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POLY PROPERTY DEVELOPMENT CO., LTD.

保利物業發展股份有限公司

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

(Stock Code: 06049)

MAJOR AND CONTINUING CONNECTED TRANSACTION DEPOSIT SERVICE FRAMEWORK AGREEMENT

DEPOSIT SERVICE FRAMEWORK AGREEMENT

On 7 April 2020, the Company and Poly Finance entered into the Deposit Service Framework Agreement. Pursuant to the Deposit Service Framework Agreement, Poly Finance would provide deposit services to the Group for a term commencing from the Effective Date to 31 December 2022.

It is proposed that the maximum daily balance of deposits (including interests paid thereon) that may be placed by the Group with Poly Finance for each of the three years ending 31 December 2020, 2021 and 2022 shall be capped at RMB2,030.0 million.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Poly Group and its associates were interested in an aggregate of 72.29% of the total issued share capital of the Company, hence China Poly Group is the controlling shareholder and thus a connected person of the Company. Poly Finance is owned as to an aggregate of 94.18% by China Poly Group and its associates, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap under the Deposit Service Framework Agreement calculated pursuant to the Listing Rules exceeds 25% but is less than 75%, the transactions contemplated under the Deposit Service Framework Agreement also constitute a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

2019 AGM

The Company intends to submit the proposal to the 2019 AGM to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap. China Poly Group and its associates (including Poly Developments and Holdings and Xizang Yingyue), which were interested in an aggregate of 72.29% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the 2019 AGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed and shall advise the independent Shareholders on the terms of the Deposit Service Framework Agreement and the Annual Cap. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Deposit Service Framework Agreement and the Annual Cap; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the 2019 AGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 May 2020.

1. BACKGROUND

Reference is made to the section headed “Connected Transactions” in the Prospectus in respect of, among others, the Existing Deposit Service Framework Agreement entered into between the Company and Poly Finance, pursuant to which the Group may use the deposit services provided by Poly Finance. Poly Finance is a subsidiary of China Poly Group, a controlling shareholder of the Company. Accordingly, Poly Finance is a connected person of the Company, and the Group’s use of the deposit services provided by Poly Finance constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As disclosed in the Prospectus, the Company applied for and was granted a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Existing Deposit Service Framework Agreement. Such waiver is due to expire on the date of the 2019 AGM of the Company.

After considering the future treasury arrangement of the Group, the Company intends to continue to use the Deposit Services, and on 7 April 2020, the Company and Poly Finance entered into the Deposit Service Framework Agreement to renew the Deposit Services provided under the Existing Deposit Service Framework Agreement for a term commencing on the Effective Date and ending on 31 December 2022.

2. DEPOSIT SERVICE FRAMEWORK AGREEMENT

The principal terms of the Deposit Service Framework Agreement are set out below:

Date: 7 April 2020

Parties: (i) the Company; and
(ii) Poly Finance.

Term: The term of the Deposit Service Framework Agreement will commence on the Effective Date and expire on 31 December 2022. Subject to all applicable requirements under the Listing Rules, the Deposit Service Framework Agreement may be renewed upon expiry by agreement between the parties thereto.

Subject matter: Pursuant to the Deposit Service Framework Agreement, Poly Finance shall provide the Deposit Services to the Group.

The Deposit Service Framework Agreement does not restrict the Group's use of services provided by other commercial banks or independent financial institutions. The Group may (but is not obliged to) use the Deposit Services provided by Poly Finance.

Pricing policy: Poly Finance undertakes to provide the Deposit Services to the Group according to the following pricing policy:

- (i) the interest rate in respect of the deposits placed by the Group with Poly Finance will be higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and
- (ii) the commercial terms provided by Poly Finance in respect of the Deposit Services will be more favourable compared to those offered by independent major PRC state-owned commercial banks.

Condition: The terms of the Deposit Service Framework Agreement are subject to the Company having obtained the approval of the independent Shareholders.

Historical transaction amounts

The following table sets out the historical maximum daily balance of deposits (including interests paid thereon) placed with Poly Finance by the Group:

	For the year ended 31 December			For the two months ended
	2017	2018	2019	29 February 2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance	–	1,130.0	1,177.7	1,215.2

Under the Existing Deposit Service Framework Agreement entered into on 29 November 2019, the Group and Poly Finance agreed that the maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance shall be capped at RMB2,030.0 million. The above daily cap for deposit was determined with reference to (i) the historical maximum daily deposit balances (including paid interests) for the three years ended 31 December 2018 and the six months ended 30 June 2019; (ii) the Group's cash and cash equivalent of approximately RMB1,902.4 million as at 30 June 2019; and (iii) the Group's deposit balance of approximately RMB1,132.1 million placed with Poly Finance as at 31 October 2019.

Proposed annual cap and basis of determination

Under the Deposit Service Framework Agreement, it is proposed that the maximum daily balance of deposits (including interests paid thereon) that may be placed by the Group with Poly Finance for each of the three years ending 31 December 2020, 2021 and 2022 shall continue to maintain at RMB2,030.0 million.

The Annual Cap has been determined with reference to the Group's relevant historical transaction amounts, cash balances and cash flow positions, business development plans, the financial management, etc. during the term of the Deposit Service Framework Agreement, whilst taking into account the Group's risk management guiding principles when selecting providers of deposit services and the Group's potential demands for Deposit Services. Specifically, the Company has taken the following factors into consideration:

- (1) the historical transaction amounts of the Deposit Services: The maximum daily balance of deposits (including interests paid thereon) placed by the Group with Poly Finance for each of the two years ended 31 December 2018 and 2019 and for the two months ended 29 February 2020 was RMB1,130.0 million, RMB1,177.7 million and RMB1,215.2 million, respectively.

- (2) the historical cash position of the Group and the net proceeds from the Global Offering: The cash and cash equivalents of the Group significantly increased to RMB6,508.6 million as at 31 December 2019 from RMB1,793.6 million as at 31 December 2018. Such significant increase was mainly attributable to the proceeds received from the listing of the H Shares of the Company on the Stock Exchange. The Annual Cap represents approximately 31.2% of the cash and cash equivalents of the Group as at 31 December 2019. With the over-allotment option exercised in full, the Group's net proceeds from the Global Offering increased the Group's total cash flow, further increasing the Company's cash balance, accordingly reducing the ratio of the above Annual Cap to the Group's cash and cash equivalents.
- (3) the historical and expected net cash generated from operating activities of the Group: Other than any major equity fund raising exercises such as the Global Offering, the Group's net cash generated from operating activities are expected to remain a key source of the Group's cash inflow. Changes in the Group's net cash generated from operating activities will affect the deposit balance of the Group whether held with Poly Finance or other financial institutions. The table below illustrates the net cash generated from operating activities of the Group for the years indicated:

	For the year ended 31 December		
	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Net cash generated from operating activities of the Group	361.6	432.8	694.4

The Group has continuously recorded increases in net cash generated from operating activities for the three years ended 31 December 2019. The Group shall strive to grasp on industry policies and seize the development opportunities, and continue with expanding our business scale in the field of property management and value-added services to increase the revenue and ensure our cash flow remains stable and abundant.

- (4) the non-exclusiveness of the Deposit Services: The Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the Deposit Service Framework Agreement on the Group's use of deposit services from other commercial banks or independent financial institutions; the Group is at its sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or independent financial institutions. In general, other than Poly Finance, the Group also places cash deposits with other commercial banks and independent financial institutions in the PRC. The following table illustrates the proportion of the Group's cash deposited with Poly Finance and other commercial banks or independent financial institutions as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	29 February 2020
Deposits with Poly Finance	0.0%	55.5%	16.9%	16.4%
Deposits with other commercial banks or independent financial institutions	100.0%	44.5%	83.1%	83.6%

In deciding whether to place deposits with Poly Finance or other commercial banks or independent financial institutions, the Group will consider the terms, quality of services offered by and the choices of deposit services available from the relevant financial institutions, their credit ratings and market reputation, their understanding of the Group's operation, etc. Furthermore, the Group will strive to maintain a healthy treasury management portfolio, and the proposed Annual Cap is consistent with the Group's treasury management policy.

3. REASONS AND BENEFITS FOR THE TRANSACTIONS

Poly Finance has been providing the Deposit Services to the Group prior to the listing of H Shares of the Company on the Stock Exchange, and has developed a solid understanding of the business operation and cash management model of the Group, and is well-positioned to serve the Group's needs of deposit service in a stable and suitable, efficient and convenient, and flexible manner. In addition, depositing funds with Poly Finance is consistent with the Group's relevant requirements on treasury centralisation and overall management.

Moreover, the interest rate in respect of the Deposit Services provided by Poly Finance to the Group will be higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and its commercial terms in respect of the Deposit Services will be more favourable compared to those offered by independent major PRC state-owned commercial banks.

4. OPINION OF THE BOARD

In view of the above reasons and benefits, given the transactions contemplated under the Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms or better, the Board (including the independent non-executive Directors) are of the view that the terms of the Deposit Service Framework Agreement and the Annual Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors had any material interests in the transactions contemplated under the Deposit Service Framework Agreement and no Director was required to abstain from voting on the Board resolution approving the Deposit Service Framework Agreement.

5. INTERNAL CONTROL MEASURES

To ensure that the Deposit Services are executed in accordance with the Deposit Service 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 also closely monitor the use of Deposit Services contemplated under the Deposit Service Framework Agreement, including conducting ongoing and timely enquiries to monitor and ensure that existing and ongoing cash balance with Poly Finance remain within the Annual Cap;
- (2) the Company's auditors will also conduct an annual review on the pricing policy of the relevant agreements and the Annual Cap, and provide confirmation in the Company's annual report;
- (3) the independent non-executive directors of the Company will also review the implementation and use of the Deposit Services to ensure that the Deposit Services are carried out in accordance with the terms contemplated under the Deposit Service Framework Agreement (including the pricing policy); and
- (4) in the event where the Annual Cap 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.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Poly Group and its associates were interested in an aggregate of 72.29% of the total issued share capital of the Company, hence China Poly Group is a controlling shareholder and thus a connected person of the Company. Poly Finance is owned as to an aggregate of 94.18% by China Poly Group and its associates, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Deposit Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap under the Deposit Service Framework Agreement calculated pursuant to the Listing Rules exceeds 25% but is less than 75%, the transactions contemplated under the Deposit Service Framework Agreement also constitute a major transaction of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

7. 2019 AGM

The Company intends to submit the proposal to the 2019 AGM to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap. China Poly Group and its associates (including Poly Developments and Holdings and Xizang Yingyue), which were interested in an aggregate of 72.29% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the 2019 AGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules. Save as disclosed in this announcement, no other Shareholders, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting in respect of the resolution as at the date of this announcement.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders on the terms of the Deposit Service Framework Agreement and the Annual Cap. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

The Company will issue a circular containing, among other things, (i) further details of the Deposit Service Framework Agreement and the Annual Cap; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the 2019 AGM; and (v) other information concerning the Company as required under the Listing Rules. As the Company intends to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap at the 2019 AGM, the circular is expected to be despatched to the Shareholders on or before 25 May 2020.

8. INFORMATION ON THE PARTIES

Information on the Group

The Company is a joint stock company with limited liability established in the PRC on 26 June 1996. The Group is a leading comprehensive property management service provider in the PRC with extensive property management scale and state-owned background, and is mainly engaged in providing property management services, value-added services to non-property owners and community value-added services.

Information on Poly Finance

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 94.18% by China Poly Group and its associates and 5.82% by an independent third party. Poly Finance is a non-banking financial institution with a financial licence issued by the CBIRC. Poly Finance is mainly engaged in providing deposit services, credit services, settlement services and other financial services.

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.

9. DEFINITIONS

In this announcement, the following terms have the meanings set out below, unless the context otherwise requires:

“2019 AGM”	the 2019 annual general meeting of the Company scheduled to be convened on Tuesday, 23 June 2020
“Annual Cap”	RMB2,030.0 million, being the maximum daily balance of deposits (including interests paid thereon) that may be placed by the Group with Poly Finance for each of the years ending 31 December 2020, 2021 and 2022 under the Deposit Service Framework Agreement
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission

“China Poly Group”	中國保利集團有限公司 (China Poly Group Corporation Limited), a wholly state-owned company established in the PRC, and is wholly owned by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the ultimate controlling shareholder of the Company
“Company”	保利物業發展股份有限公司 (Poly Property Development Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange with a stock code 06049
“Deposit Services”	deposit services provided by Poly Finance to the Group
“Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and Poly Finance dated 7 April 2020
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for in RMB
“Effective Date”	the date on which the Deposit Service Framework Agreement takes effect, which is expected to be the date on which the Deposit Service Framework Agreement, the transactions contemplated thereunder, and the Annual Cap are approved by the independent Shareholders
“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and Poly Finance dated 29 November 2019
“Global Offering”	the global offering of H Shares by the Company of 133,333,400 H Shares (totalling at 153,333,400 H Shares with the over-allotment option exercised in full), further details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	中國人民銀行 (The People’s Bank of China), the central bank of the PRC
“Poly Developments and Holdings”	保利發展控股集團股份有限公司 (Poly Developments and Holdings Group Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, whose shares are listed on the Mainboard of Shanghai Stock Exchange (Stock Code: 600048). Poly Developments and Holdings is a controlling shareholder of the Company
“Poly Finance”	保利財務有限公司 (Poly Finance Company Limited), a sino-foreign joint venture non-bank financial institution established in the PRC, a connected person of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 9 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	the holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xizang Yingyue”	西藏贏悅投資管理有限公司 (Xizang Yingyue Investment Management Co., Ltd.), a limited liability company established in the PRC, a wholly-owned subsidiary of Poly Developments and Holdings

In this announcement, the terms “associate”, “connected person”, “continuing connected transaction”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

By order of the Board
POLY PROPERTY DEVELOPMENT CO., LTD.
Huang Hai
Chairman of the Board and non-executive Director

Guangzhou, PRC, 7 April 2020

As at the date of this announcement, the non-executive directors of the Company are Mr. Huang Hai and Mr. Hu Zaixin; the executive directors of the Company are Mr. Li Jiahe and Ms. Wu Lanyu; and the independent non-executive directors of the Company are Mr. Wang Xiaojun, Ms. Tan Yan and Mr. Wang Peng.