

3. Mr. Sun Hua was not able to attend the Annual General Meeting of 2021 on June 21, 2022 and the 2022 first extraordinary general meeting on November 30, 2022 due to work arrangement.

4. Mr. Fung Edwin was appointed as the independent non-executive Director at the Annual General Meeting of 2021 on June 21, 2022, subsequent to his appointment, only one general meeting were convened.

5. Mr. Yip Wai Ming was not able to attend the Annual General Meeting of 2021 on June 21, 2022 due to other work arrangement, and Mr. Yip Wai Ming resigned as Director since June 21, 2022.

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 investor.

9.1 Shareholders' Rights

Where the Company convenes a general meeting, a notice of the meeting in written form or 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 Company's Shares, individually or jointly, shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting or a class general meeting. 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 general meeting, a notice of general meeting shall be issued within five days after the resolution of the Board of Directors meeting is made. The changes to the original proposal in the notice shall be subject to consent of the Shareholders who make the said proposal.

If the Board of Directors disagrees to convene an extraordinary general meeting or a class general meeting or fails to make any feedback within 10 days after receiving the proposal, Shareholder(s) holding more than 10% of the Company's 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 general meeting.

According to the Articles, Shareholders who individually or collectively hold more than 3% of the Shares may submit a proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board.

9.2 Inquiry and Communication of Shareholders

The Company attaches great importance to the opinions and suggestions of Shareholders, formulates the shareholder communication policy and reviews it annually to ensure its effectiveness, and actively organizes various communication activities with investors and analysts to maintain good relations and respond to the reasonable requirements of Shareholders promptly.The Company releases its announcements, financial data and other relevant data on its website www.polyculture.com.cn, and provides a direct communication platform through the annual general meeting of Shareholders held every year and any other general meeting of shareholders that may be held when necessary, 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 Company believes that the existing shareholder communication policy is adequate and effective with the implementation of the above measures and review.

The Board of Directors welcomes 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 put forward by Shareholders.

Detailed voting procedure and resolutions to be voted by poll at the general meetings of our Company are set out in the circulars to shareholders sent 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 company 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. CONSTITUTIONAL DOCUMENTS AND CHANGES

During the year ended December 31, 2022, in accordance with the Company Law of the People's Republic of China and the Articles, the Company has completed the relocation of its business address. The Company's business address and domicile will be changed from "Zone A, 20th Floor, New Poly Plaza, No. 1, Chaoyangmen North Street, Dongcheng District, Beijing" to "Zones A, B and C, 9th Floor, New Poly Plaza, No. 1, Chaoyangmen North Street, Dongcheng District, Beijing". The Board of Directors has amended the Articles accordingly. The revised Articles of the Company have been approved and took effect at the 2022 first extraordinary general meeting in 2022 held on November 30, 2022. For details, please refer to the circular and announcement dated November 3, 2022 and November 30, 2022 issued by the Company on the website of the Stock Exchange and the Company's website. The latest Articles has been uploaded to the websites of the Stock Exchange and our Company on November 30, 2022.

DIRECTORS

Executive Directors

Mr. Wang Bo, aged 39, 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 to September 2022, served as the Secretary of the Party Committee and Chairman of the Board of Directors of the Company Since September 2022. Mr. Wang is a member of the 14th Beijing Municipal People's Political Consultative Conference, 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. Jiang Yingchun, aged 54, 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 Art Centre and Poly Culture North America Investment Corporation Limited. Mr. Jiang is also Vice President of the China Auction Industry Association. Mr. Jiang holds a bachelor's degree in History majoring in archaeology and librarian professional qualification.

Mr. Guo Wenpeng, aged 53, joined the Company in 2003 and has served as the vice general manager since August 2015 to September 2022. Mr. Guo also serves as the chairman of Poly Theatre Company, Beijing Poly Music Art and Poly Art Education and other companies. Mr. Guo also serves as Vice President of the China Performance Industry Association, Director of the Theater Committee, and Director of the 10th Council of the China Quality Association. Mr. Guo has obtained a master's degree in economics.

Mr. Xu Bei, aged 57, 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, the Director 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 58, 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 Poly New Building. Ms. Zhang has a master's degree in business administration and the qualification of an assistant political engineer.

Mr. Fu Chengrui, aged 48, 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. Mr. Fu currently serves as the chief accountant of Poly International. Mr. Fu has a master's degree in business administration.

Independent non-executive Directors

Ms. Li Xiaohui, aged 55, 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 64, joined the Company in November 2021 and has been an independent non-executive director since then. Mr. Sun remained on campus as a teacher since he graduated from Peking University with a master's degree in Archaeology in 1987. He has successively served as deputy dean of the college and director of the academic committee. Currently, he is a professor at the School of Archaeology and Literature at Peking University and director of the Center for Cultural Heritage Protection and Research at Peking University. In addition, Mr. Sun also serves as a member of the National Leading Group for the Arrangement and Publishing of Ancient Books, the Executive Director of the Chinese Society of Cultural Relics, a member of the Historical and Cultural Protection and Inheritance Professional Committee of the Science and Technology Committee of the Ministry of Housing and Urban-Rural Development, and the editor in chief of the Research on Natural and Cultural Heritage.

Mr. Fung Edwin, aged 58, joined the Company on June 21, 2022 and has been an independent non-executive director since then. Mr. Fung joined KPMG in Hong Kong in July 1986. Mr. Fung held various senior positions in KPMG, including the founding chairman of KPMG's Global China Practice, the senior partner of KPMG Northern China region and Beijing office, and the vice chairman of KPMG China; Mr. Fung retired from KPMG in September 2017. Mr. Fung has served as an independent non-executive director of Genor Biopharma Holdings Limited (a company listed on the Stock Exchange, stock code: 6998) since June 2020. Mr. Fung currently acts as the advisor to the Sino-International Entrepreneurs Federation. Mr. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Fung obtained a diploma in accounting from Hong Kong Institute of Vocational Education in July 1986.

SUPERVISORS

Mr. Li Wenliang, aged 52, 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 53, 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. Mr. Ma currently serves the Secretary of the Board of Directors and the general manager of strategy management department of Poly International. Mr. Ma has a master's degree in economics and holds a senior engineer title.

Mr. Wang Fuqiang, aged 54, joined the Company in January 2011 and currently serves as 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 51, 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 chairman of Poly Film, Poly Shixun Technology (Beijing) Co., Ltd. and Chongqing Poly Wanhe Cinema Circuit Co., Ltd., and a non-executive director of Digital Domain Holdings Limited (listed on the Stock Exchange, stock code: 547). Mr. Li holds a doctoral degree in management and is a senior economist.

Ms. Wang Wei, aged 55, 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, has been serves as a General counsel since September 2021 and Chief Compliance Officer since August 2022. 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 Poly Auction Hong Kong. Ms. Wang holds a bachelor's degree in engineering and qualification as a senior accountant.

Ms. Zhao Lin, aged 53, 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

Mr. Yip Wai Ming resigned as the independent non-executive Director, the chairman of the Remuneration and Assessment Committee of the Board and the member of the Audit Committee of the Board due to personal work arrangement, with effect from June 21, 2022.

Mr. Zhang Xi resigned as the chairman of the Company and the chairman of the Strategy Committee of the Board due to age reason, with effect from September 9, 2022. Meanwhile, Mr. Zhang Xi resigned as the executive Director, with effect from November 30, 2022.

On June 21, 2022, the Company held the 2021 annual general meeting. Mr. Fung Edwin has been appointed as the independent non-executive Director of the fourth session of the Board. His appointment has been effective from the date of approval at the shareholders' general meeting until the expiry of the term of office of the fourth session of the Board. The Board agreed to appoint Mr. Fung Edwin as the chairman of the Remuneration and Assessment Committee of the Board and the member of the Audit Committee of the Board at the Board meeting immediately following the 2021 annual general meeting, with a term of office commencing from June 21, 2022 until the expiry of the term of office of the fourth session of the Board.

On September 9, 2022, Mr. Wang Bo has been appointed by the Board as the chairman of the fourth session of the Board and the chairman of the Strategy Committee of the Board, with effect from the date of approval at the Board meeting by way of resolution until the expiry of the term of office of the fourth session of the Board.

The Company held the 2022 first extraordinary general meeting on November 30, 2022. Mr. Guo Wenpeng has been appointed as the executive Director of the fourth session of the Board. Mr. Guo Wenpeng has also been appointed as a member of the Strategy Committee of the Board from the same date. His appointment will be effective from the date of approval at the shareholders' general meeting until the expiry of the term of office of the fourth session of the Board.

Senior Management

On September 9, 2022, Mr. Wang Bo ceased to be the general manager of the Company due to work arrangement. On the same day, Mr. Guo Wenpeng has been appointed by the Board as the general manager of the Company with a tenure of three years, with effect from the date of approval at the Board meeting by way of resolution.

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 76 to 184 which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022 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

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, 2022, the balance of art inventories was RMB2.2 billion, which represented 97% 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, 2022 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, 2021 to prices achieved from the sales of art inventories after December 31, 2021, 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	How the matter was addressed in our audit
As at December 31, 2022, the total balance of prepayments for auctioned works of art, consignor advances and loans granted under financing arrangements was RMB4.7 billion, which represented 39% of the total assets of the Group as at that date. <u>Prepayments for auctioned works of art</u> 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. <u>Consignor advances</u> 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.	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, 2021 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, 2023

Consolidated Statement of Profit or Loss

for the year ended December 31, 2022 (Expressed in Renminbi ("RMB"))

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	4	**2,617,044**	3,170,312
Cost of sales		**(1,731,694)**	(2,156,610)
Gross profit		**885,350**	1,013,702
Other net income	6	**103,440**	93,403
Changes in fair value of other equity securities		**20,488**	25,908
Selling and distribution expenses		**(440,828)**	(453,411)
Administrative expenses		**(635,833)**	(566,158)
(Loss)/profit from operations		**(67,383)**	113,444
Finance income		**89,324**	109,392
Finance costs	7(a)	**(220,297)**	(228,944)
Share of profits less losses of associates		**(49,914)**	(82,726)
Share of profits less losses of joint ventures		**(12,283)**	(14,459)
Loss before taxation	7	**(260,553)**	(103,293)
Income tax	8	**(21,156)**	(34,108)
Loss for the year		**(281,709)**	(137,401)
Attributable to:			
Equity shareholders of the Company		**(290,196)**	(139,502)
Non-controlling interests		**8,487**	2,101
Loss for the year		**(281,709)**	(137,401)
Loss per share			
Basic and diluted loss per share (RMB)	11(a)	**(1.18)**	(0.57)

The notes on pages 84 to 184 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2022 (Expressed in Renminbi ("RMB"))

	2022 **RMB'000**	2021 RMB'000
Loss for the year	**(281,709)**	(137,401)
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to profit or loss:		
Remeasurement of pension contribution	**244**	–
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	**(247)**	(2,748)
Exchange differences on translation of financial statements of subsidiaries outside the PRC	**44,587**	(14,666)
Total comprehensive income for the year	**(237,125)**	(154,815)
Attributable to:		
Equity shareholders of the Company	**(247,016)**	(154,119)
Non-controlling interests	**9,891**	(696)
Total comprehensive income for the year	**(237,125)**	(154,815)

The notes on pages 84 to 184 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2022 (Expressed in Renminbi ("RMB"))

	Note	**2022 RMB'000**	2021 RMB'000
Non-current assets			
Property, plant and equipment	12	**408,458**	462,081
Right-of-use assets	13	**600,165**	761,999
Intangible assets	14	**56,605**	44,355
Goodwill	15	**79,238**	76,865
Long-term prepayments		**1,927**	2,152
Interest in associates	17	**475,248**	614,440
Interest in joint ventures	18	**390,712**	409,087
Other financial assets	19	**295,265**	265,073
Deferred tax assets	29(b)	**64,362**	38,674
		2,371,980	2,674,726
Current assets			
Inventories	20	**2,230,603**	2,248,641
Trade and bills receivables	21	**615,855**	551,239
Consignor advances	22	**1,208,209**	1,527,198
Deposits, prepayments and other receivables	23	**2,448,211**	2,785,905
Current tax assets		**44**	5,318
Other financial assets	19	**1,838,963**	1,808,298
Restricted cash		**24,190**	27,649
Deposits with original maturities over three months		**73,192**	59,436
Cash and cash equivalents	24	**1,129,670**	1,607,593
		9,568,937	10,621,277
Current liabilities			
Trade and other payables	26	**1,862,896**	2,421,976
Contract liabilities	27	**651,927**	608,948
Lease liabilities	28	**207,095**	170,785
Interest-bearing borrowings	25	**4,027,133**	4,237,066
Current taxation	29(a)	**49,672**	23,548
		6,798,723	7,462,323

The notes on pages 84 to 184 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2022 (Expressed in Renminbi ("RMB"))

	Note	2022 RMB'000	2021 RMB'000
Net current assets		**2,770,214**	3,158,954
Total assets less current liabilities		**5,142,194**	5,833,680
Non-current liabilities			
Interest-bearing borrowings	25	**1,134,000**	1,348,000
Lease liabilities	28	**645,842**	819,089
Trade and other payables	26	**8,553**	8,700
Deferred revenue		**222**	669
Deferred tax liabilities	29(b)	**37,740**	32,882
		1,826,357	2,209,340
NET ASSETS		**3,315,837**	3,624,340
CAPITAL AND RESERVES			
Share capital	30(c)	**246,316**	246,316
Reserves		**2,731,132**	3,011,012
Total equity attributable to equity shareholders of the Company		**2,977,448**	3,257,328
Non-controlling interests		**338,389**	367,012
TOTAL EQUITY		**3,315,837**	3,624,340

Approved and authorised for issue by the board of directors on March 31, 2023.

Wang Bo
Director

Zhao Lin
Chief Accountant

The notes on pages 84 to 184 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2022 (Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 30(c)	Share premium RMB'000 note 30(d)(ii)	Capital reserve RMB'000 note 30(d)(i)	PRC statutory reserve RMB'000 note 30(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 30(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	–	–	(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 84 to 184 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2022 (Expressed in Renminbi ("RMB"))

	Attributable to equity shareholders of the Company								
	Share Capital RMB'000 note 30(c)	Share premium RMB'000 note 30(d)(ii)	Capital reserve RMB'000 note 30(d)(i)	PRC statutory reserve RMB'000 note 30(d)(iii)	Retained profits RMB'000	Exchange reserve RMB'000 note 30(d)(iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2022	246,316	1,982,448	(455,837)	158,361	1,338,070	(12,030)	3,257,328	367,012	3,624,340
Changes in equity for 2022:									
(Loss)/profit for the year	–	–	–	–	(290,196)	–	(290,196)	8,487	(281,709)
Other comprehensive income	–	–	(3)	–	–	43,183	43,180	1,404	44,584
Total comprehensive income	–	–	(3)	–	(290,196)	43,183	(247,016)	9,891	(237,125)
Acquisition of non-controlling interests (note 35)	–	–	(36,107)	–	–	–	(36,107)	(24,524)	(60,631)
Capital contributions from non-controlling equity owners	–	–	3,243	–	–	–	3,243	1,657	4,900
Increase in non-controlling interests due to acquisition of subsidiaries	–	–	–	–	–	–	–	2,475	2,475
Dividends declared by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	(18,122)	(18,122)
Balance at December 31, 2022	246,316	1,982,448	(488,704)	158,361	1,047,874	31,153	2,977,448	338,389	3,315,837

The notes on pages 84 to 184 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended December 31, 2022 (Expressed in Renminbi ("RMB"))

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from operations	24(b)	**7,970**	796,432
Tax paid	29(a)	**(15,251)**	(42,537)
Net cash (used in)/generated from operating activities		**(7,281)**	753,895
Investing activities			
Payment for the purchase of intangible assets and property, plant and equipment		**(47,314)**	(59,556)
Net proceeds for consignor advances		**318,989**	237,593
Increase in deposits with maturities of over three months		**(13,756)**	(8,543)
Proceeds/(payment) from disposal of property, plant and equipment		**336**	(2,031)
Net proceeds from disposal of a subsidiary and a joint venture		**7,251**	8,359
Interest received		**79,207**	98,408
Investments in a joint venture and other equity securities		**(1,296)**	(432)
Cash consideration received for acquisition of a subsidiary, net of cash acquired	24(e)	**15,025**	–
Dividends received from other equity securities		**6,630**	6,594
Net cash generated from investing activities		**365,072**	280,392

The notes on pages 84 to 184 form part of these financial statements.

	Note	2022 RMB'000	2021 RMB'000
Financing activities			
Capital element of lease rentals paid	24(c)	**(81,332)**	(109,593)
Proceeds from bank loans	24(c)	**5,423,358**	3,135,368
Proceeds from issue of debentures	24(c)	**–**	1,000,000
Proceeds from issue of bonds	24(c)	**–**	800,000
Proceeds from borrowings from joint ventures	24(c)	**–**	1,600
Proceeds from borrowings from China Poly Group Corporation Limited	24(c)	**1,231,600**	100,000
Proceeds from borrowings from a Poly Group's affiliate	24(c)	**–**	191,271
Repayment of bonds	24(c)	**–**	(700,000)
Repayment of debentures	24(c)	**(1,000,000)**	(1,000,000)
Repayment of borrowings from an associate	24(c)	**–**	(20,000)
Repayment of borrowings from a non-controlling equity owner	24(c)	**–**	(732)
Repayment of borrowings from joint ventures	24(c)	**(8,670)**	(1,785)
Repayment of borrowings from China Poly Group Corporation Limited	24(c)	**(100,000)**	–
Repayment of borrowings from a Poly Group's affiliate	24(c)	**(136,251)**	–
Repayment of bank loans	24(c)	**(5,852,888)**	(3,791,809)
Interest element of lease rentals paid	24(c)	**(41,840)**	(54,567)
Borrowing costs paid	24(c)	**(185,368)**	(166,738)
Acquisition of non-controlling interests		**(85,827)**	(106,016)
Capital contributions from non-controlling equity owners of subsidiaries		**4,900**	900
Dividends paid by subsidiaries to non-controlling equity owners		**(15,922)**	(29,738)
Net cash used in financing activities		**(848,240)**	(751,839)
Net (decrease)/increase in cash and cash equivalents		**(490,449)**	282,448
Cash and cash equivalents at January 1	24(a)	**1,607,593**	1,329,147
Effect of foreign exchange rate changes		**12,526**	(4,002)
Cash and cash equivalents at December 31	24(a)	**1,129,670**	1,607,593

The notes on pages 84 to 184 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, 2022 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 IAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at January 1, 2022, and has concluded that none of them is onerous.

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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).

(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 31(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)(ii)(c)).

– 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)(ii)(b).

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)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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)(ii)(c) 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.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Revenue from contracts with customers *(Continued)*

Art business and auction

(a) 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.

(b) 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.

(c) Revenue from investment consultation

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

Performance and theatre management

(a) Revenue from show performance

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

(b) 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)*

(i) Revenue from contracts with customers *(Continued)*

Cinema investment and management

(a) 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.

(ii) Revenue from other sources and other income

(a) 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.

(b) Dividends

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

(c) 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:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Revenue from art business and auction	**573,915**	644,528
– Revenue from performance and theatre management	**1,647,691**	1,867,419
– Revenue from cinema investment and management	**255,810**	452,827
– Revenue from other services	**32,566**	14,537
	2,509,982	2,979,311
Revenue from other sources		
– Revenue from art business and auction	**87,864**	160,719
– Revenue from performance and theatre management	**11,068**	14,343
– Revenue from cinema investment and management	**8,130**	15,939
	2,617,044	3,170,312

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, 2022 and 2021.

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, 2022 and 2021 is set out below:

	Year ended December 31, 2022			
	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	578,490	1,647,691	246,860	2,473,041
Over time	83,289	11,068	17,080	111,437
Revenue from external customers and reportable segment revenue	661,779	1,658,759	263,940	2,584,478
Reportable segment profit (adjusted EBITDA)	121,450	55,755	28,056	205,261
Depreciation and amortisation	(42,445)	(29,293)	(121,435)	(193,173)
Finance income	76,109	11,745	1,451	89,305
Finance costs	(187,192)	(1,255)	(56,981)	(245,428)
Impairment of				
– property, plant and equipment	–	–	(17,435)	(17,435)
Reportable segment assets	8,360,361	1,043,385	1,125,303	10,529,049
Reportable segment liabilities	6,684,126	642,718	1,612,552	8,939,396

5 SEGMENT REPORTING *(Continued)*

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

	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)*

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

	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	**2,584,478**	3,155,775
Revenue from other sources	**32,566**	14,537
Consolidated revenue (Note 4(a))	**2,617,044**	3,170,312
Loss		
Reportable segment profit (adjusted EBITDA)	**205,261**	378,312
Revenue from other sources	**32,566**	14,537
Unallocated corporate net income	**42,881**	19,216
Share of profits less losses of associates	**(49,914)**	(82,726)
Share of profits less losses of joint ventures	**(12,283)**	(14,459)
Changes in fair value of other equity securities	**20,488**	25,908
Impairment losses on non-current assets	**(106,021)**	(25,810)
Depreciation and amortisation	**(204,289)**	(221,677)
Finance income	**89,324**	109,392
Finance costs	**(220,297)**	(228,944)
Unallocated corporate expenses	**(58,269)**	(77,042)
Consolidated loss before taxation	**(260,553)**	(103,293)

5 SEGMENT REPORTING *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Assets		
Reportable segment assets	**10,529,049**	11,744,204
Elimination of inter-segment receivables	**(4,747,291)**	(4,937,863)
Other equity securities	**285,697**	265,073
Interests in associates	**475,248**	614,440
Interests in joint ventures	**390,712**	409,087
Current tax assets	**44**	5,318
Deferred tax assets	**64,362**	38,674
Unallocated corporate assets	**4,943,096**	5,157,070
Consolidated total assets	**11,940,917**	13,296,003
Liabilities		
Reportable segment liabilities	**8,939,396**	9,974,640
Elimination of inter-segment payables	**(4,747,291)**	(4,937,863)
Current taxation	**49,672**	23,548
Deferred tax liabilities	**37,740**	32,882
Unallocated corporate liabilities	**4,345,563**	4,578,456
Consolidated total liabilities	**8,625,080**	9,671,663

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**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**2,445,892**	3,014,153	**1,994,056**	2,338,853
Others	**171,152**	156,159	**18,297**	32,126
	2,617,044	3,170,312	**2,012,353**	2,370,979

6 OTHER NET INCOME

	2022	2021
	RMB'000	RMB'000
Government grants	**46,571**	41,102
Dividend income from other equity securities	**6,630**	6,594
Net foreign exchange gain/(loss)	**7,940**	(3,305)
Net gain on disposal of property, plant and equipment and right-of-use assets	**10,087**	13,733
Others	**32,212**	35,279
	103,440	93,403

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest expenses (note 24(c))	**178,509**	174,728
Interest on lease liabilities (note 24(c))	**41,840**	54,567
Total interest expense on financial liabilities not at fair value through profit or loss	**220,349**	229,295
Less: interest expense capitalised into property, plant and equipment	**52**	351
	220,297	228,944

The borrowing costs have been capitalised at a rate of 4.65% per annum (2021: 4.65%).

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**727,413**	730,315
Expenses recognised in respect of defined benefit retirement plan	**170**	8,950
Contributions to defined contribution retirement plans	**99,420**	90,128
	827,003	829,393

7 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

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% (2021: 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, 2022 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 RMB340,000 in contributions to defined benefit retirement plan in 2023. The Group has no defined benefit plan assets.

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

7 LOSS BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

The significant actuarial assumptions are as follows:

	2022	2021
Discount rate	**3.00%**	3.25%
Average year expected future lifetime	**27.3**	28.9
Average year expected future working lifetime	**0.1**	0.5
Annual increase rate of medical benefits	**6.00%**	6.00%

(c) Other items

	2022 RMB'000	2021 RMB'000
Depreciation		
– property, plant and equipment (note 12)	**66,206**	82,603
– right-of-use assets (note 13)	**132,689**	135,042
Amortisation (note 14)	**5,394**	4,032
Impairment losses recognised/(reversed) in administrative expenses		
– trade and bills receivables (note 31(a))	**6,212**	2,426
– deposits, prepayments and other receivables	**6,446**	(10,184)
– property, plant and equipment (note 12)	**17,435**	24,670
– interest in joint ventures	**–**	1,140
– interest in associates	**88,586**	–
Auditors' remuneration		
– audit and audit-related services	**3,000**	3,680
– other services	**59**	–
	3,059	3,680

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 RMB'000	2021 RMB'000
Current tax – PRC corporate income tax		
Provision for the year	**32,431**	23,877
Under-provision in respect of prior years	**41**	484
	32,472	24,361
Current tax – Other regions		
Provision for the year	**9,850**	14,060
Over-provision in respect of prior years	**(947)**	(2,128)
	8,903	11,932
Deferred tax		
Origination and reversal of temporary differences	**(20,219)**	(2,185)
	21,156	34,108

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

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

	2022 RMB'000	2021 RMB'000
Loss before taxation	**(260,553)**	(103,293)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note)	**(79,988)**	(25,512)
Tax effect of non-deductible expenses	**6,738**	9,279
Tax effect of non-taxable income	**17,237**	5,549
Tax effect of unused tax losses not recognised	**77,540**	49,638
Tax effect of temporary differences not recognised	**4,506**	3,478
Tax effect of utilisation of tax losses in prior years	**(3,971)**	(6,680)
Over-provision in respect of prior years	**(906)**	(1,644)
Actual tax expense	**21,156**	34,108

Note:

The Company and its PRC subsidiaries are mainly subject to standard PRC corporate income tax rate of 25% (2021: 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 2021. 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, 2022				
	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. Wang Bo	–	555	655	154	1,364
Mr. Jiang Yingchun	–	529	915	195	1,639
Mr. Guo Wenpeng (appointed on November 30, 2022)	–	496	847	178	1,521
Mr. Xu Bei	–	474	830	180	1,484
Mr. Zhang Xi (resigned on November 30, 2022)	–	–	–	–	–
Non-executive directors					
Ms. Zhang Hong	–	–	–	–	–
Mr. Fu Chengrui	–	–	–	–	–
Independent non-executive directors					
Mr. Sun Hua	134	–	–	–	134
Ms. Li Xiaohui	134	–	–	–	134
Mr. Yip Wai Ming (resigned on June 21, 2022)	67	–	–	–	67
Mr. Fung Edwin (appointed on June 21, 2022)	67	–	–	–	67
Supervisors					
Mr. Li Wenliang	–	524	528	131	1,183
Mr. Ma Wenxu	–	–	–	–	
Mr. Wang Fuqiang	–	330	241	103	674
	402	2,908	4,016	941	8,267

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

	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 (resigned on November 2, 2021)	–	–	–	–	–
Mr. Zhang Xi	–	–	–	–	–
Mr. Jiang Yingchun	–	524	1,155	198	1,877
Mr. Li Weiqiang (resigned on November 2, 2021)	–	524	1,155	169	1,848
Mr. Xu Bei (appointed on November 2, 2021)	–	476	1,007	159	1,642
Mr. Wang Bo (appointed on November 2, 2021)	–	190	230	50	470
Non-executive directors					
Mr. Wang Keling (resigned on November 2, 2021)	–	–	–	–	–
Mr. Huang Geming (resigned on November 2, 2021)	–	–	–	–	–
Ms. Zhang Hong (appointed on November 2, 2021)	–	–	–	–	–
Mr. Fu Chengrui (appointed on November 2, 2021)	–	–	–	–	–
Independent non-executive directors					
Mr. Li Boqian (resigned on November 2, 2021)	102	–	–	–	102
Mr. Yip Wai Ming	123	–	–	–	123
Ms. Li Xiaohui	123	–	–	–	123
Mr. Sun Hua (appointed on November 2, 2021)	21	–	–	–	21

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

	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
Supervisors					
Mr. Li Wenliang (appointed on November 2, 2021)	–	128	115	32	275
Mr. Ma Wenxu (appointed on November 2, 2021)	–	–	–	–	–
Mr. Wang Fuqiang	–	260	326	98	684
Mr. Chen Yuwen (resigned on November 2, 2021)	–	–	–	–	–
Mr. Hou Hongxiang (resigned on November 2, 2021)	–	–	–	–	–
	369	2,102	3,988	706	7,165

There was no arrangement under which a director or supervisor waived or agreed to waive any emoluments (2021: 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, 2022 and 2021 are set forth below:

	2022 Number of individuals	2021 Number of individuals
Other employees	**5**	5

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:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	**3,958**	3,416
Discretionary bonuses	**21,233**	21,492
Contributions to defined contribution retirement plans	**400**	343
	25,591	25,251

(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:

	2022 Number of Individuals	2021 Number of Individuals
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**1**	–
HKD3,000,001 to HKD3,500,000	**–**	1
HKD3,500,001 to HKD4,000,000	**–**	1
HKD4,000,001 to HKD4,500,000	**1**	–
HKD4,500,001 to HKD5,000,000	**1**	–
HKD6,500,001 to HKD7,000,000	**1**	–
HKD9,500,001 to HKD10,000,000	**–**	1
HKD10,000,001 to HKD10,500,000	**1**	–
HKD11,000,001 to HKD11,500,000	**–**	1

For the years ended December 31, 2022 and 2021, 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 RMB290,196,000 for the year ended December 31, 2022 (2021: loss attributable to ordinary equity shareholders of the Company of RMB139,502,000) and the weighted average number of ordinary shares in issue during the year of 246,316,000 shares (2021: 246,316,000 shares).

(b) Diluted loss per share

The Company did not have any potential dilutive shares throughout the years of 2022 and 2021. 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, 2021	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
Additions	**8,057**	**–**	**2,963**	**3,895**	**9,230**	**9,958**	**34,103**
Business combination	**–**	**–**	**–**	**–**	**176**	**–**	**176**
Transfer from construction in progress	**3,309**	**–**	**21**	**–**	**45**	**(3,375)**	**–**
Disposals	**(2,916)**	**–**	**(4,446)**	**(1,680)**	**(1,199)**	**–**	**(10,241)**
At December 31, 2022	**878,161**	**44,016**	**325,692**	**58,802**	**100,206**	**52,747**	**1,459,624**
Accumulated depreciation:							
At January 1, 2021	(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)
Charge for the year	**(36,257)**	**(1,394)**	**(14,459)**	**(4,036)**	**(10,060)**	**–**	**(66,206)**
Business combination	**–**	**–**	**–**	**–**	**(163)**	**–**	**(163)**
Written back on disposals	**(638)**	**–**	**2,822**	**1,302**	**1,033**	**–**	**4,519**
At December 31, 2022	**(531,307)**	**(22,064)**	**(284,886)**	**(35,338)**	**(72,704)**	**–**	**(946,299)**

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, 2021	(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)
Impairment losses recognised	**(16,967)**	**–**	**(468)**	**–**	**–**	**–**	**(17,435)**
Written back on disposals	**–**	**–**	**1,613**	**–**	**11**	**–**	**1,624**
At December 31, 2022	**(84,348)**	**–**	**(5,110)**	**–**	**–**	**(15,409)**	**(104,867)**
Net book value:							
At December 31, 2022	**262,506**	**21,952**	**35,696**	**23,464**	**27,502**	**37,338**	**408,458**
At December 31, 2021	307,918	23,346	47,650	23,983	28,429	30,755	462,081

Note: The Group determines whether there are indicators for impairment of property, plant and equipment at the end of each reporting period. During the year ended December 31, 2022, due to a dispute with the lessor over the lease terms of two cinemas, these cinemas are unable to operate as normal. The Group assessed the recoverable amounts of those property, plant and equipment of these subsidiaries and as a result the carrying amount of those of property, plant and equipment was written down to their recoverable amount of RMB679,000. An impairment loss of RMB9,528,000 was recognised as "Administrative expenses". The estimation of the recoverable amount of leasehold improvement, equipment and furniture, fixture and others were based on the fair value of the these assets less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry.

The Group assessed certain cinemas had indicators of impairment due to the uncertainties of movie market in the foreseeable future. For the purpose of impairment testing, the recoverable amounts of these cash-generating units ("CGUs") have been determined by the directors on the basis of value-in-use calculations. The cash flows were discounted using pre-tax discount rates ranging from 12.54% to 18.01% that reflects specific risks related to CGUs. As a result, the Group assessed the recoverable amounts of related property, plant and equipment to recoverable amount of RMB20,205,000 and the impairment loss of RMB7,885,000 recognised in "Administrative expenses".

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, 2021	1,019,491	67,243	1,086,734
Additions	123,164	–	123,164
Lease modification and early termination (note)	(2,039)	–	(2,039)
Disposals	(78,978)	(22)	(79,000)
At December 31, 2021	1,061,638	67,221	1,128,859
Additions	**33,960**	**–**	**33,960**
Exchange difference	**7,622**	**51**	**7,673**
Lease modification and early termination (note)	**(54,886)**	**–**	**(54,886)**
Disposals	**(45,960)**	**(1,150)**	**(47,110)**
At December 31, 2022	**1,002,374**	**66,122**	**1,068,496**
Accumulated amortisation and depreciation:			
At January 1, 2021	(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)
Charge for the year	**(121,788)**	**(10,901)**	**(132,689)**
Exchange difference	**(4,440)**	**(20)**	**(4,460)**
Written back on disposals	**35,041**	**637**	**35,678**
At December 31, 2022	**(411,080)**	**(57,251)**	**(468,331)**
Net book value:			
At December 31, 2022	**591,294**	**8,871**	**600,165**
At December 31, 2021	741,745	20,254	761,999

Note: The lease modification is mainly caused by the change of 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:

	2022 **RMB'000**	2021 RMB'000
Interest on lease liabilities (note 7(a))	**41,840**	54,567
Expense relating to short-term leases	**14,886**	31,868
Variable lease payments not included in the measurement of lease liabilities	**8,630**	10,285
COVID-19-related rent concessions received	**(4,975)**	(13,653)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(d) and 28, respectively.

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 20 years. Lease payments are usually increased every 4 years to reflect market rentals.

During the year ended December 31, 2022, the Group leased a number of cinemas which contain variable lease payment terms that are based on net cinema box office income from the cinemas and minimum annual lease payment terms that are fixed. These payment terms are common in cinemas in China where the Group operates. In 2021 and 2022 the Group received rent concessions in the form of a discount on fixed payments. 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)*

	2022			
	Fixed payments RMB'000	**Variable payments RMB'000**	**COVID-19 rent concessions RMB'000**	**Total payments RMB'000**
Cinemas – China	**81,662**	**8,630**	**(4,921)**	**85,371**

	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

At December 31, 2022, it is estimated that an increase in revenue generated from these cinemas by 5% would have increased the lease payments by RMB432,000 (2021: RMB400,000).

(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	Right to use the brands	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2021	27,028	28,775	55,803
Additions	13,270	–	13,270
At December 31, 2021	40,298	28,775	69,073
Additions	17,644	–	17,644
At December 31, 2022	57,942	28,775	86,717
Accumulated amortisation:			
At January 1, 2021	(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)
Charge for the year	(4,345)	(1,049)	(5,394)
At December 31, 2022	(10,637)	(9,398)	(20,035)
Impairment:			
At January 1, 2021	–	(10,077)	(10,077)
Impairment losses recognised	–	–	–
At December 31, 2021	–	(10,077)	(10,077)
Impairment losses recognised	–	–	–
At December 31, 2022	–	(10,077)	(10,077)
Net book value:			
At December 31, 2022	47,305	9,300	56,605
At December 31, 2021	34,006	10,349	44,355

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, 2021, December 31, 2021	173,380
Additions	2,373
At December 31, 2022	175,753
Accumulated impairment losses:	
At January 1, 2021, December 31, 2021 and December 31, 2022	(96,515)
Carrying amount:	
At December 31, 2022	79,238
At December 31, 2021	76,865

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to the CGUs of the related segment as follows:

	2022 RMB'000	2021 RMB'000
Cinema investment and management:		
– Xingxing Entertainment	**76,865**	76,865
Multiple units without significant goodwill	**2,373**	–
	79,238	76,865

As at December 31, 2022, the goodwill of RMB76,865,000 is attributable to the CGUs in relation to Xingxing Entertainment. For the purpose of impairment testing, the recoverable amounts of these CGUs 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 2% (2021: 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 11.90% to 13.82% (2021: 12.27% to 13.62%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. No impairment loss was recognised during the year ended December 31, 2022.

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RMB'000	RMB'000
Unlisted shares, at cost	**2,157,613**	2,096,983

As at December 31, 2022, 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 B) (Note C) 北京保利國際拍賣有限公司	The PRC	RMB10,000,000	90%	90%	–	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 保利香港拍賣有限公司	Hong Kong	70,000,000 shares	97%	70%	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.

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

Note A: Equity-joint venture

Note B: Domestic company

Note C: During the year ended December 31, 2022, the Company acquired additional 4% non-controlling interests of Beijing Auction (see note 35).

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.

	2022 **RMB'000**	2021 RMB'000
NCI percentage	**10%**	14%
Current assets	**3,229,245**	4,026,397
Non-current assets	**84,668**	98,029
Current liabilities	**(2,756,198)**	(3,597,858)
Non-current liabilities	**(15,878)**	(27,041)
Net assets	**541,837**	499,527
Carrying amount of NCI	**54,184**	69,934
Revenue	**291,688**	390,328
Profit for the year	**41,319**	34,847
Total comprehensive income	**41,319**	34,847
Profit/(loss) allocated to NCI	**3,851**	(14,311)
Dividend paid to NCI	**–**	–
Cash flows (used in)/generated from operating activities	**(314,919)**	451,781
Cash flows generated from investing activities	**398,959**	113,991
Cash flows used in financing activities	**(420,998)**	(186,475)

17 INTEREST IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Listed shares, at cost (note (i))	**475,092**	475,092
Unlisted shares, at cost	**191,527**	193,927
Impairment loss	**(92,352)**	(3,766)
Share of profits less losses, net of dividends	**(99,019)**	(50,813)
Total	**475,248**	614,440

Note:

(i) The fair values of the interests in listed associates are based on quoted market prices (level 1: unadjusted quoted price in active markets) at the end of the reporting period without deduction for transaction costs and disclosed as follows:

	2022		2021	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Digital Domain Holdings Limited	**164,062**	**164,062**	274,600	279,000

Summarised financial information of associates, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of associates in the consolidated financial statements	**475,248**	614,440
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(49,914)**	(82,726)
Total comprehensive income	**(50,161)**	(84,659)

18 INTEREST IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Unlisted shares, at cost	**472,450**	507,476
Impairment loss	**(36,935)**	(61,636)
Share of profits less losses, net of dividends	**(44,803)**	(36,753)
Total	**390,712**	409,087

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

			Proportion of ownership interest		
Name of joint venture	**Form of business structure**	**Place of incorporation and operation**	**Group's effective interest**	**Held by the Company**	**Principal activities**
Shenzhen Hua Xi culture Plaza Investment Development Corporation Limited (note (i)) 深圳華熙文化廣場投資發展有限公司	Incorporated	The PRC	50%	50%	Investment holding
Anyang Bao Xin Property Corporation Limited (note (i)) 安陽保鑫置業有限公司	Incorporated	The PRC	25%	–	Real estate development and sales
Beijing Eastern Poly Culture and Art Corporation Limited (note (i)) 北京東方保利文化藝術有限公司	Incorporated	The PRC	64%	–	Culture consulting services
Xijie XingX (Tianjin) International Cinema Corporation Limited (note (i)) 希傑星星(天津)國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Beijing Xijie XingX International Cinema Corporation Limited (note (i)) 北京希傑星星國際影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Fushun) Cinema Corporation Limited (note (i)) 希傑星星(撫順)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Xijie XingX (Shanghai) Cinema Corporation Limited (note (i)) 希傑星星(上海)影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Zhongshan Xijie XingX Cinema Corporation Limited (note (i)) 中山希傑星星影城有限公司	Incorporated	The PRC	56%	–	Cinema operation management

18 INTEREST IN JOINT VENTURES *(Continued)*

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
Changsha Xijie XingX Cinema Corporation Limited (note (i)) 長沙希傑星星影城有限公司	Incorporated	The PRC	51%	–	Cinema operation management
Nanjing XingX Rongsheng Cinema Corporation Limited (note (i)) 南京星星榮盛影城有限公司	Incorporated	The PRC	60%	–	Cinema operation management
Foshan XingX Xijie Cinema Corporation Limited (note (i)) 佛山星星希傑影城有限公司	Incorporated	The PRC	80%	–	Cinema operation management

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

Note:

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

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:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of joint ventures in the consolidated financial statements	**390,712**	409,087
Aggregate amounts of the Group's share of those joint ventures'		
Loss from continuing operations	**(12,283)**	(14,459)
Total comprehensive income	**(12,283)**	(14,459)

19 OTHER FINANCIAL ASSETS

	Note	2022 RMB'000	2021 RMB'000
Current			
Financial assets measured at amortised cost			
– Loans granted under financing arrangements	(i)	**1,799,966**	1,779,643
– Loans to associates		**13,655**	13,655
– Loans to joint ventures		**24,770**	15,000
– Finance lease receivable	(ii)		
– Within 1 year		**572**	–
		1,838,963	1,808,298
Non-current			
Financial assets measured at amortised cost			
– Finance lease receivable	(ii)		
– After 1 year but within 2 years		**959**	–
– Over 2 years		**8,609**	–
Financial assets measured at FVPL			
– Other equity securities	(iii)	**285,697**	265,073
		295,265	265,073
		2,134,228	2,073,371

Notes:

(i) The Group granted term loans to third parties secured by works of art which bear interest from 5.3% to 14% per annum. Loans granted generally represent 20%-50% of the collateral's estimated value.

(ii) Hangzhou Poly Cinema Co., Ltd., a subsidiary of the Group, subleased properties under finance lease. The term of finance lease entered into is 9 years.

(iii) 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.

20 INVENTORIES

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

	2022 RMB'000	2021 RMB'000
Antiques, works of art	**1,642,176**	1,675,027
Calligraphy, painting and sculptures	**517,161**	521,778
Small value items for resale	**5,626**	8,404
Low value materials	**2,704**	2,507
Drama rights	**45,507**	23,496
Film production	**17,429**	17,429
	2,230,603	2,248,641

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

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	**111,105**	113,007

21 TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and bills receivables for sale of goods and rendering of services, net of credit loss allowance, due from		
– related parties	**7,174**	4,621
– third parties	**608,681**	546,618
Financial assets measured at amortised cost	**615,855**	551,239

All trade and bills receivables (net of credit loss allowance) of the Group are expected to be recovered within one year.

21 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis

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

	2022	2021
	RMB'000	RMB'000
Within 1 month	**136,472**	108,280
1 to 3 months	**18,765**	16,627
3 to 6 months	**24,463**	22,727
6 to 12 months	**39,822**	68,822
Over 1 year	**396,333**	334,783
	615,855	551,239

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 31(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, 2022, 9.3% of the consignor advances was due from the largest debtor related to art business and auction (2021: 8.2%).

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

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments for auctioned works of art (note (i))	**1,668,404**	1,847,070
Receivables for auctioned works of art	**127,642**	70,098
Rental deposits	**24,273**	24,669
Guarantee deposits	**22,484**	23,304
Interest receivables from consignor advances on auction artwork	**210,424**	197,885
Advances to staff for business related activities	**21,604**	9,177
Loans to third parties (note (ii))	**64,804**	60,321
Others	**90,219**	88,515
Financial assets measured at amortised cost	**2,229,854**	2,321,039
Prepayments for purchase of inventories	**109,058**	389,770
Prepayments for performance	**131,733**	87,471
VAT recoverable	**17,904**	23,032
Others	**31,355**	30,852
	290,050	531,125
	2,519,904	2,852,164
Less: allowance for doubtful debts	**71,693**	66,259
	2,448,211	2,785,905

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:

	2022	2021
	RMB'000	RMB'000
At January 1	**66,259**	77,443
Impairment loss recognised	**6,580**	3,260
Reversal of impairment loss	**(134)**	(13,444)
Uncollectible amounts written off	**(1,012)**	(1,000)
At December 31	**71,693**	66,259

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:

	2022	2021
	RMB'000	RMB'000
Cash at bank and on hand	**1,129,670**	1,607,593

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	2022 RMB'000	2021 RMB'000
Loss before taxation		**(260,553)**	(103,293)
Adjustments for:			
Depreciation and amortisation	7(c)	**204,289**	221,677
Impairment loss on property, plant and equipment	7(c)	**17,435**	24,670
Impairment of interest in joint ventures	7(c)	**–**	1,140
Impairment of interest in associates	7(c)	**88,586**	–
Impairment loss on deposits, prepayments and other receivables	7(c)	**6,446**	(10,184)
Impairment loss on trade and bills receivables	7(c)	**6,212**	2,426
Amortisation of deferred revenue		**(450)**	(4,217)
Finance costs	7(a)	**220,297**	228,944
Net gain on disposal of property, plant and equipment and right-of-use assets	6	**(10,087)**	(13,733)
Dividend income from other equity securities	6	**(6,630)**	(6,594)
Exemption from overdue lease liabilities		**(20,160)**	–
Interest earned from consignor advances		**(76,070)**	(91,941)
Share of profits less losses of associates		**49,914**	82,726
Share of profits less losses of joint ventures		**12,283**	14,459
Changes in fair value of other equity securities		**(20,488)**	(25,908)
COVID-19-related rent concessions received	13	**(4,975)**	(13,653)
Net foreign exchange (gain)/loss		**(12,526)**	3,999
Changes in working capital:			
Decrease in inventories		**22,307**	53,695
Increase in trade and bills receivables		**(68,232)**	(106,632)
Decrease in loans granted under financing arrangements		**426,588**	518,520
Increase in loans to associates		**–**	(760)
Increase in deposits, prepayments and other receivables		**(100,880)**	(45,736)
Decrease in long-term prepayments		**225**	223
Decrease/(increase) in restricted cash		**3,459**	(9,826)
Increase in contract liabilities		**42,979**	46,130
(Decrease)/increase in trade and other payables		**(511,999)**	30,300
Cash generated from operations		**7,970**	796,432

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 China Poly Group Corporation Limited 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 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, 2022	2,900,930	1,300,000	1,000,000	100,000	191,271	92,265	600	50,235	989,874	6,625,175
Changes from financing cash flows:										
Proceeds from bank loans	5,423,358	-	-	-	-	-	-	-	-	5,423,358
Repayment of bank loans	(5,852,888)	-	-	-	-	-	-	-	-	(5,852,888)
Repayment of debentures	-	-	(1,000,000)	-	-	-	-	-	-	(1,000,000)
Repayment of borrowings from joint ventures	-	-	-	-	-	(8,670)	-	-	-	(8,670)
Repayments of borrowings from a Poly Group's affiliate	-	-	-	-	(136,251)	-	-	-	-	(136,251)
Repayment of borrowings from China Poly Group Corporation Limited	-	-	-	(100,000)	-	-	-	-	-	(100,000)
Proceeds from China Poly Group Corporation Limited	-	-	-	1,231,600	-	-	-	-	-	1,231,600
Capital element of lease rentals paid	-	-	-	-	-	-	-	-	(81,332)	(81,332)
Interest element of lease rentals paid	-	-	-	-	-	-	-	-	(41,840)	(41,840)
Borrowing costs paid	-	-	-	-	-	-	-	(185,368)	-	(185,368)
Total changes from financing cash flows	(429,530)	-	(1,000,000)	1,131,600	(136,251)	(8,670)	-	(185,368)	(123,172)	(751,391)
Other changes:										
Effect of foreign exchange rate changes	18,918	-	-	-	-	-	-	-	2,520	21,438
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	-	-	-	30,408	30,408
Exemption from overdue lease liabilities	-	-	-	-	-	-	-	-	(20,160)	(20,160)
COVID-19-related rent concessions received	-	-	-	-	-	-	-	-	(4,975)	(4,975)
Lease modifications and disposal	-	-	-	-	-	-	-	-	(64,063)	(64,063)
Interest expenses (note 7(a))	-	-	-	-	-	-	-	178,509	41,840	220,349
Business combination	-	-	-	-	-	-	-	-	665	665
Total other changes	18,918	-	-	-	-	-	-	178,509	(13,765)	183,662
At December 31, 2022	2,490,318	1,300,000	-	1,231,600	55,020	83,595	600	43,376	852,937	6,057,446

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 the 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 China Poly Group Corporation Limited	–	–	–	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)*

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**23,516**	42,153
Within financing cash flows	**123,172**	164,160
	146,688	206,313

These amounts relate to the following:

	2022	2021
	RMB'000	RMB'000
Lease rentals paid	**146,688**	206,313

(e) Net cash inflow arising from the acquisition of subsidiaries

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	2022
	RMB'000
Current assets	**27,271**
Non-current assets	**2,921**
Current liabilities	**(22,796)**
Non-current liabilities	**(668)**
NCI	**(2,475)**
Total consideration paid in cash	**4,253**
Less: cash of subsidiaries acquired	**19,278**
	(15,025)

25 INTEREST-BEARING BORROWINGS

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

	2022 RMB'000	2021 RMB'000
Current		
Bank loans		
– Unsecured	**2,156,318**	2,852,930
Borrowings from joint ventures (note (i))	**83,595**	92,265
Debentures	**–**	1,000,000
Bonds (note (ii))	**500,000**	–
Borrowings from a Poly Group's affiliate (note (iii))	**55,020**	191,271
Borrowings from China Poly Group Corporation Limited (note (iv))	**1,231,600**	100,000
Borrowings from a non-controlling equity owner	**600**	600
	4,027,133	4,237,066
Non-current		
Bonds (note (ii))	**800,000**	1,300,000
Bank loans		
– Unsecured	**334,000**	48,000
	1,134,000	1,348,000
	5,161,133	5,585,066

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

Notes:

(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 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.

25 INTEREST-BEARING BORROWINGS *(Continued)*

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

Notes: *(Continued)*

(iii) The borrowings from a Poly Group's affiliate bear interest at 5.35% per annum, are unsecured with a maturity period of one year.

(iv) The borrowings from China Poly Group Corporation Limited bear interest at 3.25% and 4.85% per annum, are unsecured with a maturity period of 180 days and one year.

(b) The interest rates per annum on interest-bearing borrowings are as follows:

	2022 %	2021 %
Fixed-rate borrowings		
– Bank loans	**3.20-4.75**	3.85-5.22
– Borrowings from joint ventures	**2.40-3.20**	2.40-3.20
– Bonds	**3.60-4.57**	3.60-4.57
– Debentures	**–**	3.10-3.31
– Borrowings from a non-controlling equity owner	**4.35**	4.35
– Borrowings from China Poly Group Corporation Limited	**3.25-4.85**	4.85
– Borrowings from a Poly Group's affiliate	**5.35**	5.35
Variable-rate borrowings		
– Bank loans	**1 month HIBOR+2.5% ~1-year LPR+1.05%**	1-year LPR-0.5% ~1-year LPR+1.05%

(c) At December 31, 2022, the Interest-bearing borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	**4,027,133**	4,237,066
After 1 year but within 2 years	**846,000**	500,000
After 2 years but within 3 years	**288,000**	848,000
	5,161,133	5,585,066

26 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Current		
Trade payables to		
– related parties	**55,168**	52,899
– third parties	**135,457**	114,480
	190,625	167,379
Interest payables		
– related parties	**12,990**	8,500
– third parties	**30,386**	41,735
Payables for staff related costs	**66,155**	53,149
Payables for other taxes and surcharges	**64,594**	57,539
Dividends payable	**12,544**	10,343
Payment to consignors	**892,768**	1,570,939
Deposits received	**144,531**	108,625
Payables on acquisition of non-controlling interests	**45,189**	65,275
Other accruals and payables		
– related parties	**155,173**	55,633
– third parties	**247,941**	282,859
Financial liabilities measured at amortised cost	**1,862,896**	2,421,976
Non-current		
Pension contribution	**8,553**	8,700

26 TRADE AND OTHER PAYABLES *(Continued)*

As at December 31, 2022, the ageing analysis of trade payables presented based on the invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 12 months	**127,001**	108,876
Over 12 months	**63,624**	58,503
	190,625	167,379

27 CONTRACT LIABILITIES

	2022	2021
	RMB'000	RMB'000
Receipts in advance		
– Billings in advance of theatre and cinema performance	**363,633**	379,471
– Billings in advance of art business	**159,550**	135,325
Others	**128,744**	94,152
	651,927	608,948

Contract liabilities primarily arises from 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, 2022 and 2021, 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, 2022		December 31, 2021	
	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	**207,095**	**210,722**	170,785	176,577
After 1 year but within 2 years	**118,079**	**126,733**	151,044	162,508
After 2 years but within 5 years	**279,447**	**329,789**	322,024	377,775
After 5 years	**248,316**	**361,028**	346,021	507,833
	645,842	**817,550**	819,089	1,048,116
	852,937	**1,028,272**	989,874	1,224,693
Less: total future interest expenses		**175,335**		234,819
Present value of lease liabilities		**852,937**		989,874

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

Group

	2022 RMB'000	2021 RMB'000
Tax payable at January 1	**23,548**	29,792
Provision for the year (note 8(a))	**42,281**	37,937
Over-provision in respect of prior years (note 8(a))	**(906)**	(1,644)
Income tax paid	**(15,251)**	(42,537)
Tax payable at December 31	**49,672**	23,548

(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	Impairment loss on interest in associates 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, 2021	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
Credited/(charged) to profit or loss	1,718	282	(1,988)	1,977	23,088	–	264	(5,122)	20,219
Business combination	275	–	–	–	–	–	–	–	275
Exchange adjustments	–	–	–	–	–	336	–	–	336
At December 31, 2022	3,479	8,113	279	29,810	23,088	(407)	(2,325)	(35,415)	26,622

29 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

	2022 **RMB'000**	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**64,362**	38,674
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(37,740)**	(32,882)
	26,622	5,792

(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 RMB957,153,000 as at December 31, 2022 (2021: RMB700,023,000), 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, 2022, the unused tax losses of RMB91,274,000, RMB97,373,000, RMB269,427,000, RMB181,325,000 and RMB317,754,000 will expire at the end of the year 2023, 2024, 2025, 2026 and 2027, respectively.

30 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:

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(a) Movements in components of equity *(Continued)*

Company

	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, 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 and January 1, 2022	246,316	1,982,448	(26,244)	158,361	1,194,528	3,555,409
Changes in equity for 2022:						
Total comprehensive income for the year	–	–	(1,249)	–	(28,846)	(30,095)
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	–	–	–
Balance at December 31, 2022	246,316	1,982,448	(27,493)	158,361	1,165,682	3,525,314

(b) Dividends

The directors do not recommend the payment of final dividend for the year ended December 31, 2022 (2021: Nil).

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Issued share capital

	2022		2021	
	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

(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 remeasurement of pension contribution, 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).

30 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 30(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 cost.

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, 2022 was 72.23% (2021: 72.74%).

31 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, 9% (2021: 10%) and 30% (2021: 32%) 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.

31 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, 2022:

	2022			2021	
	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	**2%**	**138,944**	**(2,792)**	107,811	(487)
1-2 years	**20%**	**8,342**	**(1,667)**	11,340	(2,267)
2-3 years	**30%**	**10,866**	**(3,260)**	4,475	(1,343)
3-4 years	**50%**	**4,353**	**(2,176)**	3,351	(1,676)
4-5 years	**80%**	**3,112**	**(2,491)**	3,952	(3,162)
More than 5 years	**100%**	**4,455**	**(4,455)**	601	(601)
		170,072	**(16,841)**	131,530	(9,536)

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.

31 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:

	2022 **RMB'000**	2021 RMB'000
Balance at January 1	**9,536**	7,110
Impairment loss recognised	**6,380**	3,012
Addition through acquisition of subsidiaries	**1,093**	–
Reversal of impairment loss	**(168)**	(586)
At December 31	**16,841**	9,536

(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, 2022 and December 31, 2021.

31 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:

	2022 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)	2,208,883	64,936	298,141	–	2,571,960	2,490,318
Borrowings from joint ventures (note 25)	85,601	–	–	–	85,601	83,595
Bonds (note 25)	538,900	818,854	–	–	1,357,754	1,300,000
Borrowings from China Poly Group Corporation Limited (note 25)	1,271,627	–	–	–	1,271,627	1,231,600
Borrowings from a Poly Group's affiliate (note 25)	57,964	–	–	–	57,964	55,020
Borrowings from a non-controlling equity owner (note 25)	608	–	–	–	608	600
Lease liabilities (note 28)	210,722	126,733	329,789	361,028	1,028,272	852,937
Trade and other payables (note 26)	1,862,896	270	750	7,533	1,871,449	1,871,449
	6,237,201	1,010,793	628,680	368,561	8,245,235	7,885,519

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	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 China Poly Group Corporation Limited (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 (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

(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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

	2022 RMB'000	2021 RMB'000
Floating rate financial assets:		
Other financial assets	**183,674**	168,143
Fixed rate borrowings:		
Bank loans	**(2,223,000)**	(2,400,930)
Borrowings from joint ventures	**(83,595)**	(92,265)
Bonds	**(1,300,000)**	(1,300,000)
Debentures	**–**	(1,000,000)
Borrowings from a non-controlling equity owner	**(600)**	(600)
Borrowings from China Poly Group Corporation Limited	**(1,231,600)**	(100,000)
Borrowings from a Poly Group's affiliate	**(55,020)**	(191,271)
Floating rate borrowings:		
Bank loans	**(267,318)**	(500,000)
Total borrowings	**(5,161,133)**	(5,585,066)
Net borrowings	**(4,977,459)**	(5,416,923)
Fixed rate borrowings as a percentage of total borrowings	**94.82%**	91.05%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At December 31, 2022, 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 increased/decreased by RMB685,000 (2021: RMB3,437,000). 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"), Renminbi ("RMB") 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 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.

31 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)	
	2022	2021
	RMB'000	RMB'000
Other financial assets		
– in USD	**246,355**	225,524
Cash and cash equivalents		
– in USD	**14,634**	15,126
– in HKD	**8,748**	6,575
– in CAD	**13**	13
– in RMB	**2,376**	2,376
Trade and other receivables		
– in USD	**2,585**	781
– in HKD	**196,053**	180,640
– in CAD	**6,569**	6,399
– in RMB	**98,183**	97,408
Trade and other payables		
– in HKD	**(269,529)**	(175,865)
– in CAD	**(198)**	(236)
Interesting-bearing borrowing		
– in USD	**(59,623)**	(191,271)
– in RMB	**(38,002)**	(73,558)
Net exposure	**208,164**	93,912

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

	2022	2021
	RMB'000	RMB'000
HKD	**(1,591)**	494
USD	**7,427**	1,680
RMB	**2,394**	1,067
CAD	**239**	232

A 5% weakening of RMB against the above currency as at December 31, 2022 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 2021.

31 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, 2021 and 2022, 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.

31 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:

	2022 RMB'000	2021 RMB'000
Other equity securities:		
At January 1	**265,073**	238,733
Additions	**136**	432
Changes in fair value during the year	**20,488**	25,908
At December 31	**285,697**	265,073

(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, 2021 and 2022.

32 COMMITMENTS

Commitments for the acquisition of property, plant and equipment, purchase of performances, leasehold improvements for cinema investment and management outstanding at December 31, 2022 not provided for in the financial statements were as follows:

	2022 RMB'000	2021 RMB'000
Contracted for	**119,903**	78,083
Authorised but not contracted for	**449,167**	595,072
	569,070	673,155

33 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, 2022. After consulting the legal professional advice, the Group's management believes that such litigation will not have a significant financial impact on the Group.

34 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, 2022 and 2021:

(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:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**9,454**	10,560
Post-employment benefits	**1,395**	1,283
	10,849	11,843

Total remuneration was included in "staff costs" (see note 7(b)).

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Name and relationship with related parties

During the years ended December 31, 2022 and 2021, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
China Poly Group Corporation Limited ("Poly Group") 中國保利集團公司	Parent and ultimate holding company
Poly Group's affiliates (note (i)) 保利集團附屬公司	Under common control
Shenyang Shengjing Poly Culture Art Center Management Corporation Limited 瀋陽盛京保利文化藝術中心管理有限公司	Associate of the Group
Ningyi Cultural and Creative Development (Shenzhen) Co., Ltd. 凝一文化創意發展(深圳)有限公司	Associate of the Group
Cixi Poly Jinchen Culture development Co., Ltd. 慈溪保利錦辰文化發展有限公司	Associate of the Group
Poly Culture Industry Investment Fund Co., Ltd. 保利文化產業基金管理有限公司	Associate of the Group
Beijing Xijie XingX International Cinema Corporation Limited 北京希傑星星國際影城有限公司	Joint venture of the Group

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Name and relationship with related parties *(Continued)*

Name of party	Relationship
Xijie XingX (Tianjin) International Cinema Corporation Limited 希傑星星(天津)國際影城有限公司	Joint venture of the Group
Xijie XingX (Fushun) Cinema Corporation Limited 希傑星星(撫順)影城有限公司	Joint venture of the Group
Xijie XingX (Shanghai) Cinema Corporation Limited 希傑星星(上海)影城有限公司	Joint venture of the Group
Zhongshan Xijie XingX Cinema Corporation Limited 中山希傑星星影城有限公司	Joint venture of the Group
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
Beijing Eastern Poly Culture and Art Corporation Limited 北京東方保利文化藝術有限公司	Joint venture of the Group

34 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:

	2022 **RMB'000**	2021 RMB'000
Sales to		
Poly Group and its affiliates	**3,549**	–
Services provided to		
Joint venture	**1,971**	–
Services provided to		
Associates	**1,834**	–
Services provided to		
Poly Group and its affiliates	**6,981**	6,911
Receiving services from (note (iii))		
Poly Group and its affiliates	**79,688**	147,324
Receiving services from		
Joint venture	**–**	610
Rental from		
Poly Group and its affiliates	**3,379**	4,929
Rental from		
Joint venture	**338**	333
Interest income from		
Poly Group and its affiliates	**10,779**	7,134
Interest income from		
Joint venture	**778**	539
Interest income from		
Associates	**511**	504

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Significant transactions with related parties *(Continued)*

	2022 RMB'000	2021 RMB'000
Property management services receiving from (note (iv))		
Poly Group and its affiliates	**11,747**	3,623
Borrowings from (note (v))		
Poly Group and its affiliates	**1,461,600**	291,271
Borrowings from		
Joint ventures	**–**	1,600
Borrowing costs to		
Poly Group and its affiliates	**41,364**	38,500
Borrowing costs to		
Joint ventures	**2,451**	2,581
Borrowing costs to		
Associates	**–**	252
Repayment of loans		
Poly Group and its affiliates	**236,251**	200,000
Repayment of loans		
Associates	**–**	20,000
Repayment of loans		
Joint ventures	**8,670**	1,785
Repayment from loans to		
Poly Group and its affiliates	**89**	–
Loans to		
Joint ventures	**9,770**	3,000
Loans to		
Associates	**–**	760

34 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) These include mainly 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 RMB1,232 million from Poly Group and RMB230 million from Poly Finance Co., Limited.

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Outstanding balances, including commitment, with related parties

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

	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents (note)		
Poly Group and its affiliates	**512,357**	540,901
Deposits with original maturities over three months (note)		
Poly Group and its affiliates	**59,300**	40,465
Trade and bills receivables (note 21)		
Poly Group and its affiliates	**7,174**	4,621
Deposits, prepayments and other receivables		
Poly Group and its affiliates	**24,507**	25,174
Deposits, prepayments and other receivables		
Joint ventures	**596**	5,419
Deposits, prepayments and other receivables		
Associates	**619**	4,608
Loans to (note 19)		
Joint ventures	**24,770**	15,000
Loans to (note 19)		
Associates	**13,655**	13,655
Trade and other payables		
Poly Group and its affiliates	**79,732**	76,873
Trade and other payables		
Associates	**143,037**	39,467
Trade and other payables		
Joint ventures	**562**	692

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Outstanding balances, including commitment, with related parties *(Continued)*

	2022 RMB'000	2021 RMB'000
Contract liabilities		
Poly Group and its affiliates	**573**	695
Interest-bearing borrowings		
Poly Group and its affiliates	**1,516,620**	291,271
Interest-bearing borrowings (note 25(a))		
Joint ventures	**83,595**	92,265

Note:

The Board announces that on December 23, 2022, 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 1.9% to 3.5% 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 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 RMB88,983,000, and a right-of-use asset with the balance of RMB72,433,000 as at December 31, 2022 (December 31, 2021: RMB118,768,000, and a right-of-use asset with the balance of RMB111,762,000), respectively. In addition, the Group recorded depreciation of right-of-use asset of RMB24,591,000 interest expense of RMB5,451,000 (December 31, 2021: RMB37,872,000 interest expense of RMB4,677,000), respectively, and variable lease payments of RMB738,000 for the year ended December 31, 2022.

(f) Applicability of the Listing Rules relating to connected transactions

These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section titled "CONNECTED TRANSACTIONS" of the Directors' Report.

35 ACQUISITION OF NON-CONTROLLING INTERESTS

In July 2022, the Company acquired additional 4% non-controlling interests of Beijing Auction at the consideration of RMB60,631,000, and will be settled in cash. As a result of the acquisition, the Group's shareholding in Beijing Auction increased from 86% to 90% and the non-controlling interests decreased by RMB24,524,000.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2022

(Expressed in RMB)

	Note	**December 31, 2022 RMB'000**	December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		**7,790**	958
Right-of-use assets		**37,171**	46,275
Investments in subsidiaries	16	**2,157,613**	2,096,983
Interest in associates		**474,957**	612,655
Interest in joint ventures		**9,989**	9,990
Other financial assets		**281,540**	261,052
Deferred tax assets		**23,482**	655
		2,992,542	3,028,568
Current assets			
Trade and bills receivables		**9,551**	11,516
Deposits, prepayments and other receivables		**4,761,406**	4,816,240
Other financial assets		**10,000**	10,000
Cash and cash equivalents		**117,187**	273,196
		4,898,144	5,110,952
Current liabilities			
Trade and other payables		**419,582**	639,262
Lease liabilities		**10,204**	6,656
Interest-bearing borrowings		**2,760,620**	2,564,271
Current taxation		**13,172**	1,837
		3,203,578	3,212,026

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2022 *(Continued)*

(Expressed in RMB)

	Note	**December 31, 2022 RMB'000**	December 31, 2021 RMB'000
Net current assets		**1,694,566**	1,898,926
Total assets less current liabilities		**4,687,108**	4,927,494
Non-current liabilities			
Interest-bearing borrowings		**1,094,000**	1,300,000
Lease liabilities		**28,612**	38,816
Trade and other payables		**3,655**	2,620
Deferred revenue		**112**	356
Deferred tax liabilities		**35,415**	30,293
		1,161,794	1,372,085
NET ASSETS		**3,525,314**	3,555,409
CAPITAL AND RESERVES	30		
Share capital		**246,316**	246,316
Reserves		**3,278,998**	3,309,093
TOTAL EQUITY		**3,525,314**	3,555,409

Approved and authorised for issue by the board of directors on March 31, 2023 and signed on its behalf by:

Wang Bo
Director

Zhao Lin
Chief Accountant

(Expressed in RMB unless otherwise indicated)

37 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At December 31, 2022, the directors of the Company consider its parent and ultimate holding company to be China 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.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2022 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
IFRS 17, *Insurance contracts*	January 1, 2023
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	January 1, 2023
Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	January 1, 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12, *Income taxes: 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.

"Art Committee"	the Art Committee of the Board of Directors
"Articles"	the Articles of Association of the Company
"Audit Committee"	the Audit Committee of the Board of Directors
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "Poly Culture"	Poly Culture Group Corporation Limited (保利文化集團股份有限公司), a limited liability company incorporated in PRC on December 14, 2010. Its H Shares were listed on the Stock Exchange with the stock code 03636
"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"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Directors"	the directors of the Company
"Domestic Shares"	ordinary shares in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"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, 2023, 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
"Nomination Committee"	the Nomination Committee of the Board of Directors
"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), a subsidiary of Poly Group
"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 Performing"	Beijing Poly Performing Arts Co., Ltd. (北京保利演出有限公司)
"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"	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 of the PRC and Taiwan
"Prospectus"	the prospectus published by the Company on February 24, 2014
"Remuneration and Assessment Committee"	the Remuneration and Assessment Committee of the Board of Directors
"Reporting Period"	the period from January 1, 2022 to December 31, 2022
"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

"Strategy Committee"	the Strategy Committee of the Board of Directors
"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

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