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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

ACQUISITION OF 33.5% EQUITY INTEREST IN POLY GUIZHOU

ACQUISITION OF 33.5% EQUITY INTEREST IN POLY GUIZHOU

On 28 September 2021, the Purchaser, Guiyang Jintai and Guiyang Zhonglei entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and Guiyang Jintai and Guiyang Zhonglei agreed to respectively dispose of, 27.917% and 5.583% of the equity interest in Poly Guizhou.

Upon completion of the Equity Transfer, Poly Guizhou will become a wholly-owned subsidiary of the Purchaser.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement and the transactions contemplated therein exceed 5% and all of which are below 25%, the entry of the Equity Transfer Agreement and the transactions contemplated therein constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements under the Listing Rules.

I. BACKGROUND

Poly Guizhou, located at Guiyang City, Guizhou Province, the PRC, is one of the project companies of the Purchaser. As at the date of this announcement, the Purchaser, Guiyang Jintai and Guiyang Zhonglei holds 66.5%, 27.917% and 5.583% of the equity interest in Poly Guizhou, respectively.

On 18 September 2021, Poly Guizhou lodged an application for the Debt Restructuring, which was subsequently approved by the People's Court of Wudang District.

The Purchaser participated in the Debt Restructuring as a creditor and a shareholder of Poly Guizhou. The Debt Restructuring provided that, among other matters, (i) the fees and expenses of Poly Guizhou shall be paid in full; (ii) the preferential creditors' claim of Poly Guizhou shall be settled in full; and (iii) the ordinary creditors' claim shall be settled at 82.5% of the total amount of claims, all to be completed within 30 business days of the approval by the People's Court of Wudang District, which was given on 26 September 2021.

As part of the Debt Restructuring and to settle the Purchaser's claim against Poly Guizhou, on 28 September 2021, the Purchaser, Guiyang Jintai and Guiyang Zhonglei entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and Guiyang Jintai and Guiyang Zhonglei agreed to respectively dispose of, 27.917% and 5.583% of the equity interest in Poly Guizhou, at nil consideration.

II. THE EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement.

Date

28 September 2021

Parties

- (i) the Purchaser;
- (ii) Guiyang Jintai; and
- (iii) Guiyang Zhonglei.

To the best of the Directors' knowledge and belief, having made all reasonable enquiries, as at the date of this announcement, each of Guiyang Jintai, Guiyang Zhonglei and their respective ultimate beneficial owner(s) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject Matter

As part of the Debt Restructuring and to settle the Purchaser's claim against Poly Guizhou, the Purchaser, Guiyang Jintai and Guiyang Zhonglei entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and Guiyang Jintai and Guiyang Zhonglei agreed to respectively dispose of, 27.917% and 5.583% of the equity interest in Poly Guizhou.

Consideration

Pursuant to the Equity Transfer Agreement, no consideration shall be payable by the Purchaser to Guiyang Jintai and Guiyang Zhonglei for the Equity Transfer. The Equity Transfer forms part of the Debt Restructuring, under which the Purchaser agreed that its claim amount against Poly Guizhou shall be settled at 82.5% of the total claim amount.

The Company considers that the consideration is fair and reasonable taking into account, among other factors, (i) the financial position of Poly Guizhou as of 31 August 2021; (ii) the estimated value of the Purchaser's claim against Poly Guizhou to be waived in the amount of approximately RMB330 million (i.e. 17.5% of the Purchaser's total claim against Poly Guizhou); and (iii) the prevailing market price of the properties in nearby locations.

Financial information

The following financial information is the latest available financial information of Poly Guizhou as extracted from its unaudited financial statements for the two financial years ended 31 December 2019 and 31 December 2020 and the six months ended 30 June 2021, respectively:

	Year ended 31 December		Six months ended
	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	2021
			<i>RMB'000</i>
Net profit/(loss) before taxation and extraordinary items	(228,176)	(73,850)	(5,895)
Net profit/(loss) after taxation and extraordinary items	(231,881)	(59,398)	78,808

As at 31 August 2021, Poly Guizhou had a net deficiency in assets of approximately RMB31 million.

Upon completion of the Equity Transfer, Poly Guizhou will become a wholly-owned subsidiary of the Purchaser.

III. REASONS FOR AND BENEFITS OF THE ENTRY OF THE EQUITY TRANSFER AGREEMENT

The Company is of the view that the projects under Poly Guizhou are in line with the Company's strategy and commercial criteria for property development and investment. Poly Guizhou currently has wholly-owned three subsidiaries and holds 49% equity interest in a property management company, which hold a hot spring resort, a hotel and other properties in Guiyang City, Guizhou Province of the PRC. As at the date of this announcement, Poly Guizhou has been de-consolidated from the Company. The entry of the Equity Transfer Agreement would allow the Company to consolidate Poly Guizhou and its subsidiaries, and accordingly would expand the Company's coverage in Guiyang City, Guizhou Province of the PRC and further strengthen the Company's presence in the property market in Guizhou Province of the PRC. The Company therefore believes that the entry of the Equity Transfer Agreement would be favorable for the further development of the Company's business, enhancement of its market position and improvement of its competitiveness in the property development and related industry in the PRC.

In view of the above, the Directors consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement and the transactions contemplated therein exceed 5% and all of which are below 25%, the entry of the Equity Transfer Agreement and the transactions contemplated therein constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements under the Listing Rules.

V. INFORMATION ON THE PARTIES

The Company

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.

Guiyang Jintai

Guiyang Jintai is a company established in 1998 in the PRC with limited liability. Guiyang Jintai is principally engaged in property development and property consulting services, and the wholesale and retail of construction materials and others. To the knowledge of the Directors having made reasonable enquiries, as at the date of this announcement, Zhang Yan* (張岩), Zhang Pei* (張沛) and Zhang Ya* (張婭), all of whom are third parties independent of the Company and its connected persons, owned 35%, 34% and 31% of the equity interest in Guiyang Jintai, respectively.

Guiyang Zhonglei

Guiyang Zhonglei is a company established in 2007 in the PRC with limited liability. Guiyang Zhonglei is principally engaged in the real estate industry. To the knowledge of the Directors having made reasonable enquiries, as at the date of this announcement, (i) Xue Lei* (薛鐳) and Guizhou Zhonglei Commerce Company Limited* (貴州中鐳商貿有限公司) owned 90.9091% and 9.0909% of the equity interest in Guiyang Zhonglei, respectively; and (ii) Zhao De Ling* (趙德玲) and Xue Guo Fu* (薛國富) owned 90.9091% and 9.0909% of the equity interest in Guizhou Zhonglei Commerce Company Limited* (貴州中鐳商貿有限公司), respectively. Xue Lei* (薛鐳), Guizhou Zhonglei Commerce Company Limited* (貴州中鐳商貿有限公司), Zhao De Ling* (趙德玲) and Xue Guo Fu* (薛國富) are third parties independent of the Company and its connected persons.

VI. DEFINITIONS

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

“Board”	the board of Directors 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 main board of the Stock Exchange, and a shareholder of Poly Guizhou as at the date of this announcement
“Debt Restructuring”	the debt settlement and restructuring of Poly Guizhou pursuant to a debt settlement plan, which is compiled and voted for by the creditors of Poly Guizhou in accordance with the laws of the PRC
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the acquisition of the 33.5% equity interest in Poly Guizhou by the Purchaser from Guiyang Jintai and Guiyang Zhonglei in accordance with the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 28 September 2021 entered into by and among the Purchaser, Guiyang Jintai and Guiyang Zhonglei in respect of the Equity Transfer

“Guiyang Jintai”	貴陽金泰房地產開發有限公司(Guiyang Jintai Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability
“Guiyang Zhonglei”	貴陽中鐳投資建設開發有限公司(Guiyang Zhonglei Investment Construction Development Co., Ltd.*), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“People’s Court of Wudang District”	貴州省貴陽市烏當區人民法院(The People’s Court of Wudang District at Guiyang City, Guizhou Province)
“Poly Guizhou”	保利貴州房地產開發有限公司(Poly Guizhou Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China
“Purchaser”	保利貴州置業集團有限公司(Poly Guizhou Property Development Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company

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

Hong Kong, 30 September 2021

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Bingnan, Mr. Xue Ming, 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.

** For identification purposes only*