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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)**

### **MAJOR AND CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2022 FINANCIAL FRAMEWORK AGREEMENT**

#### **2022 FINANCIAL FRAMEWORK AGREEMENT**

Reference is made to the 2019 Announcement relating to the 2019 Financial Framework Agreement. On 19 May 2022 (after trading hours), the Company and Poly Finance entered into the 2022 Financial Framework Agreement to increase the annual caps in relation to the Deposit Services as may be provided by Poly Finance for a term of three years from the Effective Date. Pursuant to the 2022 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.

Upon the Independent Shareholders' approval, the 2022 Financial Framework Agreement will replace and supersede the 2019 Financial Framework Agreement with effect from the Effective Date.

#### **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 47.89% 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.

As the highest applicable percentage ratio of the Proposed Annual Caps under the 2022 Financial Framework Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the 2022 Financial Framework Agreement and the transactions contemplated thereunder constitute (i) a major transaction of the Company subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The financing and guarantee services as may be provided by Poly Finance under the 2022 Financial Framework Agreement will be conducted on normal commercial terms or better and no security over the assets of the Group will be provided. Therefore, such transactions are fully exempted from the connected transaction requirements in accordance with Rule 14A.90 of the Listing Rules. Accordingly, no cap has been set for such services.

The settlement services as may be provided by Poly Finance under the 2022 Financial Framework Agreement are free of charge, and therefore 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.

#### **EXTRAORDINARY GENERAL MEETING**

The extraordinary general meeting will be held for the Independent Shareholders to consider and approve the 2022 Financial Framework Agreement and the Proposed Annual Caps contemplated thereunder.

China Poly Group and its associates will abstain from voting on the resolution at the extraordinary general meeting in respect of 2022 Financial Framework Agreement and the transactions and the Proposed Annual Caps contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for China Poly and its associates, no Shareholder (or its associates) has any material interest in the transactions contemplated under the 2022 Financial Framework Agreement and no Shareholder (or its associates) will be required to abstain from voting. The aforementioned resolution will be passed by way of ordinary resolution and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

An Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun, has been established to advise the Independent Shareholders in relation to the Deposit Services. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As it takes additional time to prepare a circular containing, among other matters, (i) further information on the 2022 Financial Framework Agreement and the transactions and the Proposed Annual Caps contemplated thereunder; (ii) a letter from Gram Capital; (iii) the recommendation from the Independent Board Committee; and (iv) the notice convening the extraordinary general meeting, such circular is expected to be despatched to the Shareholders on or before 17 June 2022.

## **BACKGROUND**

Reference is made to the 2019 Announcement relating to the 2019 Financial Framework Agreement. In view of the increase in demand for Deposit Services to be provided by Poly Finance to the Group, on 19 May 2022 (after trading hours), the Company and Poly Finance entered into the 2022 Financial Framework Agreement to increase the annual caps in relation to the Deposit Services as may be provided by Poly Finance for a term of three years from the Effective Date. Pursuant to the 2022 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.

Upon the Independent Shareholders' approval, the 2022 Financial Framework Agreement will replace and supersede the 2019 Financial Framework Agreement with effect from the Effective Date.

The principal terms of the 2022 Financial Framework Agreement are as below.

## **PRINCIPAL TERMS OF THE 2022 FINANCIAL FRAMEWORK AGREEMENT**

**Date** 19 May 2022

**Parties** the Company and Poly Finance

### **Term**

The term of the 2022 Financial Framework Agreement is three years from the Effective Date. Upon expiry of the 2022 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.

The term of the 2022 Financial Framework Agreement is subject to the Company having obtained the approval of the Independent Shareholders.

### **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 2022 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 2022 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' deposits 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 banks or financial institutions 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 ("PBOC") 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.

Further, for the purpose of ensuring the interest rates in respect of the deposits placed by the Group with Poly Finance will be higher than the average interest rate offered by major domestic commercial banks in the PRC for the deposit with the same type and term, the Company's finance department will be responsible for liaising with Poly Finance and will review the interest rates and commercial terms on deposits offered by at least three independent major PRC state-owned commercial banks, and will then obtain their quotations on deposits via conducting online enquiries. The above steps would ensure the interest rate to be provided by Poly Finance to the Group will be higher than the average interest rate offered by the comparable banks for comparable deposit of the same type and term. Also, to determine whether the commercial terms provided by Poly Finance are favourable, apart from considering the deposit interest rate provided, the Group will also consider other factors, to the extent applicable, including: (i) any applicable settlement fees; and (ii) efficiency of the withdrawal procedure. The Group may withdraw the deposits on the same day on which its instruction is given to Poly Finance in accordance with its procedural requirements. The Group has the discretion in deciding whether or not to use the Deposit Services provided by Poly Finance. If the

Group considers the interest rate and other commercial terms offered by Poly Finance do not meet the above requirements, the Group is not obliged to use the Deposit Services provided by Poly Finance.

### **Proposed Annual Caps for the 2022 Financial Framework Agreement**

#### ***Deposit Services***

##### *Historical figures*

The historical maximum daily outstanding daily balance of deposits placed by the Company and the Mainland Entities with Poly Finance in respect of 2020 and 2021 were as follows:

<b>For the year ended</b>	<i>(RMB'000)</i>	<i>(HK\$'000)</i>
31 December 2020	459,921	547,525
31 December 2021	459,988	560,961

Under the 2019 Financial Framework Agreement, the Group and Poly Finance agreed that the maximum daily balance of deposits placed by the Group with Poly Finance would be capped at RMB460,000,000.

##### *Proposed Annual Caps*

The 2022 Financial Framework Agreement provides a maximum daily deposit balance of RMB2,500,000,000 (equivalent to approximately HK2,906,977,000) as the Proposed Annual Caps for the Deposit Services for a term of three years from the Effective Date:

	<i>(RMB'000)</i>	<i>(HK\$'000)</i>
<b>Proposed maximum daily deposit balance</b>		
For a term of three years from the Effective Date	2,500,000	2,906,977

In determining the above Proposed Annual Caps, the Company has considered the historical daily deposit balance and cash balance for the past three years, 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 deposit transactions form part of the daily operations of the Group. The commercial terms offered by Poly Finance in respect of such transactions are no less favourable than those offered by major domestic commercial banks in the PRC for the terms of similar services to the Group. The Company considers that 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.

The Board also considers to cater for the Group's business needs and anticipated demand for the financial services from Poly Finance in 2022, 2023, 2024 and 2025.

#### ***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 2022 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 in accordance with 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 2022 FINANCIAL FRAMEWORK AGREEMENT**

In view of the increase in demand for Deposit Services to be provided by Poly Finance to the Group, the Board considers that the annual caps under the 2019 Financial Framework Agreement for the year ending 31 December 2022 will not be able to cater for the Group's demand for such services. After negotiation, the Company and Poly Finance agreed to replace the 2019 Financial Framework Agreement by the 2022 Financial Framework Agreement. As compared with the 2019 Financial Framework Agreement, save and except for the Proposed Annual Caps, the terms and conditions of the 2022 Financial Framework Agreement remain unchanged.

The reasons for and benefits of entering into the 2022 Financial Framework Agreement are set out below:

- (i) the interest rates on deposits offered by Poly Finance to the Company and the Mainland Entities are more favorable than those offered by major independent domestic commercial banks generally, and the Group may increase interest income of deposits and reduce finance costs;

- (ii) as an internal financial institution of China Poly Group, Poly Finance communicates with the Group more conveniently and efficiently as compared with other major independent domestic commercial banks. The terms of relevant services are more favorable to the Group with lower capital risks;
- (iii) Poly Finance is regulated by CBIRC. It has good risk control and compliant management. The safety standards of its settlement system are comparable with those of major independent domestic commercial banks, ensuring the capital safety of the Group;
- (iv) the Group's monetary funds are currently deposited in several banks. The deposit arrangement with Poly Finance helps to diversify the Group's deposit risks;
- (v) the Deposit Services provided by Poly Finance have no restriction on the flow of deposits. The Group can adopt cash deposit terms of different lengths to ensure flexible cash flow;
- (vi) Poly Finance undertakes to provide favorable interest rate for loans extended to the Company, which shall not be higher than the interest rates of similar loans of similar terms offered by major independent domestic commercial banks. When the Group needs funds, the loan interest rate is minimized to reduce financing costs;
- (vii) the terms of loans of Poly Finance are comparable to and better than those of major independent domestic commercial banks. As an internal financial institution of China Poly Group, Poly Finance has a better understanding of the operating characteristics of the Group and can specifically design professional and customized credit service plans for the Group;
- (viii) the terms of credit services provided by Poly Finance are more flexible. The Group is not obliged to use the credit services; and
- (ix) the settlement services provided by Poly Finance are free of charge, which reduces finance costs of the Group.

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 interest from the deposits. As none of the Directors have a material interest in the 2022 Financial Framework Agreement and the transactions contemplated thereunder, no Director was required to abstain from voting at the Board meeting considering and approving the abovementioned matters.

The Directors (excluding independent non-executive Directors of the Company who will form their view after considering the advice of Gram Capital) considered the terms of the 2022 Financial Framework Agreement are determined in arm's length between the Company and Poly Finance and the entering into of the 2022 Financial Framework Agreement is in the Group's ordinary course of business, and the terms of the 2022 Financial Framework Agreement together with the Proposed Annual Caps are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

To ensure that the Deposit Services are executed in accordance with the 2022 Financial Framework Agreement and its pricing policy, the Company has formulated a series of internal control measures and policies in relation to cash management, including (but not limited to):

- (1) the Company's management and finance department will closely monitor the use of Deposit Services contemplated under the 2022 Financial Framework Agreement, including conducting ongoing and timely enquiries to monitor and ensure that existing and ongoing cash balance with Poly Finance remain within the Proposed Annual Caps;
- (2) the Company's auditor will report annually to the Company's Board, based on the auditor's work, in accordance with Rule 14A.56 of the Listing Rules, including whether any exceptions are noted on the pricing policy of the transactions and the daily deposit balances have exceeded the annual caps of the use of the Deposit Services, and the Company will disclose such conclusion in the Company's annual report;
- (3) the independent non-executive Directors of the Company will review the implementation and use of the Deposit Services to ensure that they are carried out in accordance with the terms contemplated under the 2022 Financial Framework Agreement (including the pricing policy); and
- (4) in the event where the annual caps under the Deposit Services requires adjustment due to business development needs or other reasons, arrangements shall be subject to strict compliance with the applicable requirements under the Listing Rules and to be made in advance.



## **INFORMATION RELATING TO THE PARTIES**

### **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 nine 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, financial services, silk import and export and operation in communication.

### **Poly Finance**

Poly Finance is a non-banking financial institution with a financial license and was established with the approval of CBIRC. As a non-banking financial institution, Poly Finance is subject to on-going supervision by the CBIRC and is required to comply with applicable regulations relating to interest rates issued by the PBOC. Poly Finance is also subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios, limit on interbank loans and deposit reserve thresholds. The principal business of Poly Finance includes the provision of deposit services, loan financing services, settlement services and miscellaneous financial services.

Poly Finance is a Sino-foreign joint venture non-bank financial institution established in the PRC on 11 March 2008 and is owned as to 82.83% by China Poly Group and its associates and 5.82% by Credit Suisse AG, an independent third party.

## **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 47.89% 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.

As the highest applicable percentage ratio of the Proposed Annual Caps under the 2022 Financial Framework Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the 2022 Financial Framework Agreement and the transactions contemplated thereunder constitute (i) a major transaction of the

Company subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The financing and guarantee services as may be provided by Poly Finance under the 2022 Financial Framework Agreement will be conducted on normal commercial terms or better and no security over the assets of the Group will be provided. Therefore, such transactions are fully exempted from the connected transaction requirements in accordance with Rule 14A.90 of the Listing Rules. Accordingly, no cap has been set for such services.

The settlement services as may be provided by Poly Finance under the 2022 Financial Framework Agreement are free of charge, and therefore 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.

### **EXTRAORDINARY GENERAL MEETING**

The extraordinary general meeting will be held for the Independent Shareholders to consider and approve the 2022 Financial Framework Agreement and the Proposed Annual Caps contemplated thereunder.

China Poly Group and its associates will abstain from voting on the resolution at the extraordinary general meeting in respect of the 2022 Financial Framework Agreement and the transactions and the Proposed Annual Caps contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for China Poly and its associates, no Shareholder (or its associates) has any material interest in the transactions contemplated under the 2022 Financial Framework Agreement and no Shareholder (or its associates) will be required to abstain from voting. The aforementioned resolution will be passed by way of ordinary resolution and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

An Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun, has been established to advise the Independent Shareholders in relation to the Deposit Services. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As it takes additional time to prepare a circular containing, among other matters, (i) further information on the 2022 Financial Framework Agreement and the transactions and the Proposed Annual Caps contemplated thereunder; (ii) a letter from Gram Capital;

(iii) the recommendation from the Independent Board Committee; and (iv) the notice convening the extraordinary general meeting, such circular is expected to be despatched to the Shareholders on or before 17 June 2022.

The Company will also disclose the relevant details of the 2022 Financial Framework Agreement in its next published annual report in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2019 Announcement”	the announcement of Company dated 5 December 2019
“2019 Financial Framework Agreement”	the financial framework agreement entered into between the Company and Poly Finance on 5 December 2019 for the provision of deposit services, unsecured loan financing services, unsecured guarantee services and settlement services
“2022 Financial Framework Agreement”	the financial framework agreement entered into between the Company and Poly Finance on 19 May 2022 for the provision of Deposit Services, unsecured loan financing services, unsecured guarantee services and settlement services
“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 47.89% of the total issued share capital of the Company
“China Poly Group”	China Poly and its subsidiaries (excluding the Company and subsidiaries of the Company)
“Company”	Poly Property Group Co., Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

“Deposit Services”	the provision of deposit services as contemplated under the 2022 Financial Framework Agreement
“Directors”	directors of the Company
“Effective Date”	the date on which the 2022 Financial Framework Agreement takes effect, which is expected to be the date on which the 2022 Financial Framework Agreement, the transactions contemplated thereunder, and the Proposed Annual Caps are approved by the Independent Shareholders
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely, Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia, and Mr. Wong Ka Lun, established for the purpose of, among other things, advising the Independent Shareholders in respect of the 2022 Financial Framework Agreement, and the transactions and Proposed Annual Caps contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than China Poly Group and its associates
“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
“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” or “China”	People’s Republic of China
“Proposed Annual Cap(s)”	The annual cap(s) for the Deposit Service(s) under the 2022 Financial Framework Agreement
“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

*For illustration purposes, the amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.86.*

*\* For identification purpose only*

By order of the Board  
**Poly Property Group Co., Limited**  
**Wan Yuqing**  
*Chairman*

Hong Kong, 19 May 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Wan Yuqing, Mr. Wang Jian and Mr. Ye Liwen, the non-executive director of the Company is Mr. Guo Jianquan and the independent non-executive directors of the Company are Mr. Ip Chun Chung, Robert, Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.*