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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: 119)

CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT

THE CAPITAL INCREASE AGREEMENT

The Board announces that on 17 September 2015 (after trading hours), the Company entered into the Capital Increase Agreement with China Poly, Poly Technologies, Poly Southern, Poly Holdings, Poly Real Estate, Credit Suisse, Poly Energies, Poly Culture and Poly Finance, pursuant to which the parties agreed to increase the registered capital of Poly Finance from RMB700,000,000 to RMB2,000,000,000. Upon completion of the Capital Increase, the proportion of shareholding held by the Company would increase to 11.35% of the enlarged registered capital of Poly Finance.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Poly together with its associates holds approximately 47.32% of the issued share capital of the Company and therefore is a controlling shareholder and a connected person of the Company. As Poly Finance is owned as to 76% by China Poly and its associates (excluding the Company), Poly Finance is an associate of a connected person of the Company under Rule 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the Capital Increase Agreement constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more applicable Percentage Ratios for the capital increase by the Company under the Capital Increase Agreement are more than 0.1% but all are less than 5%, the Capital Increase Agreement and transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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THE CAPITAL INCREASE AGREEMENT

Date

17 September 2015

Parties

- (1) The Company
- (2) China Poly
- (3) Poly Technologies
- (4) Poly Southern
- (5) Poly Holdings
- (6) Poly Real Estate
- (7) Poly Energies
- (8) Poly Culture
- (9) Credit Suisse
- (10) Poly Finance

Principal Terms of the Capital Increase Agreement

As of the date of this announcement, Poly Finance has a registered capital of RMB700,000,000. Pursuant to the Capital Increase Agreement, the parties agreed to increase the registered capital of Poly Finance to RMB2,000,000,000. The parties agreed that the capital contribution to Poly Finance shall be made in the following manner:

- (1) each of the existing shareholders of Poly Finance, including the Company, China Poly, Poly Technologies, Poly Southern, Poly Holdings, Poly Real Estate, Poly Energies and Credit Suisse (the “**Existing Shareholders**”), shall capitalize its proportion of the capital reserve of Poly Finance as at 31 December 2014 in the aggregated amount of RMB76,390,447 as registered capital of Poly Finance;
- (2) the Existing Shareholders except for Credit Suisse shall convert their respective retained earnings in Poly Finance as at 31 December 2014 in the aggregate amount of RMB407,983,803.37 into registered capital of Poly Finance;
- (3) the Company, China Poly, Poly Technologies, Poly Real Estate and Poly Energies shall subscribe for the shares of capital contribution in cash in proportion to their respective current capital contribution to Poly Finance. While Poly Holdings, Poly Southern and Credit Suisse will waive their rights to subscribe for their respective corresponding portion of capital contribution in cash, which shall be subscribed by the Company, Poly Technologies and Poly Real Estate instead; and

(4) Poly Culture shall make capital contribution in cash to Poly Finance and will become a shareholder of Poly Finance upon completion of the Capital Increase.

The details of the capital contribution to be made to Poly Finance by all relevant parties are as follows:

Shareholder of Poly Finance	Amount of (i) capital reserve to be capitalized as registered capital and (ii) retained earnings to be converted into registered capital (if applicable) (RMB)	Amount of capital contribution in cash to be made (RMB)	Total capital contribution to be made (RMB)
The Company	46,452,012.17	129,199,821.20	175,651,833.37
China Poly	197,747,831.51	282,675,114.04	480,422,945.55
Poly Technologies	84,749,070.65	187,236,264.55	271,985,335.20
Poly Southern	28,249,690.22	-	28,249,690.22
Poly Holdings	30,968,008.12	-	30,968,008.12
Poly Real Estate	56,499,380.43	146,854,105.40	203,353,485.83
Poly Energies	28,249,690.22	40,382,159.14	68,631,849.36
Poly Culture	-	109,882,500.00	109,882,500.00
Credit Suisse	11,458,567.05	-	11,458,567.05
Total	484,374,250.37	896,229,964.33	1,380,604,214.70

The above amounts of capital contribution to Poly Finance were determined after arm's length negotiations among the parties with reference to, among other things, the net asset value of Poly Finance as at 31 December 2014 and the current respective proportion of shareholding of the parties in Poly Finance. Upon completion of the Capital Increase, the registered capital of Poly Finance will become RMB2,000,000,000 and the difference of RMB80,604,214.70 between the actual amount of capital contribution to be made by the parties (i.e. RMB1,380,604,214.70) and the amount of increase in the registered capital of Poly Finance (i.e. RMB1,300,000,000) will be recognized and recorded as capital reserve of Poly Finance.

Payment of capital contribution

After the approval of the Capital Increase is granted by relevant authorities and all conditions precedent (as set out below) contained in the Capital Increase Agreement are fulfilled, the respective capital contribution by each of the Company, China Poly, Poly Technologies, Poly Southern, Poly Holdings, Poly Real Estate, Poly Energies, Poly Culture and Credit Suisse to Poly Finance is required to settle within five working days after receipt of notice with respect to authorities approving the Capital Increase from Poly Finance (the fifth working day is known as "**Payment Due Date**"). The capital contribution in cash by the Company will be funded by internal resources of the Group.

Conditions precedent

The obligation to make capital contribution to Poly Finance for all relevant parties to the Capital Increase Agreement will only become effective after the following conditions precedent have been fulfilled:

(1) all requisite consents and approvals in respect of the Capital Increase Agreement and

other required documents have been granted, including but not limited to all relevant regulatory approvals by relevant authorities;

- (2) the resolution approving amendments in relation to the Capital Increase to the existing articles of association of Poly Finance has been approved at the shareholders' meeting of Poly Finance;
- (3) all parties to the Capital Increase Agreement have executed a revised joint venture contract to reflect amendments as a result of the Capital Increase;
- (4) the representations and warranties of all parties as set out in the Capital Increase Agreement is true and accurate and is not misleading at all times until and as at the Payment Due Date; and
- (5) all relevant parties to the Capital Increase Agreement have fulfilled the conditions set out above and shall discharge their respective obligations to make capital contribution to Poly Finance in accordance with the terms of the Capital Increase Agreement.

All conditions precedent set out above shall be satisfied by 31 December 2015 or such other date as agreed by all parties to the Capital Increase Agreement in writing. Where the conditions precedent are not satisfied before 31 December 2015 and no other date has been agreed by the parties in writing, any party may terminate the Capital Increase Agreement by serving a termination notice to the other parties.

SHAREHOLDING STRUCTURE OF POLY FINANCE IMMEDIATELY BEFORE AND AFTER CAPITAL INCREASE

Set out below is the shareholding structure of Poly Finance immediately before and after completion of the Capital Increase:

Shareholder of Poly Finance	Amount of contribution to the registered capital of Poly Finance immediately before the Capital Increase (RMB)	% of equity interest in Poly Finance immediately before the Capital Increase	Amount of capital contribution to be made which will be recognized and recorded as registered capital of Poly Finance (RMB)	Amount of contribution to the registered capital of Poly Finance immediately after the Capital Increase (RMB)	% of equity interest in Poly Finance immediately after the Capital Increase
The Company	63,000,000.00	9%	164,031,991.88	227,031,991.88	11.35%
China Poly	245,000,000.00	35%	455,000,000.00	700,000,000.00	35%
Poly Technologies	105,000,000.00	15%	255,145,871.37	360,145,871.37	18.01%
Poly Southern	35,000,000.00	5%	28,249,690.22	63,249,690.22	3.16%
Poly Holdings	42,000,000.00	6%	30,968,008.12	72,968,008.12	3.65%
Poly Real Estate	70,000,000.00	10%	190,145,871.36	260,145,871.36	13.01%
Poly Energies	35,000,000.00	5%	65,000,000.00	100,000,000.00	5%
Poly Culture	-	-	100,000,000.00	100,000,000.00	5%
Credit Suisse	105,000,000.00	15%	11,458,567.05	116,458,567.05	5.82%
Total	700,000,000.00	100%	1,300,000,000.00	2,000,000,000.00	100%

As shown above, upon completion of the Capital Increase the proportion of shareholding held by the Company would increase to 11.35% of the enlarged registered capital of Poly Finance.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Poly Finance is a non-banking financial institution with a financial license under the supervision of the China Banking Regulatory Commission and its operating results keep growing fast since its incorporation in 2008.

The proceeds of the capital contribution to Poly Finance under the Capital Increase Agreement will be used as working capital of Poly Finance. The Company considers that the entering into of the Capital Increase Agreement and the Capital Increase will enhance the finance conditions and therefore the development of Poly Finance and allow Poly Finance to further expand its business. The capital contribution to be made by the Company would also enable the Company to increase its percentage interest in Poly Finance.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are based on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

Information relating to the Company and the joint venture parties

The Company is an investment holding company with its subsidiaries principally engaged in 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 controlling shareholder of the Company and together with its associates holds 47.32% of the total issued share capital of the Company.

Poly Technologies 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 6.93% 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 to be interested in 40.39% of the total issued share capital of the Company.

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

Poly Energies is a subsidiary of China Poly and its principal business is mineral resources investments.

Poly Culture is listed on the Stock Exchange. China Poly is its controlling shareholder. It is

mainly engaged in operation and auctions of art items, management of performance and theaters, and management of cinema investment.

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 enquiries, Credit Suisse and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Information relating to Poly Finance

Poly Finance is a joint venture 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 Poly Finance prepared in accordance with the PRC accounting standards for the two years ended 31 December 2014:

	For the year ended 31 December 2013 (audited) approximately	For the year ended 31 December 2014 (audited) approximately
Revenue	RMB339 million	RMB288 million
Net profit / (loss) (before taxation)	RMB250 million	RMB280 million
Net profit / (loss) (after taxation)	RMB185 million	RMB214 million

As at 31 December 2014, the audited total asset value and the audited total net asset value of Poly Finance were approximately RMB10,097 million and RMB1,382 million, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Poly together with its associates holds approximately 47.32% of the issued share capital of the Company and therefore is a controlling shareholder and a connected person of the Company. As Poly Finance is owned as to 76% by China Poly and its associates (excluding the Company), Poly Finance is an associate of a connected person of the Company under Rule 14A.13(1) of the Listing Rules. Therefore, the transactions contemplated under the Capital Increase Agreement constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more applicable Percentage Ratios for the capital increase by the Company under the Capital Increase Agreement are more than 0.1% but all are less than 5%, the Capital Increase Agreement and transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors are considered to have a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and therefore are not required to be abstained from voting on the board resolution approving the Capital Increase Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase”	the increase in an aggregate amount of RMB1,300,000,000 in the registered capital of Poly Finance as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 17 September 2015 entered into by and amongst the Company, China Poly, Poly Technologies, Poly Southern, Poly Holdings, Poly Real Estate, Poly Energies, Poly Culture, Credit Suisse and Poly Finance
“China Poly”	中國保利集團公司(China Poly Group Corporation), a state-owned enterprise established in the PRC, a controlling shareholder of the Company, and together with its associates, holds 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”	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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Member Entities”	(i) China Poly; (ii) any subsidiary of China Poly; (iii) any company with more than 20% of its shares solely or jointly held by China Poly or its subsidiary(ies); (iv) any company, in which China Poly or its subsidiary(ies) 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(ies)
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“Poly Culture”	保利文化集團股份有限公司 (Poly Culture Group Corporation Limited), a joint stock limited company established in the PRC, whose H shares are listed on the Stock Exchange
“Poly Energies”	保利能源控股有限公司 (Poly Energies Holdings Co., Ltd.), a company incorporated in the PRC with limited liability and a subsidiary of China Poly
“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
“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”	保利房地產(集團)股份有限公司 (Poly Real Estate Group Co., Ltd.), a limited liability company established in the PRC and a subsidiary of Poly Southern, whose shares are listed on the Shanghai Stock Exchange
“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 a wholly-owned subsidiary of China Poly

“Poly Technologies”	保利科技有限公司 (Poly Technologies, Inc.), a company established in the PRC and a wholly-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
“Shareholders”	holders of the Shares
“Shares”	shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“working day”	natural day other than Saturday, Sunday and legal holidays of either the PRC or Hong Kong
“%”	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.

By order of the Board
Poly Property Group Co., Limited
XUE Ming
Chairman

Hong Kong, 17 September 2015

As at the date of this announcement, the executive directors of the Company are Mr. Xue Ming, Mr. Han Qingtao, Mr. Wang Xu and Mr. Ye Li Wen, the non-executive director is Mr. Ip Chun Chung, Robert, and the independent non-executive directors are Mr. Choy Shu Kwan, Ms. Leung Sau Fan, Sylvia and Mr. Wong Ka Lun.