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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

References are made to the Prospectus and the announcement of the Company dated 21 October 2019, containing, among others, certain non-exempt continuing connected transactions entered into between the Company and Poly Group and the respective proposed annual caps.

As disclosed in the Prospectus and the announcement of the said date, the Company entered into the General Services Framework Agreement, the Commodities Sale and Purchase Framework Agreement, the Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement with Poly Group, and set up the annual caps in respect of the relevant non-exempt continuing connected transactions for 2020, 2021 and 2022. The General Services Framework Agreement, the Commodities Sale and Purchase Framework Agreement and the Cinema Box Office Income Sharing Framework Agreement will expire on 31 December 2022, the Property Lease Framework Agreement will expire on 5 March 2034, and their corresponding annual caps will expire on 31 December 2022. As the Group will continue the continuing connected transactions after 31 December 2022, the Company is required to comply with the requirements of Chapter 14A of the Listing Rules in respect of continuing connected transactions. Therefore, the Company entered into the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement and the New Cinema Box Office Income Sharing Framework Agreement with Poly Group, and proposed the annual caps for 2023, 2024 and 2025 under the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement, to renew the related continuing connected transactions.

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 International, a subsidiary of Poly Group, hence Poly Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the New

General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement entered into between the Company and Poly Group constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps of the New General Services Framework Agreement and the New Commodities Sale and Purchase Framework Agreement calculated in accordance with the Listing Rules is higher than 0.1% but less than 5%, the continuing connected transactions under the New General Services Framework Agreement and the New Commodities Sale and Purchase Framework Agreement are subject to the relevant reporting, announcement and annual review requirements but exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps for the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement is more than 5%, the continuing connected transactions under the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement are subject to reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Having considered the above pricing policies, basis of determination of the proposed annual caps, reasons and benefits, and internal control procedure and corporate governance measures, the Directors (including the independent non-executive Directors) are of the view that the terms of the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the respective 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 the Shareholders as a whole.

As the Directors Mr. Zhang Xi, Ms. Zhang Hong and Mr. Fu Chengrui serve at Poly Group, they are considered to be connected with the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the respective transactions contemplated thereunder, and they have abstained from voting on the Board resolutions for approving the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the respective proposed annual caps and proposed annual caps under the Property Lease Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the

respective transactions contemplated thereunder and no other Directors need to abstain from voting on the Board resolutions for considering and approving the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the respective proposed annual caps and proposed annual caps under the Property Lease Framework Agreement.

EXTRAORDINARY GENERAL MEETING

The Company will submit the relevant proposals to the forthcoming Extraordinary General Meeting to seek the Independent Shareholders' approval on the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement. Poly Group and its associates will abstain from voting on the proposal regarding the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 and the proposal regarding the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement at such Extraordinary General Meeting. As at the date of this announcement, to the best knowledge, information and belief of Directors and having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholders will be required to abstain from voting on related resolutions. The above resolutions will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

The Independent Board Committee comprising of all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matters.

A circular containing, among others, (i) details of the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) a notice convening the Extraordinary General Meeting will be despatched to the Shareholders as and when appropriate. For the purpose of this circular, the Company will need time to make various preparations, rendering the expected date of dispatch of this circular to the Shareholders after 15 business days upon the publication of this announcement.

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2023 TO 2025

1. New General Services Framework Agreement

(1) *Background*

Reference is made to the announcement of the Company dated 21 October 2019 in respect of, among others, the General Services Framework Agreement entered into between the Company and Poly Group and annual caps for 2020, 2021 and 2022. As disclosed in the announcement of the above date, pursuant to the General Services Framework Agreement, the Group from time to time provides Poly Group and/or its associates with certain types of services, mainly including exhibition service, theatre management service, art appreciation activity service, auction service, design service, advertising service and general service.

As the General Services Framework Agreement and the corresponding annual caps will expire on 31 December 2022, and the Group will continue the aforesaid transactions under the General Services Framework Agreement subsequent to 31 December 2022, therefore, the Company entered into the New General Services Framework Agreement with Poly Group on 13 October 2022 (after trading hours), pursuant to which, the Group will from time to time provide Poly Group and/or its associates with certain types of services, mainly including exhibition service, theatre management service, art appreciation activity service, auction service, design service, advertising service and general service. The New General Services Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

(2) *New General Services Framework Agreement*

Date: 13 October 2022

Parties: Poly Group, as the service receiver; and

The Company, as the service provider

Principal terms:

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

- the New General Services Framework Agreement is valid for a term of three years commencing on 1 January 2023, and can be renewed for another three years upon its expiry;

- relevant subsidiaries or associates of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the New General Services Framework Agreement; and
- the price for the service provided under the New General Services Framework Agreement will be determined by reference to the then market price or as agreed by both parties after arm-length negotiations.

Pricing policy:

For all the services provided by the Group to Poly Group and/or its associates pursuant to the New General Services Framework Agreement, the costs will be calculated based on the service contents, including without limitation, the nature and scale of exhibitions, theatres and activities, the time, human resources, materials and transportation costs required for the service, and the complexity of the preparation works. Prices for various services will be determined at a premium of approximately 30%-50% over the costs by reference to the prices for the same kind of services in the market. Such prices are uniform pricing set by the Company, of which the Company will make adjustment based on the market conditions (including service prices offered by other competitors, human resource costs, technological advancement and others) from time to time and inform all customers. Such prices are determined based on normal commercial terms. The Group will provide services to Poly Group and/or its associates and other independent third parties based on such prices.

(3) *Historical amounts*

The amounts of revenue the Group generated from the service provided to Poly Group and/or its associates for the years ended 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022 and the annual caps for the years ended/ending 31 December 2020, 31 December 2021 and 31 December 2022 are set out below:

Unit: RMB million

	For the year ended 31 December		For the six months ended
	2020	2021	30 June 2022
Total fees	2.87	6.91	0.00
	For the year ended/ending 31 December		
	2020	2021	2022
Annual cap <i>(Note 1)</i>	22.45	22.30	22.30

Note:

1. The actual transaction amount in 2022 has not and is not expected to exceed the annual cap for the year 2022.

(4) Annual caps and basis of determination

Annual caps:

The maximum aggregate annual amount of fees for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not exceed the caps set out below:

Unit: RMB million

	For the year ending 31 December		
	2023	2024	2025
Total fees	35.37	25.93	25.19

Basis of determination:

In determining the above annual caps, the Directors have considered:

- (i) the historical figures, i.e., our revenue generated from general services provided by the Group to Poly Group and/or its associates as at 30 June 2022;

- (ii) the anticipated receivable amount under the existing General Services Framework Agreement between the Group and Poly Group;
- (iii) the future level of demand of Poly Group and its associates for these services;
- (iv) the future expansion plan of the theatre and cinema circuit networks of the Group;
- (v) the future changes in market price due to increase in costs such as labour, materials and transportation cost; and
- (vi) the expected increase in provision of general services by the Group to Poly Group and/or its associates from the years 2023 to 2025, including exhibition service, theatre management service, art appreciation activity service, auction service, cultural real estate design and consulting service, advertising and promotion service and general service.

(5) *Reasons for and benefits of entering into the New General Services Framework Agreement*

Poly Group is engaged in the business of real estate development and conducts promotion activities for high-end real estate projects by hosting art appreciation activities from time to time. Beijing Poly Art Centre Co., Ltd., a wholly-owned subsidiary of the Company, is engaged in exhibition undertakings and organization of art communication activities. While Poly Group and its subsidiaries are promoting their sales and marketing activities all over the country, they will purchase services of Beijing Poly Art Centre Co., Ltd. in holding exhibitions and providing selected exhibits, which will enhance the market influence of the art business of Poly Group and the Group. Beijing Poly Art Centre Co., Ltd. can also earn profits therefrom. Poly Group is also dedicated to the integration of real estates and culture by introducing some cultural elements, such as Poly Theatre and cinemas in order to enhance the cultural content and commercial value, and benefit each other between Poly Group and Poly Culture. Thus, Beijing Poly Theatre Management Corporation Limited and Poly Film, wholly-owned subsidiaries of the Company, also provides relevant theatre management service for Poly Group. At the same time, Poly Group is also committed to promoting the integration of cultural and real estate businesses. Therefore, the Group will provide cultural real estate design and consulting service to Poly Group and it is expected that the Group will provide more advertising and promotion service suitable to the Group's business to Poly Group in the future. The above-mentioned provision of general service by the Group to Poly Group has been and will be conducted in line with the market practice in order to exert the strength and advantage of both the Group and Poly Group.

(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 International, a subsidiary of Poly Group, hence Poly Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the New General Services Framework Agreement entered into between the Company and Poly Group constitute the continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio of the proposed annual caps for the New General Services Framework Agreement calculated in accordance with the Listing Rules is higher than 0.1% but less than 5%, the continuing connected transactions under the New General Services Framework Agreement are subject to the relevant reporting, announcement and annual review requirements but exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

2. New Commodities Sale and Purchase Framework Agreement

(1) Background

Reference is made to the announcement of the Company dated 21 October 2019 containing, among others, the Commodities Sale and Purchase Framework Agreement entered into between the Company and Poly Group and its annual caps for 2020, 2021 and 2022. As disclosed in the announcement of the said date, pursuant to the Commodities Sale and Purchase Framework Agreement, the Group from time to time sells commodities, mainly including art products and theatre tickets to Poly Group and/or its associates.

As the Commodities Sale and Purchase Framework Agreement and the corresponding annual caps will expire on 31 December 2022, and the Group will continue the aforesaid transactions under the Commodities Sale and Purchase Framework Agreement subsequent to 31 December 2022, the Company entered into the New Commodities Sale and Purchase Framework Agreement with Poly Group on 13 October 2022 (after trading hours), pursuant to which, the Group will from time to time sell commodities mainly including art products, theatre tickets and cinema tickets to Poly Group and/or its associates. The New Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025.

(2) *New Commodities Sale and Purchase Framework Agreement*

Date: 13 October 2022

Parties: Poly Group, as the buyer; and

The Company, as the seller

Principal terms:

The principal terms of the New Commodities Sale and Purchase Framework Agreement are as follows:

- the New Commodities Sale and Purchase Framework Agreement is valid for a term of three years commencing on 1 January 2023 and can be renewed for another three years upon its expiry;
- relevant subsidiaries of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the New Commodities Sale and Purchase Framework Agreement; and
- the price of the commodities sold under the New Commodities Sale and Purchase Framework Agreement will be determined through arm's length negotiations by parties thereto with reference to market price.

Pricing policies:

The price of the commodities sold by the Group to Poly Group and/or its associates under the New Commodities Sale and Purchase Framework Agreement will be determined through arm's length negotiations by parties thereto with reference to the followings: (1) overall market conditions and public offer prices regarding the sale of relevant commodities or relevant comparable commodities in various regions; (2) the price of relevant commodities or relevant comparable commodities determined by the theatre performance providers which are independent third parties; and (3) the price and terms of comparable quantity of commodities sold to at least two independent third parties by the Group.

(3) *Historical amounts*

For the years ended 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022, the amounts of revenue the Group generated from sales of art

(4) *Annual caps and basis of determination*

Annual caps:

The maximum aggregate annual amounts of fees from sales of art products and sales of theatre tickets and cinema tickets for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not exceed the caps set out below:

Unit: RMB million

	For the year ending		
	31 December		
	2023	2024	2025
Transactions under the following agreements			
New Commodities Sale and Purchase Framework Agreement			
– Total fees from sales of art products	14.50	15.00	15.50
New Commodities Sale and Purchase Framework Agreement			
– Total fees from sales of tickets	<u>18.00</u>	<u>19.00</u>	<u>20.00</u>
Total	<u><u>32.50</u></u>	<u><u>34.00</u></u>	<u><u>35.50</u></u>

Basis of determination:

In determining the above annual caps, the Directors have considered:

- (i) the historical figures, i.e. the revenue generated from the sales of theatre tickets provided by the Group to Poly Group and/or its associates as at 30 June 2022 and the growing trend of historical figures of the Group;
- (ii) the anticipated receivable amount of theatre tickets under the existing Commodities Sale and Purchase Framework Agreement between the Group and Poly Group and/or its associates;
- (iii) the future level of demand of Poly Group and/or its associates for the theatre tickets and cinema tickets;

- (iv) the future changes in market price due to increase in costs such as labour, materials and transportation cost; and
- (v) with the weakening of the impact of COVID-19 pandemic, number of performance and shows of the Group's theatre circuit networks and cinemas will gradually recover and increase and the expansion plan of the operating theatres and cinemas of the Group in the future.

(5) *Reasons for and benefits of entering into the New Commodities Sale and Purchase Framework Agreement*

It is the Company's ordinary and usual course of business to sell art products, theatre tickets and cinema tickets. There is a need for Poly Group and/or its associates to purchase theatre tickets for market promotion from time to time and/or purchase art products for gifts, interior decoration of their office building or other legal purposes from time to time. With continuing expansion of the business scale of Poly Group, the demand in art products, theatre tickets and cinema tickets of Poly Group has exceeded the original anticipation. The above-mentioned provision of commodities sale and purchase services by the Group to Poly Group has been and will be conducted in line with the market practice and can exert the strength and advantage from both the Company and Poly Group.

(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 International, a subsidiary of Poly Group, hence Poly Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the New Commodities Sale and Purchase Framework Agreement entered into between the Company and Poly Group constitute the continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps of the New Commodities Sale and Purchase Framework Agreement calculated in accordance with the Listing Rules is higher than 0.1% but less than 5%, the continuing connected transactions under the New Commodities Sale and Purchase Framework Agreement are subject to the relevant reporting, announcement and annual review requirements but exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

3. New Cinema Box Office Income Sharing Framework Agreement

(1) Background

Reference is made to the announcement of the Company dated 21 October 2019 in respect of, among others, the Cinema Box Office Income Sharing Framework Agreement between the Company and Poly Group and annual caps for 2020, 2021 and 2022. As disclosed in the announcement, pursuant to the Cinema Box Office Income Sharing Framework Agreement, Poly Group and/or its associates may provide new film prints and encryption keys to the Group and the Group will then arrange movie screening in cinemas of the Group. Both parties agree to split the net cinema box office income (i.e., the box office income after deducting the National Film Development Special Fund and VAT and surcharges) generated from the movie screening based on the pre-agreed sharing percentage. Poly Group and/or its associates may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves. Such net cinema box office income sharing arrangement is in line with the current film industry practice in the PRC.

As the Cinema Box Office Income Sharing Framework Agreement and the corresponding annual caps will expire on 31 December 2022, and the Group will continue the aforesaid transactions under the Cinema Box Office Income Sharing Framework Agreement subsequent to 31 December 2022, the Company entered into the New Cinema Box Office Income Sharing Framework Agreement with Poly Group on 13 October 2022 (after trading hours). Pursuant to which, Poly Group and / or its associates may provide new film prints and encryption keys to the Group and the Group will then arrange movie screening in cinemas of the Group. Both parties agree to split the net cinema box office income (i.e., the box office income after deducting the National Film Development Special Fund and VAT and surcharges) generated from the movie screening based on the pre-agreed sharing percentage. Poly Group and/ or its associates may then further share the revenue generated from such split with movie distributors and producers pursuant to separate agreements among themselves. The New Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. The New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 shall be subject to the approval by Independent Shareholders.

(2) *New Cinema Box Office Income Sharing Framework Agreement*

Date: 13 October 2022

Parties: Poly Group; and

The Company

Principal terms:

The principal terms of the New Cinema Box Office Income Sharing Framework Agreement are as follows:

- the New Cinema Box Office Income Sharing Framework Agreement is valid for a term of three years commencing on 1 January 2023, and can be renewed for another three years upon its expiry, subject to the further approval by Independent Shareholders according to the Listing Rules;
- Based on the number of cinemas, relevant subsidiaries of both parties, namely Poly Wanhe Cinema Circuit (a subsidiary of Poly Group) will enter into a new specific contract with Poly Film (a subsidiary of the Company, representing itself and its more than 70 existing subordinate cinemas) to renew the existing specific contracts, and Poly Wanhe Cinema Circuit will enter into new specific contracts with the newly established cinemas when they are established. Such specific contracts will be entered into according to the pricing policies, the main terms and conditions provided in the New Cinema Box Office Income Sharing Framework Agreement, including but not limited to the sharing percentage (no less than 50% to 55% of the net cinema box office income to be shared by the Group), service contents and term. The term for each specific agreement is three years, and the specific terms and conditions are same with the New Cinema Box Office Income Sharing Framework Agreement; and
- Poly Group and/or its associates will provide new film prints and encryption keys to the Group and the Group will then arrange movie screening in cinemas of the Group. The Group will first receive the net cinema box office income (i.e., the box office income after deducting the National Film Development Special Fund and VAT and surcharges) generated from the film screening and then split a portion of such revenue with Poly Group and/or its associates in accordance with the respective sharing percentage as set out in the specific agreements (no less than 50% to 55% of the net cinema box office income to be shared by the Group) and pricing policies as agreed by both parties after arm-length negotiations; the Group will pay the net cinema box office income to Poly Group and/or its associates in cash on a monthly basis.

Pricing policy:

After the Group and Poly Group's arm's length commercial negotiations according to the principles of fairness and reasonableness, the sharing of box office income is determined pursuant to the followings:

- (i) the requirements of the Guiding Opinions on Adjusting Income Sharing Percentage of Domestic Films ((2008) Ying Zi No.866) and Guiding Opinions on Promoting the Coordinated Development of Film Production, Distribution and Screening ((2011) Ying Zi No.992) issued by the State Administration of Press, Publication, Radio, Film and Television, which stipulates the percentage of film screening income sharing for the cinema shall not be more than 50% in principle (the "**SARFT Guiding Opinions**") and set a general principle of sharing the net cinema box office income between the cinema circuit and cinemas under the cinema circuit system in China;
- (ii) the income sharing standard of the industry during the same period, which is currently at 40% to 45% for the comparable average net cinema box office income sharing of the market (for the sharing percentage of the cinema). The specific transactions under the New Cinema Box Office Income Sharing Framework Agreement will be conducted on normal commercial terms and on terms and consideration no less favourable than those offered to independent third parties; and
- (iii) During the implementation of the New Cinema Box Office Income Sharing Framework Agreement, the Group has the right to negotiate with Poly Group pursuant to the New Cinema Box Office Income Sharing Framework Agreement, according to the market changes in the net cinema box office income sharing in the PRC and the changes of the net cinema box office income sharing policy of the PRC. Meanwhile, the Group will conduct research on the income sharing policy of at least two independent cinemas with similar size based on the similar services provided by Poly Group and/or its associates every half year, and report to the Directors at once. If the Group finds the sharing percentage offered by Poly Group and/or its associates to the Group is less favorable than any other independent third party based on similar terms and conditions, the Group has the right to negotiate with Poly Group at arm's length, and Poly Group agrees to adjust the net cinema box office income sharing percentage in connection with the Group and/or its subsidiaries, to make sure that the Group implements the New Cinema Box Office Income Sharing Framework Agreement with the income sharing percentage no less favorable than any independent third party in the market.

In order to ensure that the net cinema box office income sharing percentage under the New Cinema Box Office Income Sharing Framework Agreement will be conducted on normal commercial terms and safeguard the interests of Shareholders as a whole, the Company has adopted internal control procedure and corporate governance measures regarding relevant continuing connected transactions, details of which are set out under the section below headed “Internal Control Procedure and Corporate Governance Measures”.

(3) Historical amounts

The number of films provided by Poly Group and/or its associates to the Group for screening, the historical cinema box office income generated by the Group under the existing framework agreement, the actual transaction amount between the Group and Poly Wanhe Cinema Circuit for the years ended 31 December 2020 and 31 December 2021 and for the six months ended 30 June 2022 under the Cinema Box Office Income Sharing Framework Agreement, and the annual caps for the years ended/ending 31 December 2020, 31 December 2021 and 31 December 2022 are set out below:

Unit: RMB million (unless otherwise stated)

	For the year ended		For the
	31 December		six months
	2020	2021	ended
			30 June
			2022
The number of films provided by Poly Group and/or its associates to the Group for screening	323	526	174
The cinema box office income generated by the Group under the existing framework agreement ^(Note 1)	156.74	342.60	102.77
The average cinema box office income sharing percentage by the Group ^(Note 1)	42%	42%	42%
The average cinema box office income sharing percentage by Poly Group and/or its associates ^(Note 1)	43%	43%	43%
The actual transaction amount of the cinema box office income attributable to Poly Group and/or its associates ^(Note 2)	67.40	147.32	44.19

	For the year ended/ending 31 December		
	2020	2021	2022
Annual cap <i>(Note 3)</i>	346.04	388.96	417.45

Notes:

1. The National Film Development Special Fund and VAT and surcharges have been deducted.
2. The actual transaction amount in 2022 has not exceeded and is not expected to exceed the annual cap for the year 2022.
3. Once Poly Wanhe Cinema Circuit receives the shared income from the Group, it will further split such income with movie distributors and producers pursuant to separate agreements among themselves. Depending on the types and popularity of new movies to be screened such as Hollywood films and domestically produced movies, for the years ended 31 December 2020 and 31 December 2021 and for the six months ended 30 June 2022, the Group usually retained no less than 50%-55% of the net cinema box office income and shared the remaining income with Poly Wanhe Cinema Circuit based on the underlying agreements between both parties. The higher net cinema box office income sharing percentage adopted by the Group under the New Cinema Box Office Income Sharing Framework Agreement is in compliance with the SARFT Guiding Opinions and PRC laws, and is in the interests of the Company and its Shareholders as a whole.

(4) Proposed annual caps and basis of determination

Proposed annual caps:

The maximum aggregate annual amount of the net cinema box office income shared by the Group for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not exceed the proposed caps set out below:

Unit: RMB million

	For the year ending		
	31 December		
	2023	2024	2025
Proposed annual cap	276.02	315.45	354.88

Basis of determination:

In determining the above proposed annual caps, the Directors have considered:

- (i) the industry standard of sharing the net cinema box office income (i.e., the comparable average net cinema box office income sharing in the market is approximately 40% to 45%) between cinema circuit and cinemas according to the SARFT Guiding Opinions, as well as the features of the cinema circuit system in China;
- (ii) with the great impact of the ongoing pandemic and control measures on the Group's cinemas, the cinema box office income recorded a fairly substantial decline for the period from 1 January 2020 to 30 June 2022 as compared with the previous years. However, the Group expects that the impact of the pandemic will be weakened in the future, and the cinema box office of the Group will recover and increase, therefore the income sharing between the Group and Poly Wanhe Cinema Circuit will return to growth gradually;
- (iii) the average price of movie tickets was on a gradually increasing trend in recent years and followed by a continuous increase with the rise of the price index. With the development of the film industry in China and the weakening of the impact of the pandemic, the number of audience and films will recover gradually, as such, the net cinema box office income of the Group is expected to increase as well in the future;
- (iv) with the weakening of the impact of the COVID-19 pandemic and the recovery of the film and cultural market, there will be more excellent films in China and more foreign films will be introduced in the future, which will drive the recovery of the whole cinema market and the increase of box office income; and
- (v) the impact of the COVID-19 pandemic on the cinema operation industry is a temporary crisis, and at the same time, some small and medium-sized cinemas are facing the crisis of closing down due to the impact of the COVID-19 pandemic. Therefore, the Group expects that after the impact of the COVID-19 pandemic is weakened or even eliminated in the future, Poly Cinema will have a double positive trend, namely, the number of the audience will recover and the audience will tend to concentrate.

(5) *Reasons for and benefits of entering into the New Cinema Box Office Income Sharing Framework Agreement*

Pursuant to the New Cinema Box Office Income Sharing Framework Agreement, Poly Group and/or its associates shall conduct specific transactions under the New Cinema Box Office Income Sharing Framework Agreement with the Group with the income sharing percentage no less favorable than any independent third party in the market. At present, the current comparable average net cinema box office income sharing percentage of the Chinese film screening industry is approximately 40% to 45% (for the sharing percentage of the cinema). The Group usually retained no less than approximately 50% to 55% of the net cinema box office income based on the long-term cooperation relationship between the Group and Poly Group and/or its associates. Meanwhile, as a substantial Shareholder of the Company, Poly Group will continue to provide the latest and high-quality film source to the Group and meet the reasonable demands of the Group for screening film and production under Cinema Box Office Income Sharing Framework Agreement. When the market situation changes materially, or the State makes policy adjustments to the distribution and screening of digital films, Poly Group shall also make appropriate adjustments to the income sharing percentage in time, which will maintain the Group's interest in film source and box office income, and benefit all Shareholders.

After the signing of the New Cinema Box Office Income Sharing Framework Agreement, the Directors expect that, taking into consideration the long-term business relationship between Poly Wanhe Cinema Circuit and cinemas of the Group since the date of formal commencement of business, as well as the sharing percentage offered by Poly Wanhe Cinema Circuit which is more favorable than the average market sharing percentage, it is in the Group's long-term interests that the Group continue to maintain relationship with Poly Wanhe Cinema Circuit, while any cessation of such cooperation will cause unnecessary disruption to the movie screening operation of cinemas of the Group, incurring significant business losses to the Group.

(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 International, a subsidiary of Poly Group, hence Poly Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the New Cinema Box Office Income Sharing Framework Agreement entered into between the Company and Poly Group constitute the continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps for the New Cinema Box Office Income Sharing Framework Agreement is more than 5%, the continuing connected transactions under the New Cinema Box Office Income Sharing Framework Agreement are subject to reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Property Lease Framework Agreement

(1) Background

References are made to the Prospectus and the announcement of the Company dated 21 October 2019, containing, among others, the Property Lease Framework Agreement and the annual caps for 2020, 2021 and 2022 entered into between the Company and Poly Group. As disclosed in the Prospectus and the announcement, pursuant to the Property Lease Framework Agreement, the Group may lease properties from Poly Group and/or its associates for the purpose of office premises, cinema operation, theatre operation, auction business operation and ancillary services. The Property Lease Framework Agreement is valid for a term of 20 years commencing on the listing date (i.e. 6 March 2014).

As the corresponding annual caps under the Property Lease Framework Agreement will expire on 31 December 2022, and the Group will continue the aforesaid transactions under the Property Lease Framework Agreement subsequent to 31 December 2022. The Company will enter into the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement with Poly Group on 13 October 2022 (after trading hours). Therefore, the Group will lease properties from Poly Group and/or its associates for the purposes of office premises, cinema operation, theatre operation, art business and auction operation and ancillary services, etc. The proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement shall be subject to the approval by Independent Shareholders.

(2) Property Lease Framework Agreement

Date: 14 February 2014

Parties: Poly Group, as the lessor; and
The Company, as the lessee

Principal terms:

The principal terms of the Property Lease Framework Agreement are as follows:

- the Property Lease Framework Agreement is valid for a term of 20 years commencing on the Listing Date (i.e. 6 March 2014);
- relevant subsidiaries or associates of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Property Lease Framework Agreement;
- basis of determination of rentals: the rentals shall be determined by reference to the then market price or as agreed by both parties after arm's length negotiations;
- the property management fee shall be determined by reference to the then market price or as agreed by both parties after arm's length negotiations;
- the energy charge and other facilities fee shall follow the government prescribed price or where no such government-prescribed price is applicable, it shall then be determined by reference to the then market price or as agreed by both parties after arm-length negotiations; and
- the term of the separate underlying lease agreements entered into under the Property Lease Framework Agreement shall be for a maximum of 20 years. The members of the Group may request to renew the term of the lease by issuing a written notice to relevant members of Poly Group and/or its associates at least one month before expiry of the lease. Relevant members of Poly Group and/or its associates shall, upon receipt of the said notice, consent to the request for renewal and shall renew the lease with members of the Group before its expiration.

Pricing policies:

The rent payable by the Group pursuant to the Property Lease Framework Agreement shall be determined between the parties at arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the rent of the properties at similar locations leased by Poly Group and/or its associates to independent third parties during the same period. The relevant transactions will be conducted on normal commercial terms and on terms and consideration no less favourable than those offered to independent third parties.

In order to ensure that the rental payable under the Property Lease Framework Agreement will be determined on normal commercial terms and safeguard the interests of Shareholders as a whole, the Company has adopted internal control

procedure and corporate governance measures regarding relevant continuing connected transactions, details of which are set out under the section below headed “Internal Control Procedure and Corporate Governance Measures”.

(3) Existing leases

Based on the Property Lease Framework Agreement entered into between the Group and Poly Group, the Group leased several properties from Poly Group and/or its associates with a total gross floor area of approximately 66,484.68 sq.m. as of 30 June 2022. Such properties are located in Beijing, Guangzhou, Shenzhen and Foshan and are mainly used for office premises, cinema operation, theatre operation, art business operation and ancillary services.

(4) Historical amounts

The actual rental expense incurred under the Property Lease Framework Agreement for the years ended 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022 and the annual caps for the years ended/ending 31 December 2020, 31 December 2021 and 31 December 2022 are set forth below:

Unit: RMB million

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
Floating rental	1.89	2.91	0.86
Right-of-use assets	44.14	111.83	81.80
Total actual transaction amount	46.03	114.74	82.66
	For the year ended/ending 31 December		
	2020	2021	2022
Floating rental	13.27	15.41	20.32
Right-of-use assets	235.39	281.04	308.64
Total annual caps <i>(Note 1, 2)</i>	248.66	296.45	328.97

Notes:

1. The actual transaction amount in 2022 has not exceeded and is not expected to exceed the annual cap for the year 2022.

2. The discrepancy between the sum of the figures in the list and the subtotal/aggregate figures is caused by rounding.

(5) Proposed annual caps and basis of determination

Proposed annual caps:

The maximum total annual fee under the Property Lease Framework Agreement for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not exceed the caps set out below:

Unit: RMB million

	For the year ending		
	31 December		
	2023	2024	2025
– Floating rental <i>(Note 1)</i>	2.3	3.45	3.72
– Right-of-use assets	164.98	141.90	135.08
Total proposed annual cap <i>(Note 2)</i>	167.28	145.35	138.80

Notes:

1. Floating rental arising from Poly Film and its subsidiaries (the “**Poly Film Group**”) is subject to the Poly Film Group’s box office income.
2. The discrepancy between the sum of the figures in the list and the subtotal/aggregate figures is caused by rounding.

Basis of determination:

In determining the above proposed annual caps, the Directors have considered:

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

- (ii) the floating rental is directly linked to Poly Film Group's box office income and Poly Film expects to record a substantial increase in box office income and may commence operating more projects from 2023 to 2025. During the next three years ending 31 December 2022, the Company assumed that there would be seven new projects in total, for which the Poly Film Group would enter into leasing agreement with Poly Group and/or its associates. The floating rental of the new projects are directly linked to the expected box office of such projects for the three years ending 31 December 2022;
- (iii) the right-of-use assets are based on the fixed monthly rental fees and estimated monthly rental fees between the Group (other than the Poly Film Group) and Poly Group and/or its associates. The Company has taken into account of office expansion and with reference to the office size in similar area when calculating the right-of-use assets;
- (iv) as at 30 June 2022, the Group leased 20 pieces of properties from Poly Group and/or its associates;
- (v) the rentals of the existing property leases (for the six months ended 30 June 2022, according to the Company's unaudited interim report for the six months ended 30 June 2022, the rental expense incurred was approximately RMB19.59 million);
- (vi) having considered the historical transaction amount and the Group's future development plan, the total annual rental payable by the Group under the Property Lease Framework Agreement for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 shall not exceed RMB164.33 million per year (estimated amounts before taking into account IFRS 16);
- (vii) continuous increase in rentals of properties in the vicinity of the relevant properties and the overall future development of the property market in the PRC;
- (viii) the Group plans to expand office premises and the premises for art business and auction; and
- (ix) the Group's future plan to expand its cinema and theatre management business from 2023 to 2025 may require the Group to lease properties from Poly Group and/or its associates.

(6) *Reasons for and benefits of the transactions under the Property Lease Framework Agreement*

The Group has been leasing and using the above properties for its business operation for a long period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs. One of the principal business of Poly Group is real estate development and operation, which has an excellent reputation in the PRC and ranks the top in the real estate industry in terms of the land reserve, development and sales. The properties developed or held by Poly Group are all located in cities with good economic development and population scale in China, and in the prosperous areas of these cities, which meet the business needs of the Group. Moreover, the conditions of property sites available for the Group's theater business are relatively strict. At the same time, Poly Group can also guarantee a long-term and stable supply of the properties leased by the Group, and the brand effect of Poly is also an important factor of consumption aggregation. Therefore, pursuant to the Property Lease Framework Agreement, Poly Group and/or its associates shall conduct specific transactions with the Company on terms and consideration no less favourable than those offered to independent third parties to guarantee the Group's long-term property lease rights, thereby enabling the Group's business and operation to achieve the stable, long-term and sustainable development.

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

(7) *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 International, a subsidiary of Poly Group, hence Poly Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Property Lease Framework Agreement entered into between the Company and Poly Group constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratio calculated in accordance with the Listing Rules in respect of the proposed annual caps for the Property Lease Framework Agreement is more than 5%, the continuing connected transactions under the Property Lease Framework Agreement are subject to reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. Internal Control Procedure and Corporate Governance Measures

The Company will endeavour to carry out adequate supervision over the actual transaction amount under the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement entered into between the Company and Poly Group against the corresponding annual caps, with a view of ensuring that necessary measures and appropriate actions for the compliance with applicable requirements under the Listing Rules will be promptly taken. The Company has formulated a series of measures and policies, including contract policies, projects management policies, connected transaction management measures, to ensure the continuing connected transactions be implemented in accordance with the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and its pricing policies.

The New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and their respective transactions thereunder will be examined and approved by the Audit Committee of the Board, the Board and/or various internal departments of the Company, including but not limited to, finance department and audit and inspection department of the Company, thus to ensure the terms of such agreement be complied with applicable regulatory rules or guidelines, the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and market practice, and will not deviate from the terms of the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement as disclosed in this announcement. The Audit Committee of the Board, the chief accountant of the Company and various internal departments will also supervise the implementation of the agreement and the process of the transactions on a regular basis.

The internal audit department of the Company will check the authenticity and accuracy of the amounts statistics of specific transactions conducted by subsidiaries of the Group under framework agreements according to the annual audit plan and special audit plan and

check the timeliness of entry of transaction amount, the calculation and payment of accounts, etc. according to the internal audit system and internal control system of the Group. The finance department of the Company shall make statistics on a monthly basis and track and review the actual implementation of the pricing policies and the compliance with caps for framework agreements, and report the amounts and the caps implementation of continuing connected transactions to the Audit Committee of the Board on a regular basis and if the amount will exceed or is estimated to exceed the caps, it will report to the chief accountant, the management and the Audit Committee of the Board in time and implement the disclosure and independent shareholder's approval procedures as required under the Listing Rules.

In addition, the management of the Company will review its pricing policies every half year; the independent non-executive Directors of the Company will conduct an annual review of the implementation and enforcement of the continuing connected transactions (including the relevant pricing mechanism); the auditors of the Company will perform evaluation and review on the above internal control measures of the Company annually and review the continuing connected transactions under the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement annually in accordance with the requirements of Listing Rules, to ensure, among which, such transactions are conducted under the pricing policies of the Company and relevant contracts that govern the transactions.

II. VIEW OF THE BOARD

Having considered the above pricing policies, basis of determination of the proposed annual caps, reasons and benefits, and internal control procedure and corporate governance measures, the Directors (including the independent non-executive Directors) are of the view that the terms of the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the respective 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 the Shareholders as a whole. Meanwhile, the Company is of the view that it has equipped with adequate mechanism, internal control 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 General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement.

As the Directors Mr. Zhang Xi, Ms. Zhang Hong and Mr. Fu Chengrui serve at Poly Group, they are considered to be connected with the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the

respective transactions contemplated thereunder, and they have abstained from voting on the Board resolutions for approving the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the respective proposed annual caps and proposed annual caps under the Property Lease Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the Property Lease Framework Agreement and the respective transactions contemplated thereunder and no other Directors need to abstain from voting on the Board resolutions for considering and approving the New General Services Framework Agreement, the New Commodities Sale and Purchase Framework Agreement, the New Cinema Box Office Income Sharing Framework Agreement and the respective proposed annual caps and proposed annual caps under the Property Lease Framework Agreement.

III. INFORMATION ON PARTIES TO THE TRANSACTIONS

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 China. The Company is mainly engaged in art business and auction, performance and theatre management, and cinema investment and management.

Poly Group was established in 1992 as a large state-owned enterprise under direct supervision and administration of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Apart from the culture and art business conducted through the Company, Poly Group is primarily engaged in international trade, real estate development, development and engineering service in the light industry field, operation and service of raw materials and products for crafts, production and sale and service of explosives for civilian uses, and financial business.

IV. EXTRAORDINARY GENERAL MEETING

The Company will submit the relevant proposals to the forthcoming Extraordinary General Meeting to seek the Independent Shareholders' approval on the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement. Poly Group and its associates will abstain from voting on the proposal regarding the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 and the proposal regarding the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement at such Extraordinary General Meeting. As at the date of this announcement, to the best knowledge, information and belief of Directors and having made all reasonable enquiries, save as disclosed in this

announcement, no other Shareholders will be required to abstain from voting on related resolutions. The above resolutions will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

The Independent Board Committee comprising of all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement. Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the same matters.

A circular containing, among others, (i) details of the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) a notice convening the Extraordinary General Meeting will be despatched to the Shareholders as and when appropriate. For the purpose of this circular, the Company will need time to make various preparations, rendering the expected date of dispatch of this circular to the Shareholders after 15 business days upon the publication of this announcement.

V. 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” the board of directors of the Company
- “Cinema Box Office Income Sharing Framework Agreement” the cinema box office income sharing framework agreement entered into between the Company and Poly Group on 21 October 2019
- “Commodities Sale and Purchase Framework Agreement” the commodities sale and purchase framework agreement entered into between the Company and Poly Group on 21 October 2019
- “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 and the stock code is 03636

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting”	the 2022 first extraordinary general meeting of the Company to be held
“General Services Framework Agreement”	the general services framework agreement entered into between the Company and Poly Group on 21 October 2019
“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 of the Company, namely Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin. The purpose of setting up the committee is to provide advice to the Independent Shareholders in respect of the New Cinema Box Office Income Sharing Framework Agreement and proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity, 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 New Cinema Box Office Income Sharing Framework Agreement and proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement

“Independent Shareholder(s)”	the Shareholders who are not required to abstain from voting in respect of the New Cinema Box Office Income Sharing Framework Agreement and the proposed annual caps for 2023, 2024 and 2025 as well as the proposed annual caps for 2023, 2024 and 2025 under the Property Lease Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Cinema Box Office Income Sharing Framework Agreement”	the cinema box office income sharing framework agreement entered into between the Company and Poly Group on 13 October 2022
“New Commodities Sale and Purchase Framework Agreement”	the commodities sale and purchase framework agreement entered into between the Company and Poly Group on 13 October 2022
“New General Services Framework Agreement”	the general services framework agreement entered into between the Company and Poly Group on 13 October 2022
“Poly Film”	Poly Film Investment Co., Ltd. (保利影業投資有限公司), a wholly-owned subsidiary of the Company
“Poly Group”	China Poly Group Corporation (中國保利集團公司), a state-owned company incorporated in the PRC and the controlling shareholder of the Company, and (when the context requires) including its subsidiaries
“Poly International”	Poly International Holdings Company Limited (保利國際控股有限公司), a state-owned company incorporated in the PRC, a wholly-owned subsidiary of Poly Group and a substantial Shareholder of the Company
“Poly Wanhe Cinema Circuit”	Chongqing Poly Wanhe Cinema Circuit Co., Ltd. (重慶保利萬和電影院線有限責任公司), a company incorporated on 26 July 2005 in the PRC, 51% and 49% of its equity interest are respectively held by Poly Group and Chongqing Wanhe Film Co., Ltd. (重慶萬和影業有限責任公司), an independent third party. It is a subsidiary of Poly Group, and thus constitutes a connected person of the Company
“PRC” or “China”	the People’s Republic of China

“Property Lease Framework Agreement”	the property lease framework agreement entered into between the Company and Poly Group on 14 February 2014
“Prospectus”	the Company’s prospectus dated 24 February 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By order of the Board
Poly Culture Group Corporation Limited
Wang Bo
Chairman

Beijing, the PRC
13 October 2022

As of the date of this announcement, the executive directors of the Company are Mr. Wang Bo, Mr. Zhang Xi, Mr. Jiang Yingchun and Mr. Xu Bei, the non-executive directors are Ms. Zhang Hong and Mr. Fu Chengrui, and the independent non-executive directors are Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin.