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保利 (香港) 投資有限公司
Poly (Hong Kong) Investments Limited

(Incorporated in Hong Kong with limited liability)
(Stock code: 119)

**CONNECTED TRANSACTION –
CAPITAL INCREASE AGREEMENT**

Reference is made to the announcement of the Company dated 20 March 2008 in respect of the formation of the JV Company by the Company with China Poly, Poly Technology, Poly Southern, Poly Holdings, Poly Real Estate and Credit Suisse.

On 4 May 2011, the Company entered into the Capital Increase Agreement with China Poly, Poly Technology, Poly Southern, Poly Holdings, Poly Real Estate, Credit Suisse, Poly Energy and the JV Company, pursuant to which the parties have agreed to make the capital contribution in the aggregate amount of RMB426,390,447 to the JV Company, of which (i) RMB350,000,000 shall be used to increase the registered capital of the JV Company from RMB350,000,000 to RMB700,000,000; and (ii) RMB76,390,447 shall be treated as capital reserve of the JV Company. Upon completion of the transactions contemplated under the Capital Increase Agreement, the proportion of shareholding held by the Company would remain unchanged, representing 9% of the enlarged capital of the JV Company.

Each of China Poly and Poly Holdings are controlling shareholders of the Company and are deemed to be interested in approximately 48.02% and 40.98% of the total issued share capital of the Company, respectively, as of the date of the Capital Increase Agreement and the date of this announcement. As China Poly and its subsidiaries (including Poly Technology, Poly Southern, Poly Real Estate and Poly Energy but excluding the Company) together with Poly Holdings collectively own 76% of the JV Company, the JV Company is a connected person of the Company. Therefore, the capital contribution by the Company to the JV Company under the Capital Increase Agreement constitutes a connected transaction of the Company pursuant to the Listing Rules.

As the applicable Percentage Ratios for the capital contribution by the Company under the Capital Increase Agreement are greater than 0.1% but are less than 5%, such capital contribution is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Due to a misunderstanding of the Listing Rules by the personnel of the Company handling the Capital Increase Agreement that the pro-rata capital contribution of the Company to the JV Company would not constitute a connected transaction of the Company, disclosure of the Capital Increase Agreement, which would have been required by way of an announcement at the time when such agreement was entered into, was previously not made by the Company. This resulted in a non-compliance with the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 20 March 2008 in respect of the formation of the JV Company.

Based on the capital contribution made by the relevant parties at establishment on 11 March 2008, the JV Company was owned as to 9% by the Company, 35% by China Poly, 15% by Poly Technology, 10% by Poly Southern, 6% by Poly Holdings, 10% by Poly Real Estate and 15% by Credit Suisse.

On 4 May 2011, the Company entered into the Capital Increase Agreement, particulars of which are as follows.

Date

4 May 2011

Parties

- (1) The Company
- (2) China Poly
- (3) Poly Technology
- (4) Poly Southern
- (5) Poly Holdings
- (6) Poly Real Estate
- (7) Poly Energy
- (8) Credit Suisse
- (9) The JV Company

Principal Terms of the Capital Increase Agreement

The parties have agreed to the increase in the registered capital of the JV Company from RMB350,000,000 to RMB700,000,000.

Poly Southern has agreed to waive its pre-emptive right as an existing shareholder of the JV Company to make additional capital contribution to the JV Company.

The parties agreed that the capital contribution to the JV Company in the aggregate amount of RMB426,390,447 shall be made in the following manner:

Name of party	Amount to be contributed to the JV Company
The Company	RMB37,622,686.50
China Poly	RMB146,310,447.50
Poly Technology	RMB62,704,477.50
Poly Holdings	RMB25,081,791.00
Poly Real Estate	RMB41,802,985.00
Poly Energy	RMB50,163,582.00
Credit Suisse	RMB62,704,477.50
Total	<u>RMB426,390,447</u>

The above amounts of capital contribution to the JV Company were determined after arm's length negotiations among the parties based on, among other things, the net asset value of the JV Company as at 31 December 2010 and the respective proportion of shareholding of the parties in the JV Company. The difference of RMB76,390,447 between the actual amount of capital contribution by the parties and the amount of increase in the registered capital of the JV Company was accounted for as capital reserves under the accounts of the JV Company.

PAYMENT OF CAPITAL CONTRIBUTION

The respective capital contribution by each of the Company, China Poly, Poly Technology, Poly Holdings, Poly Real Estate, Poly Energy and Credit Suisse to the JV Company have been duly completed on 6 September 2011. The capital contribution by the Company was funded from internal resources of the Group.

SHAREHOLDING STRUCTURE OF JV COMPANY AFTER INCREASE IN REGISTERED CAPITAL

Set out below is the shareholding structure of the JV Company before and after completion of the increase in registered capital of RMB350,000,000 to RMB700,000,000 pursuant to the terms of the Capital Increase Agreement:

Shareholder of the JV Company	Contribution to the registered capital to the JV Company before completion of the increase in registered capital	Equity interest in the JV Company prior to the increase in registered capital	Total contribution to the registered capital to the JV Company after completion of the increase in registered capital	Equity interest in the JV Company after completion of the increase in registered capital
The Company	RMB31,500,000	9%	RMB63,000,000	9%
China Poly	RMB122,500,000	35%	RMB245,000,000	35%

Poly Technology	RMB52,500,000	15%	RMB105,000,000	15%
Poly Southern	RMB35,000,000	10%	RMB35,000,000	5%
Poly Holdings	RMB21,000,000	6%	RMB42,000,000	6%
Poly Real Estate	RMB35,000,000	10%	RMB70,000,000	10%
Poly Energy Credit Suisse	-	-	RMB35,000,000	5%
	RMB52,500,000	15%	RMB105,000,000	15%
<u>Total</u>	<u>RMB350,000,000</u>	<u>100%</u>	<u>RMB700,000,000</u>	<u>100%</u>

As shown above, upon completion of the transactions contemplated under the Capital Increase Agreement, the proportion of shareholding held by the Company would remain unchanged, representing 9% of the enlarged capital of the JV Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The proceeds of the capital contribution to the JV Company under the Capital Increase Agreement will be used as working capital of the JV Company. The Company considers that the entering into of the Capital Increase Agreement and the capital contribution to the JV Company will enhance the development of the JV Company and allow the JV Company to further expand its business. The capital contribution made by the Company also enabled the Company to maintain its shareholding percentage in the JV Company.

None of the Directors were considered to have a material interest in the transactions under the Capital Increase Agreement and were required to abstain from voting on the resolutions to approve the Capital Increase Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REMEDIAL ACTIONS

Due to a misunderstanding of the Listing Rules by the personnel of the Company handling the Capital Increase Agreement that the pro-rata capital contribution of the Company to the JV Company would not constitute a connected transaction of the Company, disclosure of the Capital Increase Agreement, which would have been required by way of an announcement at the time when such agreement was entered into, was previously not made by the Company. This resulted in a non-compliance with the Listing Rules.

In order to prevent the occurrence of similar incidents in the future, the Company has undertaken the following remedial actions:

- (i) a working group, comprised of personnel from various departments of the Company, will be established to more closely monitor and manage the Group's connected transactions with a view to ensure compliance with Listing Rules requirements;
- (ii) the Company will arrange further training on connected transactions and notifiable transactions under the Listing Rules to be given to its senior management and staffs; and
- (iii) the Company is compiling a list of persons which are, to the best of its knowledge, connected persons of the Company, which will be distributed to staffs. If any member of the Group proposes to enter into any transaction (regardless of the amount involved) with any of the listed connected persons of the Company, the relevant personnel should submit details of the transaction to the working group for consideration. The Company will also update the list of connected persons from time to time.

INFORMATION RELATING TO THE COMPANY AND THE JOINT VENTURE PARTIES

The Company is an investment holding company with its subsidiaries principally engaged in the property development and investment in the PRC.

China Poly is a state-owned enterprise and is an investment holding company. Its principal subsidiaries are engaged in diversified businesses, including but not limited to real estate development, property investment, cultural and trading. China Poly is a substantial shareholder of the Company and is deemed interested in 48.02% of the total issued share capital of the Company.

Poly Technology is a wholly-owned subsidiary of China Poly and its principal business is trading.

Poly Southern is a wholly-owned subsidiary of China Poly and its principal business is investment holding and property development in the PRC. It holds 7.03% of the total issued share capital of the Company.

Poly Holdings is a wholly-owned subsidiary of China Poly and its principal business is investment holding. It is deemed interested in 40.98% of the total issued share capital of the Company.

Poly Real Estate is listed on Shanghai Stock Exchange is a subsidiary of China Poly. Its principal business is property development and investment in the PRC.

Poly Energy is a 90% owned subsidiary of China Poly and its principal business is mineral resources investments

Credit Suisse is principally engaged in the provision of financial services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Credit Suisse and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons and any of their respective associates.

INFORMATION ON THE JV COMPANY

The JV Company is a company established in the PRC on 11 March 2008. It is a finance company which provides financial management services to the Member Entities.

Set out below are the financial information of the JV Company prepared in accordance with PRC accounting standards for the two years ended 31 December 2011:

	For the year ended 31 December 2010 (audited) approximately	For the year ended 31 December 2011 (audited) approximately
Net profit / (loss) (before taxation)	RMB73 million	RMB125 million
Net profit / (loss) (after taxation)	RMB55 million	RMB94 million

As at 31 December 2011, the audited total asset value and the audited total net asset value of the JV Company were approximately RMB6,005 million and RMB938 million, respectively.

IMPLICATIONS UNDER THE LISTING RULES

Each of China Poly and Poly Holdings are controlling shareholders of the Company and are deemed to be interested in approximately 48.02% and 40.98% of the total issued share capital of the Company, respectively, as of the date of the Capital Increase Agreement and the date of this announcement. As China Poly and its subsidiaries (including Poly Technology, Poly Southern, Poly Real Estate and Poly Energy but excluding the Company) together with Poly Holdings collectively own 76% of the JV Company, the JV Company is a connected person of the Company. Therefore, the capital contribution by the Company to the JV Company under the Capital Increase Agreement constitutes a connected transaction of the Company pursuant to the Listing Rules.

As the applicable Percentage Ratios for the capital contribution by the Company under the Capital Increase Agreement are greater than 0.1% but are less than 5%, such capital contribution is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under 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
"Capital Increase Agreement"	the capital increase agreement dated 4 May 2011 entered into by and amongst the Company, China Poly, Poly Technology, Poly Southern, Poly Holdings, Poly Real Estate, Credit Suisse, Poly Energy and the JV Company
"China Poly"	中國保利集團公司 (China Poly Group Corporation), a state-owned enterprise established in the PRC and a controlling shareholder of the Company
"Company"	Poly (Hong Kong) Investments 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
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Credit Suisse"	Credit Suisse AG, a company incorporated in Switzerland
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JV Company"	保利財務有限責任公司 (Poly Finance Company Limited), the joint venture entity established under the laws of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Member Entities"	(i) China Poly; (ii) any subsidiary company of China Poly; (iii) any company with more than 20% of its shares solely or jointly held by China Poly or its subsidiary companies; (iv) any company in which China Poly or its subsidiaries companies solely or jointly hold less than 20% of shares but is its largest shareholder; and (v) any institutional legal person or social organization legal person subordinated to China Poly or its subsidiary companies
"Percentage Ratios"	the percentage ratios under Rule 14.07 of the Listing Rules
"Poly Energy"	Poly Energy Holdings Limited (保利能源控股有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Poly
"Poly Holdings"	Poly (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of China Poly and a controlling shareholder of the Company
"Poly Real Estate"	Poly Real Estate Company Limited, a limited liability company established in the PRC and listed on the Shanghai Stock Exchange and a subsidiary of China Poly
"Poly Southern"	保利南方集團有限公司 (Poly Southern Group Corporation), a limited liability company established in the PRC and wholly-owned by China Poly
"Poly Technology"	Poly Technology Company Limited, a company established in the PRC and a 90% owned subsidiary of China Poly
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	shares of HK\$0.50 each 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 reference purposes only, the Chinese names of the PRC entities, departments or facilities have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these PRC entities, departments or facilities and their respective English translations, the Chinese version shall prevail.

For and on behalf of the Board
Poly (Hong Kong) Investments Limited
XUE Ming
Chairman and Managing Director

18 April 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Hong Sheng, Mr. Wang Xu, Mr. Xue Ming, Mr. Zhang Wan Shun and Mr. Ye Li Wen, the non-executive Director is Mr. Ip Chun Chung, Robert, and the independent non-executive Directors are Mr. Yao Kang J.P., Mr. Choy Shu Kwan and Ms. Leung Sau Fan, Sylvia.