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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A JOINT VENTURE

ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A JOINT VENTURE

The Purchaser (a wholly-owned subsidiary of the Company) has recently been notified that it has won the bid to acquire 36.8% equity interest in the Target Company in a public listing-for-sale process organised by the Shanghai United Assets and Equity Exchange* (上海聯合產權交易所). The consideration for such purchase is RMB550,000,000 (equivalent to HK\$609,235,000). There is no outstanding shareholder loan owing by the Target Company to the Vendor.

As at the date of this announcement, the Purchaser and the Vendor hold 46.7% and 36.8% in the Target Company, respectively. Upon completion of the Acquisition, the Purchaser will hold 83.5% in the Target Company and the Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group. The Vendor will cease to hold any equity interest in the Target Company following completion of the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition, are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Purchaser (a wholly-owned subsidiary of the Company) has recently been notified that it has won the bid to acquire 36.8% equity interest in the Target Company in a public listing-for-sale process organised by the Shanghai United Assets and Equity Exchange* (上海聯合產權交易所). The consideration for such purchase is RMB550,000,000 (equivalent to HK\$609,235,000). There is no outstanding shareholder loan owing by the Target Company to the Vendor.

Pursuant to the terms of the bid, the Purchaser and the Vendor will enter into the Equity Transfer Agreement shortly hereafter. It is expected that the terms of the Equity Transfer Agreement will be consistent with the terms of the bid. Should there be any material changes to the terms of the bid, the Company will make a further announcement.

PRINCIPAL TERMS OF THE ACQUISITION

Parties

- (1) Beijing Dongfu Hengtong Investment Management Centre (Limited Partnership)* 北京東富恒通投資管理中心(有限合夥) (as vendor); and
- (2) Guangxi Poly Property Group Co., Limited* (廣西保利置業集團有限公司) (as the successful bidder)

As at the date of this announcement, the Purchaser and the Vendor hold 46.7% and 36.8% in the Target Company, respectively. The remaining 16.5% is held by an independent third party of the Company.

Subject matter

The Target Company owns a residential development project known as “領秀前城”, situated at east of Qing Huan Lu, south of Feng Ling South Lu, Qing Xiu District, Nanning City, Guangxi Province, the PRC. The project comprises five pieces of land containing a total site area of about 315,322 sq.m. with a gross floor area of 903,499 sq.m. and all of them have currently been pledged to an independent financial institution to secure a loan facility. The project was under development.

Consideration

The consideration for the Acquisition is RMB550,000,000 (equivalent to HK\$609,235,000). In making the bid of RMB550,000,000, the Purchaser has considered the minimum bid price (being RMB550,000,000), the net asset value of the Target Company and its view of the prospects of the property market in Guangxi, the PRC. The consideration for the Acquisition will be settled in cash and funded by internal resources of the Group.

Completion

On entry of the Equity Transfer Agreement, completion of the Acquisition is not subject to conditions.

The Purchaser has already paid a deposit of RMB165,000,000 to participate in the public listing-for-sale process, and such amount will be applied towards payment of the consideration on signing of the Equity Transfer Agreement.

The Purchaser is required to pay the balance of the consideration, being RMB385,000,000, shortly after signing of the Equity Transfer Agreement. After payment of the consideration, the parties will proceed to register the change of shareholder at the relevant regulatory authorities.

It is expected that completion of the Acquisition will take place by no later than 30 September 2019.

INFORMATION RELATING TO THE VENDOR

The Vendor is a limited liability partnership established in the PRC. The Vendor is ultimately controlled by China Orient Asset Management Co., Ltd. which is one of the state-owned asset management enterprises in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION RELATING TO THE TARGET COMPANY

The Target Company is a company established in the PRC and is holding land in Guangxi, the PRC for real estate development. As at the date of this announcement, the Purchaser, the Vendor and an independent third party hold 46.7%, 36.8% and 16.5% in the Target Company, respectively.

Financial information of the Target Company

The table below sets out selected financial information of the Target Company based on audited consolidated financial statements for the two years ended 31 December 2018 prepared in accordance with HK GAAP.

	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit before tax	(95,124)	470,262
Net (loss)/profit after tax	(95,947)	315,980

The net asset value of the Target Company is RMB405,799,000 as at 31 December 2018.

INFORMATION RELATING TO THE COMPANY AND THE PURCHASER

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 other.

The Purchaser is a company established in the PRC, an indirect wholly-owned subsidiary of the Company, with real estate development in the PRC as its principal activity.

Reasons for and benefits of the Acquisition

The Target Company holds land in Guangxi, the PRC for real estate development project. Upon completion of the Acquisition, the Purchaser will hold 83.5% in the Target Company and the Target Company will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

The Board believes that the Acquisition will strengthen the presence of the Company in the PRC and will potentially enhance the profitability of the Company in the future by consolidating the Target Company into the financial statements of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition, are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 36.8% equity interest in the Target Company
“Board”	the board of Directors

“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
“Directors”	directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement to be entered into between the Vendor and the Purchaser relating to the Acquisition
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Guangxi Poly Property Group Co., Limited* (廣西保利置業集團有限公司), a wholly-owned subsidiary of the Company established in the PRC
“PRC”	People’s Republic of China
“Shareholders”	shareholders of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangxi Poly Lingxiu Investment Ltd.* (廣西保利領秀投資有限公司), a company established in the PRC
“Vendor”	Beijing Dongfu Hengtong Investment Management Centre (Limited Partnership)* (北京東富恒通投資管理中心(有限合夥)), a limited liability partnership established in the PRC
“%”	per cent

For illustration purposes, the amounts in RMB in this announcement have been translated into HK\$ at RMB1.00 = HK\$1.1077.

**for identification purpose only*

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

Hong Kong, 29 August 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 and 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.