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# **Poly Property Group Co., Limited**

## **保利置業集團有限公司**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 00119)**

### **CONTINUING CONNECTED TRANSACTIONS FINANCIAL FRAMEWORK AGREEMENT**

The Board announces that on 5 December 2019, the Company and Poly Finance entered into the Financial Framework Agreement for a term of three years from 1 January 2020 to 31 December 2022. Pursuant to the Financial Framework Agreement, the Company and the Mainland Entities will utilize financial services including deposit services, unsecured loan financing services, unsecured guarantee services and settlement services offered by Poly Finance.

Poly Finance is owned as to 82.83% by China Poly and its associates, 11.35% by the Company and the remaining 5.82% by an independent third party. As China Poly and its associates are substantial shareholders of the Company holding approximately 47.32% of the issued share capital of the Company, Poly Finance is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Financial Framework Agreement and the services contemplated thereunder therefore constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules of the annual cap for the deposit services under the Financial Framework Agreement exceed 0.1% but are less than 5%, the deposit services contemplated under the Financial Framework Agreement are subject to reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and financial statements of the Company in accordance with Chapter 14A of the Listing Rules.

In respect of the financing and guarantee services as may be provided by Poly Finance under the Financial Framework Agreement, as they will be conducted on normal commercial terms or better, and no security over the assets of the Group will be provided, such transactions are fully exempted from the connected transaction requirements under Rule 14A.90 of the Listing Rules.

As the settlement services to be provided by Poly Finance to the Company and the Mainland Entities are free of charge, the settlement services are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

## **THE FINANCIAL FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 20 December 2016 in respect of the Existing Financial Framework Agreement entered into between the Company and Poly Finance for a term of three years ending 31 December 2019, pursuant to which Poly Finance agreed to provide certain financial services to the Company and Mainland Entities.

The Board announces that the Company and Poly Finance have entered into the Financial Framework Agreement, details of which are as follows:

### **Date**

5 December 2019

### **Parties**

- (1) the Company; and
- (2) Poly Finance

Poly Finance is owned as to 82.83% by China Poly and its associates, 11.35% by the Company and the remaining 5.82% by an independent third party. As China Poly and its associates are substantial shareholders of the Company holding approximately 47.32% of the issued share capital of the Company, Poly Finance is an associate of a connected person of the Company under Chapter 14A of the Listing Rules.

### **Term**

The term of the Financial Framework Agreement is three years from 1 January 2020 to 31 December 2022. Upon expiry of the Financial Framework Agreement, the parties may renew the agreement for a further period to be mutually agreed between the parties subject to compliance with any applicable requirements under the Listing Rules.

### **Scope of financial services**

Poly Finance will provide the Company and the Mainland Entities with (1) cash deposit services; (2) financing and guarantee services each on an unsecured basis; and (3) settlement services.

The Financial Framework Agreement is on a non-exclusive basis and the Group is free to choose other third party financial institutions or commercial banks to provide any of the financial services set out in the Financial Framework Agreement.

### **Pricing policy**

Poly Finance has undertaken to provide the above financial services to the Company and the Mainland Entities based on the following pricing policy:

- (1) the interest rates for the Company and the Mainland Entities' deposit with Poly Finance should be higher than the interest rates offered by major domestic commercial banks in the PRC for the deposit with the same type and term;

- (2) Poly Finance undertakes to provide favourable interest rate for loans extended to the Mainland Entities, which should be lower than the lowest interest rate as may be offered by any major third party commercial bank or financial institution to the Company and the Mainland Entities. All loans granted to the Company and the Mainland Entities and guarantees provided by Poly Finance will not require the Group to provide securities over the assets of the Group; and
- (3) the settlement services provided by Poly Finance to the Company and the Mainland Entities are free of charge.

As part of the Group's internal procedures relating to the transactions with Poly Finance, the Group will refer to the prevailing market rates and the deposit rates for RMB-denominated deposits set by the People's Bank of China at the time for similar deposit services for similar duration before it enters into any new deposit arrangement with Poly Finance to ensure that the offer from Poly Finance is no less favourable than those offered by other independent financial institutions.

## **PROPOSED ANNUAL CAPS FOR THE FINANCIAL FRAMEWORK AGREEMENT**

### **Deposit services**

#### *Historical figures*

The average outstanding daily balance of deposits placed by the Company and the Mainland Entities with Poly Finance during the two years ended 31 December 2018 and the eleven months ended 30 November 2019 under the Existing Financial Framework Agreement were as follows:

<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>	<b>For the eleven months ended 30 November 2019</b>
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
395.59 million	401.00 million	393.38 million

#### *Proposed annual caps*

The Financial Framework Agreement provides a maximum daily deposit balance of RMB460,000,000 (equivalent to approximately HK511,111,000) as the annual caps for the deposit services for the three years ending 31 December 2020, 2021 and 2022.

In determining the above proposed annual caps for each of the three years ending 31 December 2020, 2021 and 2022, the Company has taken into account the current and future cash flow position of the Company and the Mainland Entities and the estimated scale of business operation and demand for financial services of the Company and the Mainland Entities in the future. In addition, the Company has considered the fact that Poly Finance is under the supervision of the CBIRC and it has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in its track record. The safety standards of Poly Finance's settlement system are comparable with those of domestic commercial banks. The cooperation between the Company and the Mainland Entities and Poly Finance not only can reduce finance costs, increase interest income of deposits, lower settlement costs but also can diversify risks.

## **Financing and guarantee services on an unsecured basis**

In respect of the financing and guarantee services as may be provided by Poly Finance under the Financial Framework Agreement, as they will be conducted on normal commercial terms or better, and no security over the assets of the Group will be provided, such transactions are fully exempted from the connected transaction requirements under Rule 14A.90 of the Listing Rules. Accordingly, no cap has been set for such services.

## **Settlement services**

As the settlement services to be provided by Poly Finance to the Company and the Mainland Entities are free of charge, the settlement services are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules. Accordingly, no cap has been set for such services.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL FRAMEWORK AGREEMENT**

The role of Poly Finance is similar to a cash pooling centre via which funds from Member Entities are pooled in the accounts maintained by Poly Finance which, in return, will pay interest on deposits received or charge interest on the loans provided. Through Poly Finance (and thereby centralized fund management), the Company and the Mainland Entities can enjoy the benefit of efficiency enhancement in fund deployment between members of its group. The centralized cash management exercise primarily aims to enable cash surpluses of some members of the Company and the Mainland Entities and China Poly to cover the funding requirements of each other if they fulfil the criteria as set out in the lending policy of Poly Finance, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among Member Entities, with the following reasons:

- (1) As one of the directors of Poly Finance is also the financial controller of the Company who has extensive knowledge of the business of Poly Finance as well as the Company, the Group is expected to benefit from Poly Finance's better understanding of the operations of the Mainland Entities which facilitates the provision of expedient and efficient services. As an intra-group service provider, Poly Finance communicates more efficiently with the the Company and the Mainland Entities as compared with other independent commercial banks;
- (2) The interest rates on deposits offered by Poly Finance to the Company and the Mainland Entities are more favorable than those offered by other independent PRC commercial banks generally; and
- (3) Poly Finance is regulated by CBIRC and provides its services in accordance and in compliance with the rules and operational requirements of the regulatory authority. The CBIRC assesses the credit rating of Poly Finance each year. The rating of Poly Finance for 2018 was "Good" and each of the regulatory indicators were satisfactory.

The deposit transactions form part of the daily operations of the Group. The commercial terms (including the rates) offered by Poly Finance in respect of such transactions are better than those offered by domestic commercial banks for the provision of similar services to the Company and the Mainland Entities. Further, the Group can earn interests from the deposit

transactions. The remaining cash of the Group is held by a number of other independent financial institutions. The Company considers that the arrangement of deposits with Poly Finance helps diversify the Group's risk in relation to its deposits.

The Directors (including the independent non-executive Directors) are of the opinion that the Financial Framework Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group and such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors have a material interest in the transactions contemplated under the Financial Framework Agreement and accordingly, none of them have abstained from voting on the board resolutions approving the Financial Framework Agreement and the transactions contemplated thereunder.

## **INFORMATION RELATING TO THE GROUP, CHINA POLY AND POLY FINANCE**

### **The Group**

The Company is principally engaged in the investment holding while the subsidiaries of the Company are principally engaged in property development, property investment and management, hotel operations and its related services, manufacturing and sales of digital discs and others.

### **China Poly**

China Poly is the controlling shareholder and the ultimate beneficial owner of both the Company and Poly Finance. China Poly is a state-owned enterprise managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Its businesses span seven major sectors, namely international trade, real estate development, light industry research and development and engineering services, operations in crafts goods and their raw materials, operations in culture and arts, production of civilian explosive and related services, and financial services.

### **Poly Finance**

Poly Finance is a non-banking financial institution with a financial license and was established with the approval of CBIRC. The reason for establishing Poly Finance is to provide financial management services to Member Entities for the purpose of strengthening centralized management of funds among Member Entities and improving the efficiency of using such funds, to strengthen the economic cooperation between the joint venture parties and to adopt advanced operation and management. The principal business of Poly Finance includes the provision of deposit services, loan financing services, settlement services and miscellaneous financial services.

## **LISTING RULES IMPLICATIONS**

Poly Finance is owned as to 82.83% by China Poly and its associates, 11.35% by the Company and the remaining 5.82% by an independent third party. As China Poly and its associates are substantial shareholders of the Company holding approximately 47.32% of the issued share capital of the Company, Poly Finance is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Financial Framework Agreement and the services contemplated thereunder therefore constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable the percentage ratios under Rule 14.07 of the Listing Rules of the annual cap for the deposit services under the Financial Framework Agreement exceed 0.1% but are less than 5%, the deposit services contemplated under the Financial Framework Agreement are subject to reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Appropriate disclosure of the above transactions will be made in the next published annual report and financial statements of the Company in accordance with Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	the China Banking and Insurance Regulatory Commission
“China Poly”	中國保利集團有限公司 (China Poly Group Corporation Limited*), a state-owned enterprise established in the PRC, a substantial shareholder of the Company, and together with its associates, hold approximately 47.32% of the total issued share capital of the Company
“Company”	Poly Property Group Co., Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Financial Framework Agreement”	the financial framework agreement dated 20 December 2016 entered into between the Company and Poly Finance for the provision of certain financial services
“Financial Framework Agreement”	the financial framework agreement dated 5 December 2019 entered into between the Company and Poly Finance for the provision of certain financial services
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mainland Entity(ies)”	the subsidiary(ies) of the Company established in the Mainland China
“Member Entities”	(i) China Poly; (ii) any subsidiary company of China Poly; (iii) any company in the share capital of which China Poly or its subsidiary companies solely or jointly hold more 20%; (iv) any company, in which China Poly or its subsidiary companies solely or jointly hold less than 20% of shares but in a status as the largest shareholder; and (v) any institution legal person or social organization legal person subordinated to China Poly or its subsidiary companies
“Poly Finance”	保利財務有限公司 (Poly Finance Company Limited), a joint venture entity established under the laws of the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*The Chinese names of the PRC entities, authorities or facilities have been translated into English in this announcement for reference purposes only. In the event of any discrepancies between the Chinese names of these PRC entities, authorities or facilities and their respective English translations, the Chinese version shall prevail.*

*In this announcement, certain amounts quoted in RMB have been converted into Hong Kong dollars at the reference rate of HK\$1.00 to RMB0.90 for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.*

By order of the Board  
**Poly Property Group Co., Limited**  
**ZHANG Bingnan**  
*Chairman*

Hong Kong, 5 December 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Bingnan, Mr. Han Qingtao, Mr. Xue Ming, Mr. Wang Xu, Mr. Wang Jian, Mr. Ye Liwen, Mr. Zhu Weirong, and the independent non-executive directors are Mr. Ip Chun Chung, Robert, Mr. Choy Shu Kwan, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.*

*\*For identification purpose only*