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If you have sold or transferred all your shares in Poly Culture Group Corporation Limited (保利文化集團股份有限公司), you should at once hand this circular to the purchaser or transferee or to the bank or stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

RESOLUTION ON ELECTION OF MR. XU NIANSHA AS EXECUTIVE DIRECTOR

RESOLUTION ON ELECTION OF MR. ZHANG XI AS EXECUTIVE DIRECTOR

RESOLUTION ON CONTINUING CONNECTED TRANSACTIONS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of Poly Culture Group Corporation Limited**



英皇融資有限公司
Emperor Capital Limited

The Extraordinary General Meeting will be held at 2:30 p.m. on Monday, 22 December 2014 at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC.

A form of proxy for use at the Extraordinary General Meeting is enclosed and is also published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://polyculture.com.cn>). If you intend to appoint a proxy to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you so wish. Shareholders who intend to attend the Extraordinary General Meeting in person or by proxy should complete and return the reply slip in accordance with the instructions printed thereon on or before Tuesday, 2 December 2014.

28 November 2014

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DEFINITIONS

Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

“associate(s) ”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	Poly Culture Group Corporation Limited (保利文化集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the H Shares of which are listed on the Stock Exchange (stock code: 3636)
“connected person(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
“Director(s) ”	director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 2:30 p.m. on Monday, 22 December 2014 at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC
“Financial Services Agreement”	the financial services agreement entered into between the Company and Poly Finance on 5 November 2014
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) contained in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board established to advise the Independent Shareholders in respect of the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017, comprising all independent non-executive Directors who are independent of the transactions at issue

DEFINITIONS

“Emperor Capital”	Emperor Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, who has been appointed as the independent financial adviser to give advice to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017
“Independent Shareholders”	shareholders of the Company other than Poly Group and its associates
“Latest Practicable Date”	21 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Notice”	the notice of the Extraordinary General Meeting published by the Company on the website of the Stock Exchange on 5 November 2014
“PBOC”	the People’s Bank of China
“Poly Finance”	Poly Finance Company Limited (保利財務有限公司), a joint venture established in the PRC, owned as to 85% by Poly Group and its associates and 15% by an independent third party
“Poly Group”	China Poly Group Corporation (中國保利集團公司), a state-owned enterprise established in the PRC, a substantial shareholder holding approximately 64% of the total issued share capital of the Company
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary share(s) of RMB1.00 each in the share capital of the Company, including H share(s) and domestic share(s)

DEFINITIONS

“Shareholder(s)”	holders of the Company’s Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Li Nan
Mr. Jiang Yingchun

Non-executive Directors:

Mr. Wang Lin
Mr. Zhao Zigao

Independent non-executive Directors:

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

Registered Office:

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

*Principal Place of Business
in Hong Kong:*

8th Floor,
Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

28 November 2014

To the Shareholders

Dear Sir or Madam,

**RESOLUTION ON ELECTION OF MR. XU NIANSHA AS EXECUTIVE DIRECTOR
RESOLUTION ON ELECTION OF MR. ZHANG XI AS EXECUTIVE DIRECTOR
RESOLUTION ON CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you notice of the Extraordinary General Meeting and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the Extraordinary General Meeting as described below.

At the Extraordinary General Meeting, ordinary resolutions will be proposed to (i) consider and approve the resolution on election of Mr. Xu Niansha as an executive Director; (ii) consider and approve the resolution on election of Mr. Zhang Xi as an executive Director; and (iii) consider and approve the resolution on continuing connected transactions.

LETTER FROM THE BOARD

Regarding the resolution on continuing connected transactions, the Board announced on 5 November 2014 that the Company and Poly Finance entered into the Financial Services Agreement, pursuant to which Poly Finance agreed to provide deposit services, credit lending services, settlement services and miscellaneous financial services to the Group pursuant to the terms and conditions under the Financial Services Agreement.

Under the Listing Rules, the Financial Services Agreement and the transactions contemplated thereunder would constitute a continuing connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising all the independent non-executive Directors) has been appointed to advise the Independent Shareholders, and Emperor Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017.

RESOLUTION ON ELECTION OF MR. XU NIANSHA AS EXECUTIVE DIRECTOR

As Mr. Chen Hongsheng has resigned from his position as an executive Director, to meet the needs of work, Poly Group, the Shareholder with shareholding of more than 3% in the Company, has nominated director candidate to the Board namely, Mr. Xu Niansha (“**Mr. Xu**”) as an executive Director, pursuant to the articles or association of the Company.

Biographical details of Mr. Xu are set below:

Mr. Xu Niansha, aged 57, has been the chairman of Poly Group since May 2013. Mr. Xu has successively served as the general manager of Huahai Real Estate Development Corporation (華海房地產開發公司), the chairman and the general manager of China Ocean Aviation Group Limited (中國海洋航空集團公司), the vice chairman of China National Machinery Industry Corporation (中國機械工業集團有限公司) and the vice chairman of CITIC Offshore Helicopter Co., Ltd. (中信海洋直升機股份有限公司). Mr. Xu has been a member of the 12th national committee of the Chinese People's Political Consultative Conference since March 2013. Mr. Xu obtained a doctor degree in law from China University of Political Science and Law in June 2003 and a doctor degree in economics from Peking University in June 2004. In November 2011, Mr. Xu was granted the qualification of senior engineer in professor level by the professional title reform work leading group of China National Machinery Industry Corporation.

Save as disclosed above, Mr. Xu has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas or taken up a position in any affiliated companies of the Company over the past three years, nor does Mr. Xu have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this circular, Mr. Xu does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

LETTER FROM THE BOARD

Mr. Xu will enter into a service contract with the Company and will not receive any remuneration from the Company during his tenure. The term of Mr. Xu's office shall commence on the date of approval of his directorship by the Extraordinary General Meeting to the expiry of the term of office of the current Board.

Save as disclosed above, there is no information to be disclosed pursuant to items (h) to (v) in Rule 13.51(2) of the Listing Rules, and there are no other matters in respect of the proposed appointment of Mr. Xu that need to be brought to the attention of the Shareholders.

RESOLUTION ON ELECTION OF MR. ZHANG XI AS EXECUTIVE DIRECTOR

As Mr. Zhang Zhengao has resigned from his position as an executive Director, to meet the needs of work, Poly Group, the Shareholder with shareholding of more than 3% in the Company, has nominated director candidate to the Board namely, Mr. Zhang Xi ("**Mr. Zhang**") as an executive Director, pursuant to the articles or association of the Company.

Biographical details of Mr. Zhang are set below:

Mr. Zhang Xi, aged 52, has been the vice general manager of Poly Group since September 2014. Mr. Zhang joined Poly Group since 1996 and successively served as the project manager of finance department of Poly Group, the chief accountant of Poly Plaza Co., Ltd. (保利大厦有限公司), the chief accountant and the vice general manager of Poly Technologies Inc. (保利科技有限公司), the vice general manager and the general manager of Poly Finance Co., Ltd. (保利財務有限公司), the assistant to general manager of Poly Group and the chairman of Poly Energy Holdings Co., Ltd. (保利能源控股有限公司). Mr. Zhang served as the vice general manager and the chief financial officer of Poly Real Estate Group Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 600048) from December 2010 to October 2014. Mr. Zhang graduated from the first branch school of Renmin University of China in July 1985 with a bachelor degree in economics and was granted the qualification of senior accountant by Beijing Senior Professional Title Appraisal Committee in October 1998.

Save as disclosed above, Mr. Zhang has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas or taken up a position in any affiliated companies of the Company over the past three years, nor does Mr. Zhang have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this circular, Mr. Zhang does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Mr. Zhang will enter into a service contract with the Company and will not receive any remuneration from the Company during his tenure. The term of Mr. Zhang's office shall commence on the date of approval of his directorship by the Extraordinary General Meeting to the expiry of the term of office of the current Board.

Save as disclosed above, there is no information to be disclosed pursuant to items (h) to (v) in Rule 13.51(2) of the Listing Rules, and there are no other matters in respect of the proposed appointment of Mr. Zhang that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

RESOLUTION ON CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 5 November 2014 in respect of the Financial Services Agreement entered into between the Company and Poly Finance, details of which are set out below:

1. Financial Services Agreement

Date

5 November 2014

Parties

(1) The Company; and

(2) Poly Finance

Material Terms

According to the Financial Services Agreement, 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 and adopt proper mitigation measures.

In respect of the deposit services under the Financial Services Agreement, the maximum daily deposit balance for the Group with Poly Finance is RMB1 billion during the term of the Financial Services Agreement.

In respect of the credit lending services provided by Poly Finance under the Financial Services Agreement, the maximum amount of the daily lending balance is RMB0.5 billion during the term of the Financial Services Agreement.

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.

The maximum daily deposit balance of RMB1 billion for deposit services and the maximum daily lending balance of RMB0.5 billion for credit lending services will only become effective upon Independent Shareholders' approval. The term of the Financial Services Agreement is three years (i.e. from 1 January 2015 to 31 December 2017). Unless one party notifies the other party to terminate the Financial Services Agreement, it will be extended for another three years upon its expiry without

LETTER FROM THE BOARD

limitation on the number of times of extension. The extension of the agreement as well as its proposed annual caps for the transaction should also comply with the applicable requirements of the Listing Rules.

Pricing Policy

Poly Finance has undertaken to provide the above financial services to the Group based on the following pricing policy:

- (1) the interest rate for the Group's deposit with Poly Finance should not be lower than the interest rate offered by major domestic commercial banks in the PRC for the deposit with the same type and term, and should not exceed the upper limit of the interest rate stipulated by PBOC;
- (2) Poly Finance undertakes to provide favourable interest rate for loans extended to the Group, which should not be higher than the interest rate charged by major domestic commercial banks in the PRC for the loans with the same type and term;
- (3) the settlement services provided by Poly Finance to the Group is free of charge; and
- (4) the fee charged by Poly Finance for miscellaneous financial services must comply with the fee standards prescribed by PBOC or China Banking Regulatory Commission ("CBRC") for the same type of services, and should be not higher than the fee charged by major domestic commercial banks in the PRC for the same type of services.

2. Annual Caps and Basis of Annual Caps

Deposit Services

The Company estimates that the proposed annual cap for the maximum daily deposit balance, upon the Independent Shareholders' approval, with Poly Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 is RMB1 billion, after taking into account the increasing total assets of the Group and the anticipated increase in the daily outstanding balances of deposits of the Group. In addition, the Company has taken into account the fact that Poly Finance is under the supervision of the CBRC and it has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in its track record. The safety standards of its settlement system reach the standards of domestic commercial banks. The collaboration between the Group and Poly Finance can reduce finance costs, increase interest income of deposits, as well as lower settlement costs and control risks.

As the highest applicable percentage ratio of the proposed scale of the deposit transactions of 2015, 2016 and 2017 calculated in accordance with Rule 14.07 of the Listing Rules would exceed 5% but less than 25%, the proposed deposit services shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The deposit transactions form part of the daily operations of the Group. The commercial terms (including the rates) offered by Poly Finance in respect of such transactions are no less favourable than those offered by domestic commercial banks for the provision of similar services to the Group. The Directors are of the view that the deposit transactions do not have any effect on the assets and liabilities of the Group. Instead, the Group can earn interests from the deposit transactions. The Group has already deposited the remaining cash with a number of other independent financial institutions. The Company considers that the arrangement of deposits with Poly Finance helps diversify the Group's risk in relation to its deposits.

In view of the business growth and increasing demand for financial services of the Group, the Company proposed the annual caps of the deposit services under the Financial Services Agreement after taking into consideration the current balance of capital of the Group, and the increasing scale of assets and deposit amount of the Group in the future.

Credit Lending Services

The Company estimates that the proposed annual cap for the maximum daily lending balance, upon the Independent Shareholders' approval, from Poly Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 is RMB0.5 billion. In view of the fact that the credit lending services provided by Poly Finance to the Group may be conditional upon the provision of collateral by the Group, it is advised that the credit lending services to be provided by Poly Finance to the Group will constitute connected transactions by way of financial assistance to the Group provided by a connected person. As the highest applicable percentage ratio of the proposed scale of the credit lending services of 2015, 2016 and 2017 calculated in accordance with Rule 14.07 of the Listing Rules would exceed 5%, the proposed credit lending services shall be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

In deciding whether provision of collateral is required, the main consideration is that under the circumstance where the cash flow for the project, which will be financed by such credit loan, is not able to cover the full amount of the loan and its interests during the credit lending period, the Company will be required by Poly Finance to provide collateral. Considering the business nature of the Company as a culture and art enterprise, the Company will use art pieces as collateral. The collateral rate for the credit lending services provided by Poly Finance to the Company will normally be 70%, namely the total amount of the credit lending will count for 70% of the amount of the provided collateral. The value of the art pieces to be provided as collateral will be decided based on the valuation conducted by an independent appraisal institution.

In view of the business growth and increasing demand for financial services of the Group, the Company proposed the annual caps of the credit lending services under the Financial Services Agreement after taking into consideration the current financing scale and policy of the Group, and the demand for financing of the Group in the future.

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Settlement Services

In view of the fact that the settlement services to be provided by Poly Finance to the Group are free of charge, the settlement services are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules. As such, no cap has been set for such services.

Miscellaneous Financial Services

In addition to deposit, settlement and credit lending services, Poly Finance may also provide miscellaneous financial services within its business scope to the Group.

The Company confirms that it will not provide any financial assistance to Poly Finance under these arrangements. The miscellaneous financial services provided under the Financial Services Agreement will be on normal commercial terms and on terms similar to or more favourable than those offered by independent third parties for comparable services in the PRC.

The Company expects that each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Group to Poly Finance in respect of miscellaneous financial services will be below the de minimis threshold as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and/or Independent Shareholders' approval requirements of the Listing Rules if the transaction amount of the miscellaneous financial services to be provided by Poly Finance to the Group under the Financial Services Agreement exceeds the relevant threshold.

3. Reasons and benefits of entering into the Financial Services Agreement

The main reasons and benefits for utilizing the financial services provided by Poly Finance are as follows:

- (1) The Group is expected to benefit from Poly Finance's better understanding of the operations of the Group which allows expedient and efficient service provision. As an intra-group service provider, Poly Finance communicates more conveniently and efficiently with the Group as compared with other independent commercial banks; and
- (2) The interest rates on deposits and financing offered by Poly Finance to the Group are more favorable than those offered by other independent PRC commercial banks in general. The Financial Services Agreement is entered into on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The transactions contemplated under the Financial Services Agreement will not have any adverse effect on the Group's revenue as well as its assets and liabilities.

LETTER FROM THE BOARD

4. Listing Rules Implications

Poly Group directly and indirectly holds approximately 64% of the issued share capital of the Company. Therefore, it is a controlling shareholder and thus a connected person of the Company. Poly Finance is a subsidiary owned as to 85% by Poly Group. Therefore it is a subsidiary of Poly Group and thus a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the contemplated transactions constitute continuing connected transactions of the Company under the Listing Rules.

The deposit services to be provided by Poly Finance to the Group:

- (1) constitutes connected transactions by way of financial assistance provided by the Group to a connected person. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the Financial Services Agreement exceeds 5%, the deposit services to be provided by Poly Finance to the Group shall be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.
- (2) constitutes a transaction by way of financial assistance provided by the Group under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the Financial Services Agreement is more than 5% but less than 25%, the deposit services to be provided by Poly Finance to the Group constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is only subject to the reporting and announcement requirements, but is exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The credit lending services to be provided by Poly Finance to the Group will constitute connected transactions by way of financial assistance to the Group provided by a connected person. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) to the credit lending services under the Financial Services Agreement exceeds 5%, the credit lending services to be provided by Poly Finance to the Group shall be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Financial Services Agreement are on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole. Directors, namely

LETTER FROM THE BOARD

Mr. Wang Lin and Mr. Zhao Zigao who hold positions at Poly Group and/or Poly Finance had abstained from voting at the Board meeting approving the Financial Services Agreement and the contemplated transactions.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES ON THE FINANCIAL SERVICES AGREEMENTS

In terms of the Financial Services Agreements to be signed between the Company and Poly Finance, the Company will adopt the following procedures and measures:

(1) Annual capital plan approved by the Board

At the beginning of the year, the senior management establishes the annual capital plan according to the capital demand required by the three business segments and then submits the plan (including financing limit and the deposit limit) to the Board. Once approved, the borrowing amount during the year should be capped by the limit.

(2) Specific use and co-operated financial institutions approved by senior management

Specific borrowings and deposits amount are to be approved by senior management (Chief Executive Officer and Chief Financial Officer) according to the approved limit by the Board.

(3) Quotations and agreement negotiation carried out by finance department

Finance department of the Company is responsible for communicating with Poly Finance and at least three independent commercial banks or financial institutions in the PRC. Relevant terms of the agreement (including the pricing terms) offered by Poly Finance and the independent commercial banks or financial institutions would be given to the finance department for comparison. The finance department will formulate the proposal for financial services agreement with the best candidate and submit the proposal to senior management for approval.

(4) In order to protect the interests of the Shareholders, a daily report on the status of the Group's deposits with Poly Finance will be delivered by Poly Finance to the Company.

(5) The Company could withdraw the deposits placed with Poly Finance or, failing which, offset the deposits placed with the loans borrowed from Poly Finance pursuant to the Financial Services Agreement, when the Company is aware of any material adverse change of business and financial position of Poly Finance.

(6) If Poly Finance has any financial difficulties, pursuant to Measures for Administration of Finance Companies of Enterprise Groups promulgated by China Banking Regulatory Commission on 27 July 2004, Poly Group has the obligation to take all required steps, such as to increase the capital of Poly Finance to safeguard the interest of the Group.

LETTER FROM THE BOARD

- (7) The Company will count and monitor the transaction amount for the deposit and credit lending services under the Financial Framework Agreement on a quarterly basis, so as to ensure the actual connected transaction amount do not exceed the limit approved by the general meeting.

5. Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors (Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming) has been established to advise the Independent Shareholders regarding the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017. Emperor Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017.

6. General

Information on the Company

The Company is a joint stock limited company incorporated in the PRC on 14 December 2010 with limited liability and a leading culture and art enterprise in the PRC with diversified business operations. The Company is mainly engaged in art business and auction, performance and theatre management and cinema investment and management.

Information on Poly Finance

Poly Finance is a joint venture established in the PRC on 11 March 2008 and is owned as to 85% by Poly Group and its associates and 15% by an independent third party. Poly Finance is a non-banking financial institution with a financial license. The principal business of Poly Finance includes deposit services, credit lending services, settlement services and miscellaneous financial services, etc.

EXTRAORDINARY GENERAL MEETING

A notice of the Extraordinary General Meeting to be held at 2:30 p.m. on Monday, 22 December 2014 at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC has been published on the website of the Stock Exchange by the Company on 5 November 2014.

Any connected person with a material interest in the transactions contemplated under the Financial Services Agreement, and any Shareholder who has a material interest in the transactions contemplated under the Financial Services Agreement and its associates will be required to abstain from voting at the Extraordinary General Meeting. Poly Group, a substantial shareholder of the Company and together with its associates, holding approximately 64% of the total issued Share capital of the Company as at the Latest Practicable Date is interested in the Financial Services Agreement and the transactions contemplated thereunder. Accordingly, Poly Group and its associates will abstain from voting in respect of the relevant

LETTER FROM THE BOARD

resolution at the Extraordinary General Meeting. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, save for Poly Group and its associates, no Shareholder has any interest in the transactions contemplated under the Financial Services Agreement.

In order to determine the Shareholders who are entitled to attend the Extraordinary General Meeting, the Company's register of H Share Shareholders will be closed from Saturday, 22 November 2014 to Monday, 22 December 2014 (both days inclusive). The Shareholders whose names appear on the register of members of the Company on Monday, 22 December 2014 are entitled to attend and vote at the Extraordinary General Meeting. Holders of H Shares of the Company who wish to attend the Extraordinary General Meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 21 November 2014.

A form of proxy for use at the Extraordinary General Meeting is also published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://polyculture.com.cn>). If you intend to appoint a proxy to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you so wish. Holders of H Shares who intend to attend the Extraordinary General Meeting in person or by proxy should return the reply slip to the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 2 December 2014.

PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, the vote of Shareholders at the Extraordinary General Meeting will be taken by poll.

RECOMMENDATION

The Independent Board Committee comprising Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming (all being independent non-executive Directors) has been appointed by the Board to advise the Independent Shareholders in respect of the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017. Emperor Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of Emperor Capital, the text of which is set out on pages 17 to 25 of this circular, considers that the terms of the transactions contemplated under the Financial Services Agreement are on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole, and that the proposed annual

LETTER FROM THE BOARD

caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable. The Independent Board Committee, as stated in its letter, recommend the Independent Shareholders to vote in favour of the resolution to approve the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017.

The Directors (including the independent non-executive Directors having considered the advice of Emperor Capital) believe that the proposals mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the resolutions to be proposed at the Extraordinary General Meeting as set out in the Notice of the Extraordinary General Meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Emperor Capital to the Independent Board Committee and the Independent Shareholders set out in this circular

By order of the Board of Directors
Poly Culture Group Corporation Limited
Li Nan
Vice Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

28 November 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the fairness and reasonableness of the Financial Services Agreement and the proposed annual caps contemplated thereunder, details of which are set out in the “Letter from the Board” in the circular dated 28 November 2014 (the “**Circular**”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Emperor Capital to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 as set out in the letter from Emperor Capital in the Circular. Having taken into account the advice of Emperor Capital, we consider that the terms and conditions of the Financial Services Agreement are on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole, and that the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are fair and reasonable.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 at the Extraordinary General Meeting of the Company.

Yours faithfully,
for and on behalf of the Independent Board Committee

Li Boqian
*Independent non-executive
Director*

Li Xiaohui
*Independent non-executive
Director*

Yip Wai Ming
*Independent non-executive
Director*

LETTER FROM EMPEROR CAPITAL

The following is the text of the letter of advice from Emperor Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement which has been prepared for the purpose of incorporation into this circular.



英皇融資有限公司
Emperor Capital Limited

28 November 2014

*To the Independent Board Committee and the Independent Shareholders of
Poly Culture Group Corporation Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement, details of which have been described in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 28 November 2014 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 5 November 2014, the Company entered into the Financial Services Agreement with Poly Finance 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.

Poly Group directly and indirectly holds approximately 64% of the issued share capital of the Company. Therefore, it is a controlling shareholder and thus a connected person of the Company. Poly Finance is a subsidiary owned as to 85% by Poly Group. Therefore, it is a subsidiary of Poly Group and thus a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The deposit services to be provided by Poly Finance to the Group pursuant to the Finance Services Agreement will constitute connected transactions by way of financial assistance provided by the Group to a connected person. The credit lending services to be provided by Poly Finance to the Group pursuant to the Finance Services Agreement will constitute connected transactions by way of financial assistance provided

LETTER FROM EMPEROR CAPITAL

to the Group by a connected person. As the highest applicable percentage ratio (as defined under the Listing Rules) applicable to each of the deposit services and the credit lending services under the Financial Services Agreement exceeds 5%, the deposit services and the credit lending services to be provided by Poly Finance to the Group under the Financial Services Agreement shall be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

In respect of the settlement services and miscellaneous financial services to be provided by Poly Finance to the Group, each of the percentage ratios is, or is expected to be, below the de minimis threshold as stipulated in Chapter 14A of the Listing Rules. Therefore the provision of the settlement services and the provision of miscellaneous financial services by Poly Finance to the Group are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising all the independent non-executive Directors) has been appointed to advise the Independent Shareholders, and we have been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps for each of the three years ending 31 December 2017. To the best of our knowledge, information and belief and having made all reasonable enquires, including having assessed our engagement as independent financial adviser to Poly Property Group Co., Limited, an associate of the Company, as at the Latest Practicable Date, we confirmed that: (i) we do not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence; and (ii) we are independent pursuant to Rule 13.84 of the Listing Rules.

Our scope of work under this engagement is to assess whether the terms of the deposit services and the credit lending services under the Financial Services Agreement and the related proposed caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

We have relied on all the relevant statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company and which the Directors consider to be complete and relevant, and have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete at the date hereof and may be relied upon. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and will continue to be true at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Extraordinary General Meeting.

LETTER FROM EMPEROR CAPITAL

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company, Poly Finance and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of whether the terms of the deposit services and the credit lending services under the Financial Services Agreement and the proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, we have considered the following principal factors and reasons:

A. Background of the Company and Poly Finance

The Company is a joint stock company incorporated in the PRC on 14 December 2010 with limited liability and a leading culture and art enterprise in the PRC with diversified business operations. The Company is mainly engaged in art business and auction, performance and theatre management, and cinema investment and management.

Poly Finance is a joint venture established in the PRC on 11 March 2008 and is owned as to 85% by Poly Group and its associates and 15% by an independent third party. Poly Finance is a non-banking financial institution with a financial license. The principal business of Poly Finance includes deposit services, credit lending services, settlement services and miscellaneous financial services, etc.

B. Principal terms of the Financial Services Agreement

According to the Financial Services Agreement, 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 and adopt proper mitigation measures.

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.

The term of the Financial Services Agreement is three years (i.e. from 1 January 2015 to 31 December 2017). Unless one party notifies the other party to terminate the Financial Services Agreement, it will be extended for another three years upon its expiry without limitation on the number of times of extension. The extension of the agreement as well as its proposed annual caps for the transaction should also comply with the applicable requirements of the Listing Rules.

LETTER FROM EMPEROR CAPITAL

Pricing Policy

Poly Finance has undertaken to provide the abovementioned financial services to the Group based on the following pricing policy:

- (1) the interest rate for the Group's deposit with Poly Finance should not be lower than the interest rate offered by major domestic commercial banks in the PRC for the deposit with the same type and term, and should not exceed the upper limit of the interest rate stipulated by PBOC;
- (2) Poly Finance undertakes to provide favourable interest rate for loans extended to the Group, which should not be higher than the interest rate charged by major domestic commercial banks in the PRC for the loans with the same type and term;
- (3) the settlement services provided by Poly Finance to the Group is free of charge; and
- (4) the fee charged by Poly Finance for miscellaneous financial services must comply with the fee standards prescribed by PBOC or CBRC for the same type of services, and should be not higher than the fee charged by major domestic commercial banks in the PRC for the same type of services.

C. Reasons for and benefits of entering into the Financial Services Agreement

Poly Finance is a finance institution and shall operate within the business scope as approved by CBRC and as stated in its business license. The reason for establishing Poly Finance is to provide financial services specifically to all the subsidiaries within Poly Group with more efficiency and better quality, lowering their financial costs, capital risks and safeguarding their financial assets.

As Poly Finance does not provide financial services to external third parties, capital risk exposure is expected to be minimized. Furthermore, better and more efficient communication are expected to take place between the Company and Poly Finance with more favourable terms than with external commercial banks and financial institutions which are independent third parties. With better understanding of the financial needs of the Company, Poly Finance could provide improved financial planning for the Company and improve the efficiency of the use of the Company's funds through higher interest income and lower costs of financing.

As a licensed financial institution in the PRC, Poly Finance provides its services in accordance with and in compliance with the rules and operational requirements of the regulatory authority and is subject to the supervision by PBOC and CBRC, being applicable also to other independent commercial banks and financial institutions. The Company advised that PRC regulators would carry out regular examinations of the audited financial statements and other relevant materials required to be filed by Poly Finance as well as on-site inspections and interviews with the senior management of Poly Finance. As mentioned in the Board Letter, Poly Finance has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in its track record. The collaboration between the Group and Poly Finance can reduce finance costs, increase interest income of deposits, as well as lower settlement costs and control risks. We have been advised by the Directors that to their best knowledge and after reasonable

LETTER FROM EMPEROR CAPITAL

enquiry, up to the Latest Practicable Date, Poly Finance has no record of non-compliance with relevant laws, rules or regulations of the PRC. Accordingly, it is considered that financial assets of the Company are expected to be properly safeguarded by Poly Finance and the PRC relevant standards, rules and regulations.

As discussed with the management of the Company and pursuant to the Financial Services Agreement, the Company has the right but not the obligation to place deposit with Poly Finance and the Company has the liberty to adopt different lengths of cash deposit period to ensure cash flow flexibility. Taken into account that the interest rate for the Group's deposit with Poly Finance should not be lower than the interest rate offered by major domestic commercial banks in the PRC for the deposit with the same type and term, and should not exceed the upper limit of the interest rate stipulated by PBOC, we consider that it is in the interests of the Company and the Shareholders as a whole to place deposit with Poly Finance and gain interest income according to the Company's cashflow management policy.

Similarly, the Company has the right but not the obligation to utilize credit lending services provided by Poly Finance. Taken into account that Poly Finance undertakes to provide favourable interest rate for loans extended to the Group, which should not be higher than the interest rate charged by major domestic commercial banks in the PRC for the loans with the same type and term, we consider that it is in the interests of the Company and the Shareholders as a whole to minimize loan interest payment should the Company have funding needs.

D. Proposed Annual Caps

Deposit Services

The Company estimates that the proposed annual cap for the maximum daily deposit balance, upon the Independent Shareholders' approval, with Poly Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 is RMB1 billion (the "**Deposit Caps**"), after taking into account the increasing total assets of the Group and the anticipated increase in the daily outstanding balances of deposits of the Group.

As mentioned in the Board Letter, the deposit transactions form part of the daily operations of the Group. The commercial terms (including the rates) offered by Poly Finance in respect of such transactions are no less favorable than those offered by domestic commercial banks for the provision of similar services to the Group. The Directors are of the view that the deposit transactions do not have any effect on the assets and liabilities of the Group. Instead, the Group can earn interests from the deposit transactions. The Group has deposited surplus cash with a number of other commercial banks from time to time. The Company considers that the arrangement of deposits with Poly Finance helps diversify the Group's risk in relation to its deposits.

We have reviewed the financial information of the Company and noted that the Company has recorded significant increase of cash and cash equivalents from approximately RMB904 million as at 31 December 2012 to approximately RMB1,005 million as at 31 December 2013 and further to approximately RMB2,058 million as at 30 June 2014. We have also reviewed the historical record of

LETTER FROM EMPEROR CAPITAL

outstanding deposit balances of the Company with commercial bank or financial institutions which are independent third parties for the two years ended 31 December 2013 and for the 10 months ended 31 October 2014 and noticed that the Company has increasing amount of deposits as shown below.

	For the year ended 31 December 2012 (RMB'000)	For the year ended 31 December 2013 (RMB'000)	For the 10 months ended 31 October 2014 (RMB'000)
Highest outstanding deposit balance	Approximately 1,150,000	Approximately 1,700,000	Approximately 2,890,000

	For the year ending 31 December 2015 (RMB'000)	For the year ending 31 December 2016 (RMB'000)	For the year ending 31 December 2017 (RMB'000)
Deposit Caps	1,000,000	1,000,000	1,000,000

The Company has further advised that positive effects on financial performance of the Company would be anticipated in the coming years ending 31 December 2017 following its business expansion including, (i) the Company's intention to expand the scale of art auctions it expects to hold and to expand the art business; and (ii) additional income stream would follow the establishment of three to five new theatres and eight to twelve new cinemas per year during the period from 2015 and 2017 in accordance with expansion plan of the Company. The demand for the usage of the deposit services is expected to be increased in line with the business performance of the Company.

In view that the Deposit Caps are within the historical highest outstanding daily deposit balance of the Company for the two years ended 31 December 2013 and the 10 months ended 31 October 2014 and having taken into account of the business plan of the Company, we consider the Deposit Caps are determined under reasonable basis.

Credit Lending Services

The Company estimates that the proposed annual cap for the maximum daily lending balance, upon the Independent Shareholders' approval, from Poly Finance for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 is RMB0.5 billion (the "**Credit Lending Caps**"). As mentioned in the Board Letter, the Credit Lending Caps are determined by taken into account of the business growth and increasing demand for financial services, the current financing scale and policy of the Group, and the demand for financing of the Group in the future.

As mentioned in the Board Letter, in deciding whether provision of collateral is required, the main consideration is that under the circumstance where the cash flow for the project, which will be financed by such credit loan, is not able to cover the full amount of the loan and its interests during the credit lending period, the Company will be required by Poly Finance to provide collateral. Considering the business nature of the Company as a culture and art enterprise, the Company will use

LETTER FROM EMPEROR CAPITAL

art pieces as collateral. The collateral rate for the credit lending services provided by Poly Finance to the Company will normally be 70%, namely the total amount of the credit lending will count for 70% of the amount of the provided collateral. The value of the art pieces to be provided as collateral will be decided based on the valuation conducted by an independent appraisal institution.

We have reviewed the financial information of the Company and noted that the Company has constant need for loan and borrowings which recorded approximately RMB298 million as at 31 December 2012; approximately RMB208 million as at 31 December 2013; and approximately RMB578 million as at 30 June 2014. We have also reviewed the historical record of lending balances of the Company with commercial banks or financial institutions which are independent third parties for the two years ended 31 December 2013 and for the 10 months ended 31 October 2014.

	For the year ended 31 December 2012	For the year ended 31 December 2013	For the 10 months ended 31 October 2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Highest daily lending balance	Approximately 618,000	Approximately 427,000	Approximately 638,000
	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Credit Lending Caps	500,000	500,000	500,000

With reference to the annual report of the Company for the year ended 31 December 2013 and interim report of the Company for the six months ended 30 June 2014, art business and auction segment is a major business segment of the Company which contributed the most in financial performance of the Company as compared with the business segment of performance and theatre management and cinema investment and management. We are given to understand that consignor advances are common in auctions. To attract appealing art pieces and high-end customers, the Company may enter into consignor advance agreements with consignors upon request, according to which, the Company will provide consignors with consignor advances in an amount usually no more than 30% of valuation provided by experts engaged by the Company. The consignor advances shall be secured by the relevant art piece to be auctioned. Such consignor advances would be made shortly after consignment of the art piece for an auction that occurs several weeks or months in the future.

Aside from the investment and expansion plans on art business and auction and on the network of theatres and cinemas, funding may be required at times for prompt investments beneficial to the Company. In view that the Credit Lending Caps are in line with the historical highest daily lending balance of the Company for the two years ended 31 December 2013 and the 10 months ended 31 October 2014 and having taken into account of the investment and expansion plans of the Company, we consider the Credit Lending Caps are justifiable and commensurate with the Company's business plan.

LETTER FROM EMPEROR CAPITAL

Taken into account that a portion of cash would be required for consignor advances before revenue generates from the auction, we consider the Credit Lending Caps could provide financial flexibility to the Company in maintaining sufficient cash level while undergoing other investment and/or expansion plans of the Company.

E. Internal control

We have reviewed the internal control policy of the Company and also understand from the Company that financial service transactions are under stringent internal control to monitor, among others, the deposit and credit lending of the Group.

Annual capital plan approved by the Board

At the beginning of the year, the senior management establishes the annual capital plan according to the capital demand required by the three business segments and then submits the plan (including financing limit and the deposit limit) to the Board. Once approved, the borrowing amount during the year should be capped by the limit.

Specific use and co-operated financial institutions approved by senior management

Specific borrowings and deposits amount are to be approved by senior management (Chief Executive Officer and Chief Financial Officer) according to the approved limit by the Board.

Quotations and agreement negotiation carried out by finance department

Finance department of the Company is responsible for communicating with Poly Finance and at least three independent commercial banks or financial institutions in the PRC. Relevant terms of the agreement (including the pricing terms) offered by Poly Finance and the independent commercial banks or financial institutions would be given to the finance department for comparison. The finance department will formulate the proposal for financial services agreement with the best candidate and submit the proposal to senior management for approval.

As mentioned in the Board Letter, in order to protect the interests of the Shareholders, a daily report on the status of the Group's deposits with Poly Finance will be delivered by Poly Finance to the Company.

The Company could withdraw the deposits placed with Poly Finance or, failing which, offset the deposits placed with the loans borrowed from Poly Finance pursuant to the Financial Services Agreement, when the Company is aware of any material adverse change of business and financial position of Poly Finance.

If Poly Finance has any financial difficulties, pursuant to Measures for Administration of Finance Companies of Enterprise Groups promulgated by China Banking Regulatory Commission on 27 July 2004, Poly Group has the obligation to take all required steps, such as to increase the capital of Poly Finance to safeguard the interest of the Group.

LETTER FROM EMPEROR CAPITAL

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Financial Services Agreement, in particular, the deposit services and the credit lending services, the Deposit Caps and Credit Lending Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolution in approving the Financial Services Agreement, the Deposit Caps and Credit Lending Caps at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of
Emperor Capital Limited
Louisa Choi
Director

Ms. Louisa Choi is a licensed person and has been a responsible officer of Emperor Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2009 and 2005 respectively and has over 12 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

- (i) As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, supervisors or chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.
- (ii) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2013 (being the date to which the latest published audited consolidated accounts of the Company were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.
- (iii) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.
- (iv) As at the Latest Practicable Date, the following Directors are directors or employees of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Position in the entities disclosed under the provisions of Division 2 and 3 of Part XV of the SFO
Wang Lin	Vice general manager of Poly Group
Zhao Zigao	Head of the corporate development department of Poly Group

3. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as was known to any Directors of the Company, as at the Latest Practicable Date, the following persons (not being a Director, chief executive of the Company nor any member of the Group), had an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or who were directly or indirectly interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any member of the Group.

Shareholder	Type of Shares	Capacity	Number of Shares/ underlying Shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Poly Group (Note 2)	Domestic Shares	Beneficial owner and interest of controlled corporation	156,868,400 (long position)	100.00	63.69
Poly Southern Group Co., Ltd.	Domestic Shares	Beneficial owner	50,197,900 (long position)	32.00	20.38
China Credit Trust Co., Ltd. (Note 3)	H Shares	Interest of controlled corporation	8,965,100 (long position)	10.02	3.64
Harvest Fund Management Co., Ltd. (Note 3)	H Shares	Investment manager	8,965,100 (long position)	10.02	3.64
ICBC Credit Suisse Asset Management (International) Company Limited	H Shares	Investment manager and beneficial owner	4,703,100 (long position)	5.26	1.91
The National Council for Social Security Fund	H Shares	Beneficial owner	4,870,400 (long position)	5.44	1.98
Macquarie Group Limited	H Shares	Interest of controlled corporation	5,020,800 (long position)	5.61	2.04

Notes:

- 1 The percentage is calculated with the number of the relevant class of Shares of the Company issued as at the Latest Practicable Date divided by the total number of shares.
- 2 Poly Group directly holds 106,670,500 Shares of the Company, and holds 100% of the equity interest of Poly Southern Group Co., Ltd., 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 Southern Group Co., Ltd. under the SFO.

- 3 Harvest Fund Management Co., Ltd. directly holds 3,525,800 H Shares of the Company. Harvest Fund Management Co., Ltd. holds all the equity interests of Harvest Global Investments Limited, and Harvest Global Investments Limited holds 5,439,300 H Shares of the Company. Accordingly Harvest Fund Management Co., Ltd. is deemed to be interested in the 5,439,300 H Shares held by Harvest Global Investments Limited under the SFO. China Credit Trust Co., Ltd. holds 40% equity interests of Harvest Fund Management Co., Ltd. Accordingly China Credit Trust Co., Ltd. is deemed to be interested in 8,965,100 H Shares held by Harvest Fund Management Co., Ltd. under the SFO.

Saved as disclosed above, as of the Latest Practicable Date, to the knowledge of the Directors, there were no other persons who had interests or short positions in the Shares or underlying Shares of the Company, which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or is proposing to enter into any service contracts with the Company or any of its subsidiaries, excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation.

6. EXPERT'S DISCLOSURE OF INTEREST AND CONSENTS

- (i) As at the Latest Practicable Date, Emperor Capital, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (ii) As at the Latest Practicable Date, Emperor Capital did not have any direct or indirect interests in any assets which have been acquired or disposed of or leased to or which are proposed to be acquired or disposed of by or leased to by any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (iii) Emperor Capital issued a letter dated 28 November 2014 for the purpose of incorporation in this circular in connection with its advice to the Independent Board Committee and the Independent Shareholders.
- (iv) Emperor Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and reference to its name in the form and context in which they appear.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the Company's principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the Extraordinary General Meeting:

- (i) the Financial Services Agreement;
- (ii) the letter from Emperor Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 25 of this circular; and
- (iii) the written consent of Emperor Capital referred to in paragraph 6 of this appendix.

8. GENERAL

- (i) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the Group's financial or trading position since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (ii) The registered office of the Company is District A, 20/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, 100010, PRC.
- (iii) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretaries of the Company is Mr. Chen Peng and Ms. Yung Mei Yee, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.
- (v) The English text of this circular shall prevail over the Chinese text.

NOTICE OF THE 2014 EXTRAORDINARY GENERAL MEETING

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)

NOTICE OF THE 2014 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Extraordinary General Meeting**”) of Poly Culture Group Corporation Limited (the “**Company**”) will be held at 2:30 p.m. on Monday, 22 December 2014 at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC to consider and, if thought fit, to pass the following ordinary resolutions:

1. to consider and approve the resolution on election of Mr. Xu Niansha as executive director;
2. to consider and approve the resolution on election of Mr. Zhang Xi as executive director;
3. to consider and approve the transactions contemplated under the Financial Services Agreement and the annual caps of 2015, 2016 and 2017 thereof:
 - 3.1 to consider and approve the transactions and the annual caps of 2015, 2016 and 2017 in relation to the provision of deposit services by Poly Finance Company Limited contemplated under the Financial Services Agreement; and
 - 3.2 to consider and approve the transactions and the annual caps of 2015, 2016 and 2017 in relation to the provision of credit lending services by Poly Finance Company Limited contemplated under the Financial Services Agreement.

By order of the Board of Directors
Poly Culture Group Corporation Limited
Chen Peng
Joint Company Secretary

Beijing, the PRC
5 November 2014

Notes:

1. CLOSURE OF REGISTER OF MEMBERS, ELIGIBILITY FOR ATTENDING THE EXTRAORDINARY GENERAL MEETING

Holders of H Shares are advised that the register of members for H Shares will be closed from Saturday, 22 November 2014 to Monday, 22 December 2014 (both days inclusive). The Shareholders whose names appear on the register of members of the Company on Monday, 22 December 2014 are entitled to attend and vote at the Extraordinary General Meeting. Holders of H Shares of the Company who wish to attend the Extraordinary General Meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share

NOTICE OF THE 2014 EXTRAORDINARY GENERAL MEETING

certificates at the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 21 November 2014.

2. PROXY

Shareholders entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and vote in their stand. A proxy need not be a Shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized in writing. If the Shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its legal representative(s) or director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorisations document must be notarized.

For holders of H Shares, the proxy form together with the power of attorney or other authorization document (if any) must be lodged at the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in person or by post not less than 24 hours before the time fixed for holding the Extraordinary General Meeting or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the Extraordinary General Meeting upon completion and return of the proxy form.

3. REPLY SLIP

Holders of H Shares who intend to attend the Extraordinary General Meeting in person or by proxy should return the reply slip to the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 2 December 2014.

4. CONTACT DETAILS OF THE COMPANY

Contact Address: District A, 20/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC
Postcode: 100010
Contact Person: Chen Peng
Contact Telephone: (86 10) 6408 2702
Contact Fax: (86 10) 6408 2662

5. PROCEDURES FOR VOTING AT THE EXTRAORDINARY GENERAL MEETING

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of Shareholders at the Extraordinary General Meeting must be taken by poll.

6. OTHER BUSINESS

The Extraordinary General Meeting is expected to last for approximately half a day. Shareholders (in person or by proxy) attending the Extraordinary General Meeting are responsible for their own transportation and accommodation expenses.

Shareholders or their proxies attending the Extraordinary General Meeting shall produce their identity documents.

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)

Proxy Form for the Extraordinary General Meeting to be held on 22 December 2014

I/We ^(Note 1) _____
of _____
being the registered holder(s) of _____ ^(Note 2)
H shares of RMB1.00 each in the capital of Poly Culture Group Corporation Limited (the "Company"), hereby appoint the **Chairman of the Extraordinary General Meeting** or ^(Note 3) _____ of _____

to act as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting and any adjournment thereof to be held at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC at 2:30 p.m. on Monday, 22 December 2014, for the purpose of considering and if thought fit, passing the resolutions set out in the notice convening the Extraordinary General Meeting, and voting on behalf of me/us under my/our name as indicated below ^(Note 4) in respect of the resolutions to be proposed at the Extraordinary General Meeting and any of its adjournment.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 28 November 2014.

	Ordinary resolutions	For ^(Note 4)	Against ^(Note 4)	Abstained ^(Note 4)
1.	to consider and approve the resolution on election of Mr. Xu Niansha as executive director			
2.	to consider and approve the resolution on election of Mr. Zhang Xi as executive director			
3.	to consider and approve the transactions contemplated under the Financial Services Agreement and the annual caps of 2015, 2016 and 2017 thereof:			
	3.1 to consider and approve the transactions and the annual caps of 2015, 2016 and 2017 in relation to the provision of deposit services by Poly Finance Company Limited contemplated under the Financial Services Agreement			
	3.2 to consider and approve the transactions and the annual caps of 2015, 2016 and 2017 in relation to the provision of credit lending services by Poly Finance Company Limited contemplated under the Financial Services Agreement			

_____ 2014 Shareholder's Signature ^(Note 5) _____

Notes:

Important: You should first read the circular of the Company dated 28 November 2014 before appointing a proxy.

- Please insert full name(s) and address as registered in the register of members in **BLOCK CAPITALS**.
- Please insert the number of Shares registered in your name(s) relating to this form of proxy. If no number is inserted, this proxy form will be deemed to relate to all H shares registered in your name(s).
- If a proxy other than the Chairman of the Extraordinary General Meeting is preferred, cross out the words "the **Chairman of the Extraordinary General Meeting** or" and insert the full name and address of the proxy (or proxies) desired in the space provided. If you are a shareholder of the Company who is entitled to attend and vote at the Extraordinary General Meeting convened by the aforementioned notice, you are entitled to appoint one or more proxies to attend and vote on your behalf. A proxy need not be a shareholder of the Company. **Any changes to this proxy form should be initialled by the person who signs it.**
- IMPORTANT: IF YOU WISH TO VOTE "FOR" A RESOLUTION, PLEASE TICK THE APPROPRIATE BOX MARKED "FOR". IF YOU WISH TO VOTE "AGAINST" A RESOLUTION, PLEASE TICK THE BOX MARKED "AGAINST". IF YOU WISH TO ABSTAIN YOUR VOTE ON A RESOLUTION, PLEASE TICK THE APPROPRIATE BOX MARKED "ABSTAINED".** If no direction is given, the proxy will be entitled to vote or abstain as he thinks fit. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Extraordinary General Meeting other than those referred to in the notice convening the Extraordinary General Meeting.
- This proxy form must be signed by you, or your attorney duly authorised in writing or, if you are a corporation, must either be executed under the common seal or under the hand of a director or duly authorised attorney(s). If this proxy form is signed by an attorney of a shareholder, the power of attorney or other authority (if any) under which it is signed must be notarised.
- In the case of joint holders of any share, any one of such persons may vote at the Extraordinary General Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Extraordinary General Meeting whether attending in person or by proxy, the vote of the person, whose name stands first on the register of members of the Company in respect of such share (in person or by proxy) shall be accepted to the exclusion of the vote(s) of the other joint holder(s).
- To be valid, this proxy form together with the power of attorney or other authorisation document (if any) must be deposited at the H share registrar of the Company by hand or by post not less than 24 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and delivery of this proxy form will not preclude shareholders from attending and voting at the Extraordinary General Meeting if she/he so wishes. In such event, the instrument appointing a proxy shall be deemed to be revoked. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- Identification documents must be shown by shareholder(s) or proxies to attend the Extraordinary General Meeting.

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)

Reply Slip for the Extraordinary General Meeting

To: Poly Culture Group Corporation Limited (the “Company”)

I/We ^(Note 1) _____
of _____

being the registered holder(s) of _____ ^(Note 2)

H shares of RMB1.00 each in the share capital of the Company, hereby inform the Company that I/we intend to attend or appoint a proxy to attend on my/our behalf the Extraordinary General Meeting of the Company to be held at the Meeting Room, 28/F, New Poly Plaza, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC at 2:30 p.m. on Monday, 22 December 2014.

Date: _____

Signature: _____

Notes:

1. Please insert full name(s) and address(es) of the shareholder(s) as registered in the register of members in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s).
3. The completed and signed reply slip should be delivered to the Company's Board of Directors' Office or Computershare Hong Kong Investor Services Limited in person, by facsimile or by post on or before Tuesday, 2 December 2014. The Company's Board of Directors' Office is at District A, 20/F, 1 North Street of Chaoyangmen, Dongcheng District, Beijing, PRC, Post Code: 100010 (Telephone: (86 10) 6408 2702, Fax: (86 10) 6408 2662). The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).