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**中藝世紀文化產業投資有限公司**  
**Zhongyi Century Cultural Industry**  
**Investment Co., Ltd.\***

*(a company incorporated in the People's Republic of China with limited liability)*

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

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

## **JOINT ANNOUNCEMENT**

### **(1) PROPOSED PRE-CONDITIONAL PRIVATISATION OF THE COMPANY BY THE OFFEROR BY WAY OF MERGER BY ABSORPTION (2) PROPOSED WITHDRAWAL OF LISTING AND (3) RESUMPTION OF TRADING**

**Financial Adviser to the Offeror**



#### **SUMMARY**

##### **1. INTRODUCTION**

The Offeror and the Company are pleased to jointly announce that on 27 June 2023, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. After completion of the Merger, the Company will be merged into, and absorbed by, the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

## 2. PROPOSED MERGER

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT”, the Offeror will pay the amount of:

- (a) HK\$8.88 per H Share to the H Shareholders in cash to cancel the H Shares held by the H Shareholders; and
- (b) RMB8.17386240 per Domestic Share, which is equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (namely (i) Poly Group; and (ii) Poly International, which in aggregate held all the Domestic Shares in issue), which will be satisfied through the issuance of registered capital of the Offeror to the Domestic Shareholders, in accordance with the description under the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT”.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered following completion of the applicable deregistration filing with SAMR.

The Offeror shall, after fulfilment (or waiver, if applicable) of the Pre-Condition and all the Conditions (being the Conditions to Effectiveness and the Conditions to Implementation), (a) as soon as possible and in any event no later than seven (7) business days pay the Cancellation Price to all H Shareholders and (b) issue the registered capital of the Offeror to Poly Group and Poly International in accordance with the Merger Agreement.

The payment of the total consideration for cancellation of the H Shares will be financed by internal resources of China National Arts (HK) which are funded by intra-group borrowings from Poly Group and its subsidiaries. China National Arts (HK), a wholly-owned subsidiary of China National Arts (PRC) which is the holding company of the Offeror, has undertaken to pay on its behalf the total consideration for the cancellation of the H Shares.

Subject to the satisfaction of the Pre-Condition and all the Conditions, after payment of consideration is made to the H Shareholders and the relevant registered capital of the Offeror is issued to the Domestic Shareholders by or on behalf of the Offeror, all rights attaching to such Shares shall cease to have effect and the relevant Shares shall be cancelled with effect from the Delisting Date. The share certificates for such H Shares and Domestic Shares will cease to have effect as documents or evidence of title.

**The Offeror will not increase the Cancellation Price as set out above, and the Offeror does not reserve the right to do so.**

### **3. PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES**

Upon satisfaction of the Pre-Condition and all the Conditions to Effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

### **4. SHAREHOLDING IN THE COMPANY**

As at the date of this joint announcement, the relevant securities of the Company in issue are 246,316,000 Shares, which comprise 89,447,600 H Shares and 156,868,400 Domestic Shares.

As at the date of this joint announcement, the Offeror does not own any Share.

As at the date of this joint announcement, the Company does not have any outstanding options, warrants or convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

### **5. DESPATCH OF THE COMPOSITE DOCUMENT**

The Company will convene the EGM and the H Shareholder's Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

The Composite Document containing, amongst others, (i) further details of the Merger, the Merger Agreement and other matters in relation to the Merger; (ii) a letter of advice issued by the Independent Financial Adviser to the Independent Board Committee; and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the EGM, a notice of the H Shareholders' Class Meeting and proxy forms are expected to be despatched to H Shareholders within 21 days of the date of this joint announcement pursuant to Rule 8.2 of the Takeovers Code or such later date as the Executive may approve.

Further announcement(s) will be made in respect of the despatch of the Composite Document if and when appropriate in accordance with the Takeovers Code.

## **6. BOARD APPROVAL, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin. The Independent Board Committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting.

The Independent Financial Adviser will be appointed by the Company upon the approval by the Independent Board Committee to provide advice to the Independent Board Committee in respect of the Merger. An announcement will be made by the Company as soon as possible after the appointment of such independent financial adviser. The Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the Composite Document to be despatched to the H Shareholders.

## **7. RESUMPTION OF TRADING**

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 9:00 a.m. on 20 June 2023. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares from 9:00 a.m. on 28 June 2023.

## **8. WARNING**

**The Pre-Condition and the Conditions to Effectiveness must be satisfied before the Merger Agreement becoming effective. The Merger Agreement becoming effective is therefore a possibility only. Further, Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions to Implementation set out in this joint announcement being satisfied or waived, as applicable. Neither the Offeror nor the Company provides any assurance that any or all Conditions or Pre-Condition can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.**

## **NOTICE TO U.S. HOLDERS OF SHARES**

*The Merger will involve the cancellation of the securities of a joint stock limited company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this joint announcement has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*The receipt of cash pursuant to the Merger by a U.S. holder of Shares as consideration for the cancellation of its Shares pursuant to the Merger may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.*

*U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.*

*In accordance with normal Hong Kong practice, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, before or during the Offer Period. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, CITICS and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States. Any information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.*

### **1. INTRODUCTION**

The Offeror and the Company are pleased to jointly announce that on 27 June 2023, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger

Agreement, including the Pre-Condition and the Conditions. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

**2. PROPOSED MERGER**

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT”, the Offeror will pay the amount of:

- (a) HK\$8.88 per H Share to the H Shareholders in cash to cancel the H Shares held by the H Shareholders; and
- (b) RMB8.17386240 per Domestic Share, which is equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (namely (i) Poly Group; and (ii) Poly International, which in aggregate held all the Domestic Shares in issue), which will be satisfied through the issuance of registered capital of the Offeror to the Domestic Shareholders, in accordance with the description under the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT”.

On the basis of (i) the Cancellation Price of HK\$8.88 per H Share; (ii) 89,447,600 H Shares in issue as at the date of this joint announcement; and (iii) assuming there is no change in the number of H Shares and Domestic Shares in issue from the date of this joint announcement up to the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions, the amount of aggregate Cancellation Price required to be paid in cash by the Offeror to cancel the H Shares held by H Shareholders is HK\$794,294,688.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered following completion of the applicable deregistration filing with SAMR.

**3. PRINCIPAL TERMS OF THE MERGER AGREEMENT**

The principal terms and conditions of the Merger Agreement include:

- Parties**
  - (1) The Offeror; and
  - (2) The Company
  
- Overview of the Merger** Subject to the terms and conditions of the Merger Agreement, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered following completion of the applicable deregistration filing with SAMR.

## **Consideration**

Pursuant to the Merger Agreement, conditional upon, the fulfilment (or waiver, as applicable) of the Pre-Condition, Conditions to Effectiveness and the Conditions to Implementation set out in the paragraphs headed “Pre-Condition to the Merger Agreement becoming effective”, “Conditions to Effectiveness” and “Conditions to Implementation” below, the Offeror will pay the amount of:

- (a) HK\$8.88 per H Share to the H Shareholders in cash to cancel the H Shares held by the H Shareholders; and
- (b) RMB8.17386240 per Domestic Share, which is equivalent of the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders (namely (i) Poly Group; and (ii) Poly International, which in aggregate held all the Domestic Shares in issue), which will be satisfied through the issuance to the Domestic Shareholders RMB8.17386240 registered capital of the Offeror for each Domestic Share (equivalent to the payment price per Domestic Share).

The total amount of the consideration to be paid to the Domestic Shareholders shall be calculated by multiplying the aforementioned payment price per Domestic Share by the number of Domestic Shares held by the Domestic Shareholders. Hence, RMB871,909,989 and RMB410,310,727 registered capital of the Offeror will be issued to Poly Group and Poly International, respectively. Upon completion of issuance of registered capital in the Offeror to Poly Group and Poly International, the registered capital of the Offeror will be held as to approximately 58.825% by Poly Group, 27.682% by Poly International and 13.493% by China National Arts (PRC).

**Pre-Condition to the Merger Agreement becoming effective**

The Merger Agreement is subject to the satisfaction of a pre-condition, being the review, approval, filing or registration, as applicable, with or by (a) the National Development and Reform Commission of the PRC, and (b) the State Administration of Foreign Exchange of the PRC or its local authorities (as applicable), and such other applicable governmental approvals in respect of the Merger having been obtained or completed. Save for the governmental approvals as mentioned in (a) and (b) above, the Offeror is not currently aware of any other applicable governmental approvals which are required in respect of the Merger.

The Pre-Condition is not waivable. If the Pre-Condition is not satisfied by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

Upon fulfilment of the Pre-Condition, the Offeror and the Company will post the Composite Document in accordance with the Takeovers Code, and the EGM and H Shareholders' Class Meeting will be convened pursuant to the respective notice to such meetings for the Shareholders and the H Shareholders, respectively, to consider and, if thought fit, approve matters including the Merger.

**Conditions to Effectiveness**

After the Pre-Condition is satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is capable of being waived):

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws; and
- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders' Class Meeting to be convened for this purpose, provided that:



- (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
- (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to Effectiveness are not satisfied by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed "Termination" in this section.

**Conditions to  
Implementation**

After the Merger Agreement becomes effective upon satisfaction of the Pre-Condition and all the Conditions to Effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied or waived, as applicable:

- (1) there being no error or omission of the representations and warranties given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger. The Offeror shall comply with its undertakings under the Merger Agreement in all material respects and there being no breach of such undertakings which has a material impact on the Merger;
- (2) there being no error or omission of the representations and warranties given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger. The Company shall comply with its undertakings under the Merger Agreement in all material respects and there being no breach of such undertakings which has a material impact on the Merger; and
- (3) there being no law, restriction or prohibition of any governmental authority, or any judgment, decision or adjudication of any court which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition to Implementation (1) above and the Offeror shall be entitled to waive Condition to Implementation (2) above. Condition to Implementation (3) above is not capable of being waived. If the above Conditions to Implementation are not satisfied or if applicable, waived, by the Long-stop Date, the Merger Agreement may be terminated by either party. However, if the Conditions to Implementation are not satisfied prior to the Long-stop Date as a result of any material breach of the terms of the Merger Agreement by any party, the breaching party may not terminate the Merger Agreement.

### **Payment of Consideration**

After fulfilment (or waiver, if applicable) of the Pre-Condition and all the Conditions (being the Conditions to Effectiveness and the Conditions to Implementation), the Offeror shall (a) as soon as possible and in any event within seven (7) Business Days pay the Cancellation Price to all H Shareholders and (b) satisfy the payment for the Domestic Shares through issuance of the registered capital of the Offeror to all Domestic Shareholders.

Subject to the satisfaction of all the Conditions to Implementation, and after payment of consideration is made to the H Shareholders and the relevant registered capital of the Offeror is issued to the Domestic Shareholders by or on behalf of the Offeror, all rights attaching to such Shares shall cease to have effect and the relevant Shares shall be cancelled with effect from the Delisting Date. The share certificates for such H Shares and Domestic Shares will cease to have effect as documents or evidence of title.

Payment of consideration to the H Shareholders is deemed to be completed once the Offeror or any entity designated by it has despatched to the H Shareholders the cheques for such consideration, while payment of consideration to the Domestic Shareholders is deemed to be completed once the Offeror has delivered to Poly Group and Poly International the Offeror's register of members and certification of capital contribution affixed with the Offeror's official seal reflecting the Offeror's shareholding structure after the issuance of the registered capital of the Offeror to Poly Group and Poly International in accordance with the Merger Agreement.

## **The Company's Undertakings**

Unless with the prior written consent of the Offeror, the Company shall not issue any Shares, conduct any major acquisitions or disposals which may constitute a discloseable transaction under Chapter 14 of the Listing Rules or declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders from the date of the Merger Agreement to the date of termination of the Merger Agreement or the Delisting Date (whichever is earlier).

As at the date of this joint announcement, the Company has no outstanding dividend that has been declared, made but not yet paid. In addition, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of this joint announcement up to the date on which all of the Pre-Condition and Conditions are satisfied or waived (as applicable), or the date on which the Merger is not approved or otherwise lapsed (as the case may be).

## **Right of a Dissenting Shareholder**

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or other Consenting Shareholders to acquire its Shares at a "fair price".

If any Dissenting Shareholder exercises its right, the Offeror will, if so requested by the Company and/or the Consenting Shareholders, assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a "fair price".

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and (if applicable) the H Shareholders' Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a shareholder on the share register of the Company since the record date for the EGM and (if applicable) the H Shareholders' Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and

- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

- (1) such Shareholder has undertaken to the Company to waive its right;
- (2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; and
- (3) any Share held by such Shareholder is subject to a pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval from the relevant pledgee, third party or competent authority.

## **Termination**

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or the Company, if:
  - (a) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination); or
  - (b) the Conditions to Effectiveness and/or the Conditions to Implementation not having been satisfied, or if applicable, waived on or before the Long-stop Date;
- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger Agreement, which has a material adverse impact on the Merger

and such breach is not remedied by the Company within 30 days following written notice from the Offeror to the Company; or

- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger Agreement, which has a material adverse impact on the Merger and such breach is not remedied by the Offeror within 30 days following written notice from the Company to the Offeror.

As at the date of this joint announcement, none of the Pre-Condition or the Conditions has been fulfilled or waived.

Conditional upon the fulfilment (or waiver, as applicable) of the Pre-Condition, the Conditions to Effectiveness and the Conditions to Implementation set out in the paragraphs headed “Pre-Condition to the Merger Agreement becoming effective”, “Conditions to Effectiveness” and “Conditions to Implementation” above, the Merger will be implemented. Upon completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered following completion of the applicable deregistration filing with SAMR.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and the Company may only invoke any or all of the Conditions to Implementation (1) to (3) set out in the paragraph headed “Conditions to Implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

#### **4. CANCELLATION PRICE**

##### **Comparisons of value**

The Cancellation Price of HK\$8.88 per H Share represents:

- i. a premium of approximately 77.6% over the closing price per H Share of HK\$5.0 on the Stock Exchange on the Last Trading Date;

- ii. a premium of approximately 112.5% over the average closing price of HK\$4.178 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- iii. a premium of approximately 125.2% over the average closing price of HK\$3.944 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- iv. a premium of approximately 133.1% over the average closing price of HK\$3.809 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Date;
- v. a premium of approximately 129.8% over the average closing price of HK\$3.864 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the sixty consecutive trading days immediately prior to and including the Last Trading Date;
- vi. a premium of approximately 129.0% over the average closing price of HK\$3.878 per H Share based on the average closing price of H Shares on the Stock Exchange for the ninety consecutive trading days immediately prior to and including the Last Trading Date;
- vii. a discount of approximately 34.4% to the Group's audited net asset value attributable to the equity Shareholders of the Company of approximately HK\$13.532 per Share as at 31 December 2022, based on the exchange rate of HK\$1: RMB0.89327, being the median exchange rate on 31 December 2022 as announced by the People's Bank of China; and
- viii. a discount of approximately 34.0% to the Group's unaudited net asset value attributable to the equity Shareholders of the Company of approximately HK\$13.448 per Share as at 31 March 2023, based on the exchange rate of HK\$1: RMB0.87541, being the median exchange rate on 31 March 2023 as announced by the People's Bank of China.

**The Offeror will not increase the Cancellation Price as set out above, and the Offeror does not reserve the right to do so.**

### **Highest and lowest prices**

During the six-month period immediately up to and including the Last Trading Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$5.00 on 19 June 2023, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$3.47 on 1 June 2023.

## **Funding for the Merger**

On the basis of (i) the Cancellation Price of HK\$8.88 per H Share; (ii) 89,447,600 H Shares in issue as at the date of this joint announcement; and (iii) assuming there is no change in the number of H Shares in issue from the date of this joint announcement up to the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions, the amount of aggregate Cancellation Price required to be paid in cash by the Offeror to cancel the H Shares held by H Shareholders is HK\$794,294,688. The payment of the total consideration for cancellation of the H Shares will be financed by the internal resources of China National Arts (HK) which are funded by intra-group borrowings from Poly Group and its subsidiaries. China National Arts (HK), a wholly-owned subsidiary of China National Arts (PRC) which is the holding company of the Offeror, has undertaken to pay on its behalf the total consideration for the cancellation of the H Shares.

The Offeror has appointed CITICS as its financial adviser in connection with the Merger. CITICS, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror's obligations in respect of the full implementation of the Merger (excluding all the amount payable to the Domestic Shareholders which is to be satisfied through the issuance of the registered capital of the Offeror to the Domestic Shareholders).

In consideration of the cancellation of 156,868,400 Domestic Shares held directly by Poly Group and Poly International, registered capital of the Offeror will be issued to these Domestic Shareholders in the manner as described under the subsection "Payment of consideration" of the section headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT".

## **5. REASONS AND BENEFITS OF THE MERGER**

The reasons and benefits of the Merger include:

The Board is of the view that the business environment in which the Group operates is uncertain, difficult and challenging. As disclosed in the 2022 annual report of the Company, China's film market indicators plummeted, and the supply of film sources and audience demand reduced significantly in 2022. Against such background, the Group's revenue for the year ended 31 December 2022 declined by 17.5% to approximately RMB2,617.0 million as compared with RMB3,170.3 million for the year ended 31 December 2021, primarily due to the large number of performances that were either cancelled and postponed as a result of the severe impact of the COVID-19 pandemic. Furthermore, due to impact of the COVID-19 pandemic, the Group had recorded three consecutive financial years of loss and the loss recorded for the year ended 31 December 2022 had increased by 105.0% to approximately RMB281.7 million as compared with RMB137.4 million for the year ended 31 December 2021. The Board expects that it will take time for the culture and art sectors to recover, to re-engage with the customers and for the

customer momentum to restore. As such, the Board considers that the market landscape and business environment remain uncertain, difficult and challenging for the Group in the foreseeable future.

The Board also notes that the price of the H Shares had recorded a downward trend since 2019. Further, the trading volume of the H Shares is low with the average daily trading volume at about 42,895 H Shares for the past 12 months up to and including the date of this joint announcement, representing approximately 0.048% of the total issued H Shares as at the date of this joint announcement.

With such an uncertain, difficult and challenging business environment while given the share price performance and low liquidity of the H Shares, the Board believes that the Group's ability to raise funds from the public equity market is currently limited and it is unlikely to expect any significant improvement in the foreseeable future. The Board is of the view that the delisting of the Group would reduce the costs and management resources associated with the maintenance of the Group's listing on the Stock Exchange and its publicly listed status and, therefore, the delisting would result in a more cost effective group structure for the Group.

Furthermore, in order to maintain core competitiveness, the Company needs to unify and sort out its strategy and business direction, exploring new development opportunities and long-term growth strategies, which may cause uncertainty in the Company's financial performance in the short term, thereby causing losses to H Shareholders. After the completion of the Merger, the Company can formulate long-term strategies with more flexibility and avoid the pressure from market expectations and stock price fluctuation risks as a listed company.

The Board (other than the members of the Independent Board Committee, whose views will be given after receiving the opinion of the independent financial adviser) is of the view that the terms of the Merger are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **6. INFORMATION ON THE OFFEROR AND THE COMPANY**

### **(a) Information on the Offeror**

The Offeror is a company established in the PRC with limited liability on 18 April 2014. The Offeror is wholly-owned by China National Arts (PRC) which is a wholly-owned subsidiary of Poly Group. As at the date of this joint announcement, Ms. Li Jing, a PRC citizen, is the sole director and legal representative of the Offeror.

The business scope of the Offeror as set out in the business registration certificate includes, inter alia, investment management and asset management.



As at the date of this joint announcement, the shareholding in the Offeror is as follows:

<b>Name of Shareholders</b>	<b>Subscribed capital contribution (RMB'000)</b>	<b>Percentage in total issued share capital</b>
China National Arts (PRC)	200,000	100%

**(b) Information of China National Arts (PRC)**

China National Arts (PRC) is a company established in the PRC with limited liability on 24 April 2007. As at the date of this joint announcement, China National Arts (PRC) held 100% of the equity interests in the Offeror. Its principal business includes, inter alia, export and import trading, sales of arts and crafts and jewelry, property development and property management.

**(c) Information on the Company**

The Company was established in the PRC on 14 December 2010 as a joint stock company with limited liability. The Company and its subsidiaries are mainly engaged in art business and auction, performance and theatre management and cinema investment and management. On 6 March 2014, the H Shares of the Company was listed on the Main Board of the Stock Exchange.

Set out below is the financial information of the Group as extracted from the audited annual report of the Company for the years ended 31 December 2020, 2021 and 2022 prepared in accordance with International Financial Reporting Standards.

	<b>For the years ended 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>(RMB'000)</i>	
		(audited)	
<b>Total assets</b>	13,858,497	13,296,003	11,940,917
<b>Revenue</b>	2,323,775	3,170,312	2,617,044
<b>Loss for the year</b>	315,841	137,401	281,709

***Shareholding in the Company***

As at the date of this joint announcement, the relevant securities of the Company in issue are 246,316,000 Shares, which comprise 89,447,600 H Shares and 156,868,400 Domestic Shares.

As at the date of this joint announcement, none of the Directors held any Shares or the relevant securities of the Company.

As at the date of this joint announcement, the shareholding in the Company are as follows:

Name of Shareholders	Number of Shares held	Approximate percentage in total issued share capital
<b>Domestic Shares</b>		
Offeror	–	–
Poly Group <i>(Note 1)</i>	106,670,500	43.31%
Poly International <i>(Note 1)</i>	50,197,900	20.38%
<b>Sub-total</b>	<b>156,868,400</b>	<b>63.69%</b>
<b>H Shares</b>		
Li Shuming <i>(Note 2)</i>	7,130,100	2.89%
Poly Developments and Holdings Group Co., Ltd. <i>(Note 3)</i>	403,300	0.16%
Poly Investment Holding Co., Ltd.* (保利投資控股有限公司) <i>(Note 4)</i>	230,000	0.09%
Other public Shareholders <i>(Note 2)</i>	81,684,200	33.17%
<b>Sub-total</b>	<b>89,447,600</b>	<b>36.31%</b>
<b>Total</b>	<b>246,316,000</b>	<b>100.00%</b>

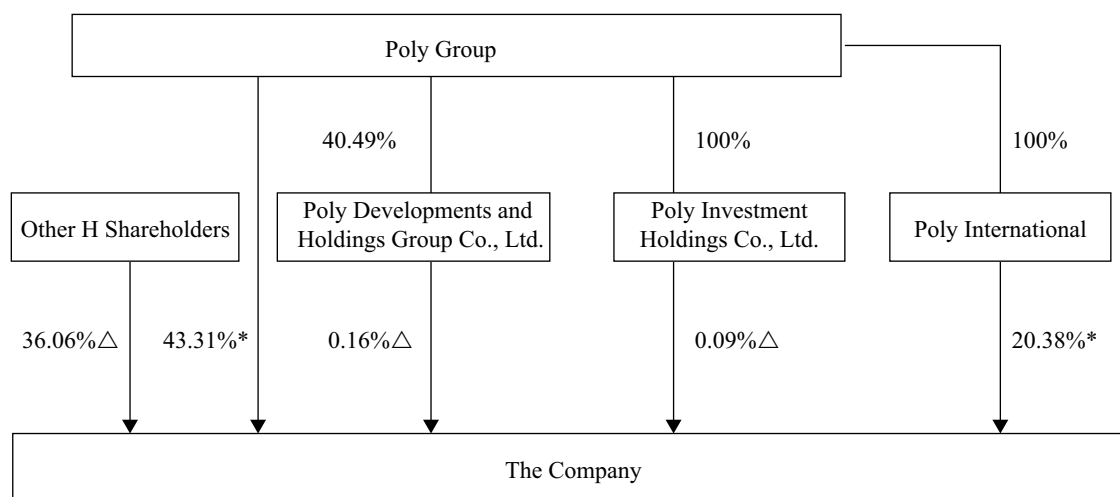
*Notes:*

- 1) *Poly Group directly holds 106,670,500 Shares of the Company and holds 100% of the equity interest of Poly International, which in turn holds 50,197,900 Shares of the Company.*
- 2) *Li Shuming and other public Shareholders are the Independent H Shareholders.*
- 3) *Poly Developments and Holdings Group Co., Ltd. is a listed company on the Shanghai Stock Exchange with stock code 600048 and Poly Group is interested in 40.49% of its shareholding as at the date of this joint announcement.*
- 4) *Poly Investment Holding Co., Ltd. is a wholly-owned subsidiary of Poly Group.*

- 5) *CITICS is the financial adviser to the Offeror in respect of the Merger. Accordingly, CITICS and members of the CITICS group are presumed to be acting in concert with the Offeror in respect of shareholding of CITICS group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by members of the CITICS group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purpose of the Takeovers Code and excluding the Shares held on behalf of non-discretionary investment clients). Details of holdings, borrowings or lendings of, and dealings in, Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company held by or entered into by other parts of the CITICS group (except in respect of Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of other parts of the CITICS group) will be obtained as soon as possible after the date of this joint announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be jointly made by the Offeror and the Company if the holdings, borrowings, lendings, or dealings of the other parts of the CITICS group are significant and, in any event, such information will be disclosed in the Composite Document. The statements in this joint announcement as to the holdings, borrowings or lendings of, or dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by persons acting in concert with the Offeror are subject to the holdings, borrowings, lendings, or dealings (if any) of members of the CITICS group. Any dealings in the relevant securities of the Company by the CITICS group (excluding dealings by the CITICS group members who are exempt principal traders or exempt fund managers or dealings by the CITICS group members for the account of non-discretionary investment clients of the CITICS group) from 27 December 2022 (being six months prior to the date of this joint announcement) to the latest practicable date prior to the despatch of the Composite Document will be disclosed in the Composite Document.*

*Notwithstanding the above, Shares held by any such exempt principal traders will not be voted at the EGM or the H Shareholders’ Class Meeting unless the Executive allows such Shares to be so voted.*

Set out below is the shareholding structure of the Company as at the date of this joint announcement:



*Notes:*

△ represents holding of H Shares

\* represents holding of Domestic Shares

As at the date of this joint announcement, the Offeror does not own any Share.

As at the date of this joint announcement, the Company does not have any outstanding options, warrants or convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

**(d) Information on Poly Group**

Poly Group was established in 1992 as a large state-owned enterprise under the 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 our Company, Poly Group is primarily engaged in international trade, real estate development, development and engineering service in 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.

**(e) Rights and interests in the securities of the Offeror and Shares and respective derivatives**

As at the date of this joint announcement:

- (1) save as disclosed in paragraph headed “Shareholding in the Company” in this section above, none of the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them owns or has control or direction over any Shares or voting rights of the Company;
- (2) there is no holding of voting rights and rights over Shares in respect of which the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them has received any irrevocable commitment in relation to the voting of the resolutions in respect of the Merger;
- (3) there is no holding of voting rights and rights over Shares in respect of which the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them holds convertible securities, warrants or options in respect of the Shares;
- (4) none of the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them has entered into any outstanding derivative in respect of the securities of the Company;
- (5) save for the Merger Agreement and the transactions contemplated thereunder, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the securities of the Offeror or the Shares and which might be material to the Merger;
- (6) there is no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them is a party which relates to the circumstances in which either of them may or may not invoke or seek to invoke a pre-condition or a condition of the Merger;
- (7) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them have borrowed or lent;
- (8) other than the Cancellation Price to be paid by the Offeror for every H Share under the Merger, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror, Poly Group and Poly International, or any parties acting in concert with any of them to the holders of H Share in connection with the cancellation of the H Shares under the Merger; and

- (9) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror, Poly Group and Poly International, and any parties acting in concert with any of them, or (ii)(b) the Company, its subsidiaries or associated companies.

None of the Offeror, Poly Group, Poly International and parties acting in concert with any of them had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company during the period beginning six months prior to the date of this joint announcement and up to and including the date of this joint announcement.

## **7. BOARD APPROVAL, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin. Since the non-executive Directors, namely, Ms. Zhang Hong and Mr. Fu Chengrui, are the supervisor and the chief accountant of Poly International, respectively, they may have interest in the Merger and are therefore excluded from the Independent Board Committee. The Independent Board Committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting.

The Independent Financial Adviser will be appointed by the Company upon the approval by the Independent Board Committee to provide advice to the Independent Board Committee in respect of the Merger. An announcement will be made by the Company as soon as possible after the appointment of such Independent Financial Adviser. The Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the Composite Document to be despatched to the H Shareholders.

## **8. PROPOSED WITHDRAWAL OF LISTING OF H SHARES**

Upon satisfaction of the Pre-Condition and all the Conditions to Effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

## **9. EGM AND H SHAREHOLDERS' CLASS MEETING AND THE COMPOSITE DOCUMENT**

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

The Composite Document containing, amongst others, (i) further details of the Merger and the Merger Agreement and other matters in relation to the Merger; (ii) a letter of advice to be issued by the Independent Financial Adviser to the Independent Board Committee; and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the EGM, a notice of the H Shareholders' Class Meeting and proxy forms are expected to be despatched to H Shareholders within 21 days of the date of this joint announcement pursuant to Rule 8.2 of the Takeovers Code, which in this case would be on or before 18 July 2023, or such later date as the Executive may approve.

Further announcement(s) will be made in respect of the despatch of the Composite Document if and when appropriate in accordance with the Takeovers Code.

## **10. RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES**

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities of the Offeror and the Company) of the Offeror, Poly Group and the Company are hereby reminded to disclose their dealings in any shares in the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.*

*This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **11. NUMBER OF RELEVANT SECURITIES IN ISSUE**

As at the date of this joint announcement, the relevant securities of the Company in issue are 246,316,000 Shares, which comprise 89,447,600 H Shares and 156,868,400 Domestic Shares.

As at the date of this joint announcement, the Offeror does not own any Share.

## **12. RESUMPTION OF TRADING**

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 9:00 a.m. on 20 June 2023. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares from 9:00 a.m. on 28 June 2023.

## **13. WARNING AGAINST RELIANCE ON PROFIT FORECAST**

Reference is made to the announcement of the Company dated 28 April 2023 in relation to the unaudited financial statements of the Company for the first quarter of 2023 (the “**Unaudited Profit Figures**”). The Unaudited Profit Figures constitute profit forecast under Rule 10 of the Takeovers Code and should therefore be reported on by the Company’s financial adviser and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code.

Except with the consent of the Executive, the Unaudited Profit Figures which have been made before the date of this joint announcement must be examined, repeated and reported on in this joint announcement in accordance with Rule 10.3(d) of the Takeovers Code. As the Company needs additional time to engage its financial adviser or auditor/accountant to prepare the relevant reports on the Unaudited Profit Figures in accordance with Rule 10.4 of the Takeovers Code, the profit forecast will be reported on as soon as reasonably practicable and the relevant reports will be contained in the next Shareholder’s document (i.e. the Composite Document). Normally, the requirement to include the Rule 10 reports in the next Shareholder’s document will no longer apply if the results to which the unaudited financial information relates have been announced and the relevant results together with the notes to the financial statements are included in the Shareholder’s document.

**Shareholders and potential investors of the Company should note that the Unaudited Profit Figures have not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and do not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Unaudited Profit Figures in assessing the merits and demerits of the transactions contemplated under the Merger Agreement.**



## 14. WARNING

**The Pre-Condition and the Conditions to Effectiveness must be satisfied before the Merger Agreement becoming effective. The Merger Agreement becoming effective is therefore a possibility only. Further, Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions to Implementation set out in this joint announcement being satisfied or waived, as applicable. Neither the Offeror nor the Company provides any assurance that any or all Conditions or Pre-Condition can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.**

## 15. DEFINITIONS

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Articles”	the articles of association of the Company (including the rules of procedures for shareholders’ general meetings and the rules of procedures for board meetings)
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$8.88 per H Share payable in cash by the Offeror to the H Shareholders as described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” above
“China” or “PRC”	People’s Republic of China, for the purpose of this joint announcement, except where the context requires otherwise, excluding Hong Kong, Macau Special Administrative Region and Taiwan

“China National Arts (HK)”	China National Arts & Crafts Group (Hong Kong) Limited (中國工藝集團(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China National Arts (PRC)
“China National Arts (PRC)”	China National Arts & Crafts (Group) Corporation * (中國工藝集團有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of Poly Group. It holds the entire equity interests in each of China National Arts (HK) and the Offeror
“CITICS”	CITIC Securities (Hong Kong) Limited, the financial adviser to the Offeror in respect of the Merger. CITICS is a licensed corporation under the SFO, licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“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, the H Shares of which are listed on the Stock Exchange with the stock code of 3636
“Composite Document”	the document to be jointly issued by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, details of the Merger, as may be revised or supplemented as appropriate
“Conditions”	collectively, the Conditions to Effectiveness and the Conditions to Implementation
“Conditions to Effectiveness”	has the meaning given to it in the paragraph headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to Effectiveness”
“Conditions to Implementation”	has the meaning given to it in the section paragraph “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to Implementation”
“Consenting Shareholders”	the Shareholders who have approved the Merger

“Declaration Period”	a period commencing on the date on which the Merger is approved by the Shareholders and the H Shareholders at the EGM and the H Shareholders’ Class Meeting respectively and expiring on the fifth (5th) Business Day from (and including) the date on which the Merger is approved by the Shareholders and the H Shareholders at the EGM and the H Shareholders’ Class Meeting respectively, during which any Dissenting Shareholder may declare to exercise its right
“Delisting Date”	the date on which the listing of the Company on the Stock Exchange has been withdrawn
“Director(s)”	director(s) of the Company
“Dissenting Shareholder”	a Shareholder who has validly voted against all the resolutions in respect of the Merger at the EGM and (if applicable) the H Shareholders’ Class Meeting and has requested the Company or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) to acquire its Shares at a “fair price”
“Domestic Share(s)”	the domestic shares of the Company, with a RMB denominated par value of RMB1.00 each, representing approximately 63.69% of the entire issued share capital of the Company as at the date of this joint announcement
“Domestic Shareholder(s)”	the holder(s) of Domestic Share, being Poly Group and Poly International
“EGM”	the extraordinary general meeting of the Company to be convened, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements
“Exchange Rate”	the exchange rate of HK\$1: RMB0.92048, which is the central parity rate of Hong Kong Dollar to RMB as at the date of this joint announcement as announced by the People’s Bank of China
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“Exercise Date”	the date on which the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) pays cash consideration to Dissenting Shareholders who exercised their right to request the Company or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) to acquire the Shares held and effectively declared by them at “fair price”, which will be decided and announced by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Main Board of the Stock Exchange, representing approximately 36.31% of the entire issued share capital of the Company as at the date of this joint announcement
“H Shareholder(s)”	the holder(s) of H Shares
“H Shareholders’ Class Meeting”	the class meeting of the Company to be convened for H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company established by the Company for the purposes of considering the Merger, which comprises all of the independent non-executive Directors, being Ms. Li Xiaohui, Mr. Sun Hua and Mr. Fung Edwin
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company upon the approval by the Independent Board Committee to advise the Independent Board Committee and the Independent H Shareholders in respect of, among other things, the Merger

“Independent H Shareholders”	the H Shareholders other than the Offeror, Poly Group, Poly International and any parties acting in concert with any of them (including Poly Developments and Holdings Group Co., Ltd. and Poly Investment Holding Co., Ltd.)
“Last Trading Date”	19 June 2023, being the last trading day for the Shares prior to the halt of trading in the Shares pending the release of this joint announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	26 June 2024, being the last date which the Pre-Condition, Conditions to Effectiveness and the Conditions to Implementation can be satisfied, unless the Offeror and the Company otherwise agree, subject to the consent of the SFC
“Merger”	the proposed merger by absorption of the Company by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement
“Merger Agreement”	the merger agreement entered into between the Offeror and the Company on 27 June 2023 in relation to the Merger
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 27 June 2023 (the date of this joint announcement) and ending on the Delisting Date, or the date on which the Merger is not approved or otherwise lapses, whichever is earlier
“Offeror”	Zhongyi Century Cultural Industry Investment Co., Ltd.* (中藝世紀文化產業投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China National Arts (PRC)
“Poly Group”	China Poly Group Corporation, a state-owned company incorporated in the PRC and the controlling shareholder of the Company
“Poly International”	Poly International Holdings Limited (保利國際控股有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Poly Group

“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“PRC Laws”	any and all laws, regulations, statutes, rules, and other normative documents as may be currently in force in the PRC, including such amendments, supplements, interpretations or re-enactments from time to time
“Pre-Condition”	has the meaning given to it in the paragraph headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT – Pre-Condition to the Merger Agreement becoming effective”
“RMB”	Renminbi, the lawful currency in the PRC
“SAMR”	the State Administration for Market Regulation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	collectively, H Shares and Domestic Shares
“Shareholder(s)”	collectively, H Shareholders and Domestic Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended and supplemented from time to time
“trading day”	a day on which the Stock Exchange is open for dealing or trading in securities
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended
“%”	per cent

By order of the Board of  
**Zhongyi Century Cultural Industry  
Investment Co., Ltd.\***  
**Li Jing**  
*Director*

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

Beijing, the PRC, 27 June 2023

*As of the date of this joint announcement, the executive Directors are Mr. Wang Bo, Mr. Jiang Yingchun, Mr. Guo Wenpeng 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.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Offeror, Poly Group, Poly International and any parties acting in concert with any of them), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole director of the Offeror and the directors of Poly Group and Poly International) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*As of the date of this joint announcement, the sole director of the Offeror is Ms. Li Jing.*

*The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this joint announcement (other than any information relating to the Company) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Company) having been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As of the date of this joint announcement, the directors of Poly Group are Liu Hualong, Zhang Wanshun, Zhang Hao, Gao Lieyang, Wu Mengfei, Geng Ruguang, Guo Jianxin, Pan Zhengyi and Luo Depi, and the directors of Poly International are Wang Xingye, Huang Geming, Tong Yunxiang, Zhang Jinsong and Zhang Yi.*

*The directors of Poly Group and Poly International, jointly and severally, accept full responsibility for the accuracy of information contained in this joint announcement (other than any information relating to the Company), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole*

*director of the Offeror and the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

\* *for identification purposes only*