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

CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF FINANCIAL SERVICES AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

References are made to the announcement of the Company dated 5 November 2014, containing, among others, the Financial Services Agreement entered into between the Company and Poly Finance, and the set of annual caps in respect of the Financial Services Agreement for 2015, 2016 and 2017.

As the Financial Services Agreement and the proposed annual caps will expire on 31 December 2017, and the Company will continue to carry out such transactions after 31 December 2017, the Company entered into the New Financial Services Agreement with Poly Finance on 23 October 2017, which shall be valid for three years commencing from 1 January 2018 until 31 December 2020. Pursuant to it, Poly Finance agrees to provide the Group with deposit services, credit lending services, settlement services and miscellaneous financial services in accordance with the terms and conditions of the New Financial Services Agreement. The transactions in relation to the maximum daily deposit balance of RMB900 million for deposit services under the New Financial Services Agreement will take effect upon the approval of the Independent Shareholders.

Listing Rules Implications

As at the date of this announcement, Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, 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 New 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 New Financial Services Agreement calculated in accordance with the Listing Rules is higher than 5%, the provision of deposit services by Poly Finance to the Group is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of credit lending services under the New Financial Services Agreement, as it constitutes financial assistance provided by a connected person to the Group, and the credit lending services are in the ordinary and usual course of business of the Company and on normal commercial terms, and are not secured by any assets of the Group, therefore, according to Rule 14A.90 of the Listing Rules, the credit lending services that Poly Finance 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 miscellaneous financial services to be provided by Poly Finance to the Group under the New Financial Services Agreement exceeds the relevant threshold.

EXTRAORDINARY GENERAL MEETING

The Company will convene an Extraordinary General Meeting for consideration and approval of the deposit services and the proposed annual caps of 2018, 2019 and 2020 under the New Financial Services Agreement. Poly Group and its associates will abstain from voting on the resolution in relation to the deposit services and the proposed annual caps under the New Financial Services Agreement. As at the date of this announcement, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholders will be required to abstain from voting in respect of the aforementioned resolution. The aforementioned resolution will be passed by way of ordinary resolution and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

The Independent Board Committee comprised of all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the deposit services and the proposed annual caps of 2018, 2019 and 2020 under the New Financial Services Agreement. The

Company has appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matter.

A circular containing, among others, details of the New Financial Services Agreement and the proposed annual caps, a letter from the Independent Board Committee, a letter from Gram Capital together with a notice convening the Extraordinary General Meeting is expected to be dispatched to the Shareholders in no later than 15 working days after the date of this announcement.

I. CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF FINANCIAL SERVICES AGREEMENT

1. Background

References are made to the announcement of the Company dated 5 November 2014, containing, among others, the Financial Services Agreement entered into between the Company and Poly Finance, and the set of annual caps in respect of the Financial Services Agreement for 2015, 2016 and 2017.

As the Financial Services Agreement and the proposed annual caps will expire on 31 December 2017, and the Company will continue to carry out such transactions after 31 December 2017, the Company entered into the New Financial Services Agreement with Poly Finance on 23 October 2017, which shall be valid for three years commencing from 1 January 2018 until 31 December 2020. Pursuant to it, Poly Finance agrees to provide the Group with deposit services, credit lending services, settlement services and miscellaneous financial services pursuant to the terms and conditions of the New Financial Services Agreement. The transactions in relation to the maximum daily deposit balance of RMB900 million for deposit services under the New Financial Services Agreement will take effect upon the approval of the Independent Shareholders.

2. New Financial Services Agreement

Date: 23 October 2017

Parties: the Company (as the services receiver)
Poly Finance (as the services provider)

Principal Terms:

The principal terms of the New Financial Services Agreement are as follows:

- Pursuant to the terms and conditions of the New 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 New Financial Services Agreement, the Company and Poly Finance will enter into separate contracts in respect of deposit services, credit lending services, settlement services and miscellaneous financial services to provide for the details on the provision of these services; and
- The term of the New Financial Services Agreement is three years (i.e. from 1 January 2018 to 31 December 2020).

Pricing Policy:

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

- the interest rate for the Group's deposit with Poly Finance should not be lower than the interest rate offered by major domestic state-owned 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;
- Poly Finance undertakes to provide favorable interest rate for loans extended to the Group, which should not be higher than the interest rate charged by major domestic state-owned commercial banks in the PRC for the loans with the same type and term;
- the settlement services provided by Poly Finance to the Group is free of charge; and
- 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 state-owned commercial banks in the PRC for the same type of services.

3. Proposed Annual Caps and Basis of Determination

(1) Deposit Services

According to the Financial Services Agreement dated 5 November 2014 between the Company and Poly Finance, the proposed annual caps of the maximum daily deposit balance (including any accrual interests) with Poly Finance for each of the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 was RMB900 million. The actual amount of the maximum daily deposit balance (including any accrual interests) with Poly Finance for the years ended 31 December 2015 and 31 December 2016 and the eight months ended 31 August 2017 were approximately RMB767 million, RMB586 million and RMB528 million respectively.

As the Company's continuing need for financial services, the Company proposes to set the maximum daily deposit balance (including any accrual interests), upon the Independent Shareholders' approval, with Poly Finance for three years ending 31 December 2018, 31 December 2019 and 31 December 2020 as RMB900 million, of which the following considerations are taken:

- (i) the Group's total assets continue to grow;
- (ii) 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 major domestic state-owned commercial banks in the PRC. 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; and
- (iii) The deposit transactions form part of the daily operations of the Group. The commercial terms (including the interest rates) offered by Poly Finance in respect of such transactions are no less favorable than those offered by major domestic state-owned commercial banks in the PRC for the terms of similar services to the Group. The Directors are of the view that the financial services provided by Poly Finance to the Company 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.

(2) *Credit Lending Services*

The Company proposes to set the maximum daily lending balance granted by Poly Finance to the Group at RMB600 million for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020. As the credit lending services that the Poly Finance proposes to provide to the Group are in the ordinary and usual course of business of the Company and are 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 are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) *Settlement Services*

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

(4) *Miscellaneous Financial Services*

In addition to deposit, credit lending and settlement 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 New Financial Services Agreement will be on normal commercial terms and on terms similar to or more favorable than those offered by independent third parties for comparable services in the PRC.

The Company expects that each of the applicable percentage ratios of the total fees payable by the Group to Poly Finance in respect of miscellaneous financial services will be below the minimum threshold as stipulated under Rule 14A.76(1) of the Listing Rules, so the miscellaneous financial services are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of 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 miscellaneous financial services to be provided by Poly Finance to the Group under the New Financial Services Agreement exceeds the relevant threshold.

4. Reasons for and Benefits of Entering into the New Financial Services Agreement

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. Furthermore, 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.

5. Internal Control Procedure and Corporate Governance Measures

In terms of the New Financial Services Agreements, the Company will adopt the following procedures and measures:

(1) The Board to approve annual capital use plan

At the beginning of every year, the senior management of the Company establishes the annual capital plan according to the annual financial budget approved by the Board, the amount used by the Company during the year should be capped by the budget.

(2) Senior management of the Company to approve specific use and cooperative financial institutions

Specific borrowings and deposit amounts are to be approved by senior management of the Company (Chief Executive Officer and Chief Financial Officer) according to the approved limit by the Board.

(3) Finance department of the Company to carry out quotations and contract negotiation

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. Interest rate in the corresponding period for the identical kinds of deposits offered by Poly Finance and the independent commercial banks or financial institutions would be given to the finance department of the Company for comparison. The finance department of the Company will formulate the proposal for financial services agreement with the best candidate and submit the proposal to senior management of the Company for approval.

In case the finance department of the Company noted that the deposit interest rate offered by Poly Finance are less favorable than the interest rate offered by major domestic state-owned commercial banks in the PRC in the corresponding period for

the identical kinds of deposits, the Group will not place deposit with Poly Finance; and/or transfer the cash balance of the automatic transfer service account into the non-automatic transfer service account opened at independent domestic commercial banks in the PRC prior to the auto-transfer; or negotiate with Poly Finance to re-determine the interest rate.

- (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 New 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 CBRC 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.
- (7) The Company will count and monitor the maximum daily deposit balance of the deposit services under the New Financial Service Agreement on a quarterly basis, so as to ensure the actual connected transaction amount does not exceed the limit approved by the general meeting.

6. Listing Rules Implications

As at the date of this announcement, Poly Group directly holds 43.3% equity interest of the Company and indirectly holds 20.4% equity interest of the Company through Poly Southern, 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 New 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 New Financial Services Agreement calculated in accordance with the Listing Rules is higher than 5%, the provision of deposit services by Poly Finance to the Group is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of credit lending services under the New Financial Services Agreement, as it constitutes financial assistance provided by a connected person to the Group, and the credit lending services are in the ordinary and usual course of business of the Company and on normal commercial terms, and are not secured by any assets of the Group, therefore, according to Rule 14A.90 of the Listing Rules, the credit lending services that Poly Finance 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 miscellaneous financial services to be provided by Poly Finance to the Group under the New Financial Services Agreement exceeds the relevant threshold.

7. Information on Parties to the Transactions

Information on the Company

The Company is a joint stock limited company incorporated in the PRC on 14 December 2010, and is a leading diversified cultural arts company in the PRC. 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 94.18% by Poly Group and its associates and 5.82% 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.

8. Opinions of the Board

Having considered the above pricing policies, bases of determination of the proposed annual caps, reasons and benefits, and internal control procedures, the Directors (including independent non-executive Directors) are of the view that the terms of the transactions

contemplated under the New Financial Services Agreement and the proposed annual caps thereunder have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Meanwhile, the Company is of the view that it has equipped with adequate mechanism, internal monitoring procedures and external supervision measures, so as to ensure that the continuing connected transactions are subject to and strictly follow relevant supervisory guidelines and the terms of the New Financial Services Agreement.

As Mr. Xu Niansha, Mr. Zhang Xi, Mr. Wang Lin and Mr. Wang Keling, being Directors of the Company, all also hold positions at Poly Group, and are accordingly regarded to be connected with the New Financial Services Agreement and the transactions contemplated thereunder, they have abstained from voting on the Board resolutions in relation to approval of the New Financial Services Agreement and its proposed annual caps. Save as disclosed above, no other Directors have material interests in such transactions, and no other Director have abstained from voting on the Board resolutions in relation to consideration and approval of the New Financial Services Agreement and the proposed annual caps.

II. EXTRAORDINARY GENERAL MEETING

The Company will convene an Extraordinary General Meeting for consideration and approval of the deposit services and the proposed annual caps of 2018, 2019 and 2020 under the New Financial Services Agreement. Poly Group and its associates will abstain from voting on the resolution in relation to the deposit services and the proposed annual caps under the New Financial Services Agreement at the Extraordinary General Meeting. As at the date of this announcement, to the best knowledge and belief of the Directors having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholders will be required to abstain from voting in respect of the aforementioned resolution. The aforementioned resolution will be passed by way of ordinary resolution and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

The Independent Board Committee comprised of all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the deposit services and the proposed annual caps of 2018, 2019 and 2020 under the New Financial Services Agreement. The Company has appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matter.

A circular containing, among others, details of the New Financial Services Agreement and the proposed annual caps, a letter from the Independent Board Committee, a letter from Gram Capital together with a notice convening the Extraordinary General Meeting is expected to be dispatched to the Shareholders in no later than 15 working days after the date of this announcement.

III. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of directors of the Company
“CBRC”	the China Banking Regulatory Commission
“Company”	Poly Culture Group Corporation Limited (保利文化集團股份有限公司), a joint stock limited liability company incorporated in the PRC on 14 December 2010 and its H Shares are listed on The Stock Exchange of Hong Kong Limited and the stock code is 03636
“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 first 2017 extraordinary general meeting of the Company to be held on Monday, 11 December 2017
“Financial Services Agreement”	the financial services agreement entered into between the Company and Poly Finance on 5 November 2014
“Gram Capital”	Gram Capital Limited (嘉林資本有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services and the proposed annual caps thereof under the New Financial Services Agreement
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising of all the independent non-executive Directors, namely Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming. The purpose of setting up the Committee is to provide advice to the Independent Shareholders in respect of the deposit services and the proposed annual caps thereof under the New Financial Services Agreement
“Independent Shareholders”	shareholders of the Company other than Poly Group and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Financial Services Agreement”	the financial services agreement entered into between the Company and Poly Finance on 23 October 2017
“PBOC”	the People’s Bank of China
“Poly Finance”	Poly Finance Company Limited (保利財務有限公司), a joint venture incorporated in the PRC, owned as to 94.18% by Poly Group and its associates and 5.82% by an independent third party
“Poly Group”	China Poly Group Corporation (中國保利集團公司), a state-owned company incorporated in the PRC and our controlling shareholder, and (when the context requires) including its subsidiaries
“Poly 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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“%” percent

By order of the Board
Poly Culture Group Corporation Limited
Xu Niansha
Chairman

Beijing, the PRC
23 October 2017

As of the date of this announcement, the executive Directors of the Company are Mr. Xu Niansha, Mr. Zhang Xi, Mr. Jiang Yingchun and Mr. Hu Jiaquan, the non-executive Directors are Mr. Wang Lin and Mr. Wang Keling, and the independent non-executive Directors are Mr. Li Boqian, Ms. Li Xiaohui and Mr. Yip Wai Ming.