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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 SETTLEMENT AGREEMENT IN RELATION TO PROPOSED DISPOSAL OF 100% ISSUED SHARES OF A SUBSIDIARY**

Reference is made to (i) the announcement of the Company dated 25 September 2019 in relation to the proposed disposal of its interest in the Project Company, (ii) the announcements of the Company dated 18 October 2019, 24 December 2019 and 30 June 2020 in relation to the delay in dispatch of circular, and (iii) the announcement of the Company dated 11 May 2020 in relation to the writ of summons issued by Mr. Sio and Best Attitude.

On 31 October 2024, the Company, Poly HK, Poly Macau and Active Success entered into the Settlement Agreement with the Plaintiffs, pursuant to which the Parties agreed, among other things, to settle the Legal Proceeding in accordance with the terms and conditions set out in the Settlement Agreement. The Settlement Agreement shall become effective with immediate effect.

### **LISTING RULES IMPLICATIONS**

The Company has applied for and the Stock Exchange has agreed to exercise its discretion under Rule 14.20 of the Listing Rules to adopt an alternative consideration ratio test in relation to the Disposal. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal calculated based on the alternative size test exceed 5% but all of which are below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## INTRODUCTION

Reference is made to (i) the announcement of the Company dated 25 September 2019 in relation to the proposed disposal of its interest in the Project Company, (ii) the announcements of the Company dated 18 October 2019, 24 December 2019 and 30 June 2020 in relation to the delay in dispatch of circular, and (iii) the announcement of the Company dated 11 May 2020 in relation to the writ of summons issued by Mr. Sio and Best Attitude.

On 31 October 2024, the Company, Poly HK, Poly Macau and Active Success entered into the Settlement Agreement with the Plaintiffs, pursuant to which the Parties agreed, among other things, to settle the Legal Proceeding in accordance with the terms and conditions set out in the Settlement Agreement (the “**Settlement**”). The Settlement Agreement shall become effective with immediate effect.

Details of the events leading to the Legal Proceeding and the Settlement and the principal terms of the Settlement Agreement are set out below.

## EVENTS LEADING TO THE LEGAL PROCEEDING AND THE SETTLEMENT

The sequence of events leading to the Legal Proceeding and the Settlement are summarized as follows:

1. On 1 September 2017, Poly HK entered into the sale and purchase agreement with Mr. Sio and Mr. Si (the “**Sale and Purchase Agreement**”) to acquire the entire issued shares capital of Active Success and related shareholder’s loans for a consideration HKD3.75 billion. Active Success holds a 30% interest in the Project Company. The Project Company holds the Property. The remaining 70% of the Project Company is held by Best Attitude.
2. On 8 January 2018, Active Success, Best Attitude and the Project Company entered into the shareholders’ agreement (the “**Shareholders’ Agreement**”) with respect to the management of the Project Company. On or around the same day, Mr. Sio entered into the guarantee in favour of Poly HK to guarantee to Poly HK, among other things, the performance, the discharge and observance of Best Attitude’s obligations and liabilities under the Shareholders’ Agreement.
3. In February 2018, the Macau Commission Against Corruption (“**CCAC**”) published an investigation report on the Property.
4. In December 2018 and August 2019, Mr. Sio deposited HKD3.7 billion and HKD100,598,774.68 with the Company, respectively. A further deposit of HKD426,163.71 was subsequently made in September 2019.
5. In September 2019, the Government of Macau re-entered and regained the possession of the Property, which constitutes a triggering event under the Shareholders’ Agreement, thereby giving Active Success a right to require Best Attitude to acquire from Poly Macau (i) all the issued shares of Active Success, and (ii) all loans and advances due to Poly Macau by Active Success. The said re-entry was lawful as a matter of Macau law.

6. On 25 September 2019, Active Success served a sale notice on Best Attitude, requesting Best Attitude to acquire, conditional upon the Shareholders approving the disposal of all the issued shares of Active Success, from Poly Macau (i) all the issued shares of Active Success, and (ii) all loans and advances due to Poly Macau by Active Success, at the consideration of approximately HKD4.298 billion assuming completion of the Disposal takes place on 31 October 2019.
7. On 8 May 2020, the Plaintiffs issued a writ of summons under the Legal Proceeding against Active Success, Poly Macau and Poly HK, to seek, among other things, a declaration that the sale notice issued by Active Success on 25 September 2019 is invalid and has no legal effect. On or around 14 November 2022, the Plaintiffs filed and served on the Defendants an amended statement of claim. On or around 12 December 2022, the Defendants raised defences to the Plaintiffs' claims and made counterclaims against the Plaintiffs in the amended defence and counterclaim. On or around 20 February 2023, the Plaintiffs filed an amended reply and defence to the counterclaim.
8. On 27 June 2024, a mediation meeting took place between the Plaintiffs and the Defendants. Further to the mediation meeting, on 31 October 2024, the Company entered into the Settlement Agreement with the Plaintiffs, pursuant to which the Parties agreed, among other things, to settle the claim and the Legal Proceeding between the Parties on the terms and conditions set out in the Settlement Agreement.

#### PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENT

Date            31 October 2024

Parties

- (1) Mr. Sio, Mr. Si, Best Attitude; and
- (2) the Company, Active Success, Poly HK, Poly Macau

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Mr. Sio, Mr. Si, Best Attitude and its beneficial owners are Independent Third Parties.

Subject matter

The Parties agreed that, in consideration of the mutual release, promises, covenants, representations and warranties contained in the Settlement Agreement, the Plaintiffs shall purchase and the Defendants shall sell the entire issued share capital of Active Success to Power Wheel for the purchase price (the "**Purchase Price**") in full and final settlement of the Legal Proceeding.

## Purchase Price

Pursuant to the Settlement Agreement, the Purchase Price shall be the aggregate of the following:

- (a) HKD3,801,024,938.39, being the deposits deposited by Mr. Sio acting in his capacity as authorized representative of Best Attitude in December 2018, August 2019 and September 2019. The Parties agree that the deposits (without interest) shall be applied towards the Purchase Price; and
- (b) HKD150 million, being the total settlement sum under the Settlement Agreement to be paid by the Plaintiffs. The Plaintiffs shall pay the total settlement sum to the Defendants in two tranches (i.e., HKD80 million (the “**First Tranche Payment**”) shall be payable within two business days from the date of the Settlement Agreement, and HKD70 million (the “**Second Tranche Payment**”) shall be payable by 18 December 2024). The First Tranche Payment and the Second Tranche Payment shall together be referred to as the Total Settlement Sum. The payment of the Total Settlement Sum is not refundable under any circumstances. In the event the Plaintiffs fail to pay the Total Settlement Sum, the Defendants shall have the option to either enforce the terms of the Settlement Agreement and seek the Plaintiffs’ performance to settle the Total Settlement Sum, or apply to the courts of Hong Kong to lift the stay of the Legal Proceeding.

The Purchase Price shall be HKD3,951,024,938.39.

The Purchase Price was determined based on the terms of the Settlement Agreement and the consideration paid by Poly HK to become indirectly interested in the Project Company and the amount of all loans and advances due to Poly Macau by Active Success.

## Consent summons and consent order

Within two business days from the date of receipt by the Defendants of the First Tranche Payment, the Parties shall execute, or procure the execution of, and file into court, a consent summons substantially in the form set out in the Settlement Agreement to give effect to the following arrangements as agreed by the Parties:

- (a) immediately upon the Defendants’ receipt of the First Tranche Payment, all of the Parties’ claims in the Legal Proceeding shall be stayed with no order as to costs;
- (b) the Plaintiffs shall be liable on an indemnity basis for the Defendants’ costs if the Plaintiffs fail to fulfill their obligations under the Settlement Agreement; and
- (c) the Defendants shall be liable on an indemnity basis for the Plaintiffs’ costs if the Defendants fail to fulfil their obligations under the Settlement Agreement.

Within two business days from fulfilment of the Parties’ obligations (including payment of the Total Settlement Sum) under the Settlement Agreement, the Parties shall execute, or procure the execution of, and file into court, a consent order substantially in the form set out in the Settlement Agreement to give effect to the dismissal of the Parties’ claims in the Legal Proceeding with no order as to costs.

### Key obligations of the Defendants

On the date of the Settlement Agreement, the Defendants shall deliver to the Plaintiffs a resignation letter resigning as managing member of Poly Development Fund pursuant to the LLC Agreement and waiving any managing member fee under the LLC Agreement.

The Defendants shall deliver to the Plaintiffs within two business days from the receipt of the Total Settlement Sum:

- (a) board resolutions of Poly Macau authorizing the Disposal and a duly executed instrument of transfer for the disposal of the shares in Active Success in favour of Power Wheel;
- (b) board resolutions of Active Success authorizing change of its register of members and updated register of members of Active Success;
- (c) a notice of resignation from the current director of Active Success and the Project Company;
- (d) a deed of assignment in respect of the Shareholders' Loan assigned by Poly Macau to Power Wheel for nil consideration; and
- (e) a termination agreement terminating the Shareholders' Agreement.

Power Wheel shall have the right to enforce the abovementioned key obligations of the Defendants as if it is a party to the Settlement Agreement.

### Key obligations of the Plaintiffs

The Plaintiffs shall deliver to the Defendants within two business days from payment of the Total Settlement Sum:

- (a) a release letter in respect of the resignation of the current director of Active Success and the Project Company;
- (b) a member consent releasing the managing member from any liability under the LLC Agreement; and
- (c) a member consent authorizing and approving a change of name of Poly Development Fund.

## INFORMATION RELATING TO THE PARTIES

### The Plaintiffs

The Plaintiffs include Best Attitude, Mr. Sio and Mr. Si, all of whom are Independent Third Parties. To the best knowledge of the Company, Mr. Sio and Mr. Si are businessmen, whereas Best Attitude is a limited liability company incorporated under the laws of the British Virgin Islands. According to Mr. Sio and Mr. Si, Best Attitude is wholly-owned by Poly Development Fund, whereas Mr. Sio and Mr. Si are (among others) beneficially interested in Poly Development Fund.

### The Defendants

The Defendants include the Company, Poly HK, Poly Macau and Active Success. The Company is principally engaged in 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. Each of Active Success, Poly Macau and Poly HK is an investment holding company. Active Success is a wholly-owned subsidiary of Poly Macau, which is in turn wholly-owned by Poly HK. Poly HK is a wholly-owned subsidiary of the Company.

### The Project Company

The Project Company is incorporated under the laws of Hong Kong on 19 March 2004 and holds the Property for real estate development (although this is subject to dispute with the Government of Macau). As at the date of this announcement, Active Success and Best Attitude hold 30% and 70% in the Project Company, respectively. Upon completion of the Disposal, the Company will cease to hold any interest in Active Success and the Project Company.

### Power Wheel

Power Wheel is a limited liability company incorporated in the British Virgin Islands on 17 April 2024 and to the best knowledge of the Company, is wholly-owned by Sio Lai Na, who is related to Mr. Sio. Its principal business is investment holding.

## FINANCIAL INFORMATION OF ACTIVE SUCCESS AND THE PROJECT COMPANY

The table below sets out selected financial information of Active Success and the Project Company based on unaudited financial statements for the year ended 31 December 2022 and 2023.

	For the year ended 31 December 2022 (HKD '000)	For the year ended 31 December 2023 (HKD '000)
Active Success		
Total assets	3,750,792	3,750,792
Loss before tax	(38)	(16)
Loss after tax	(38)	(16)
Project Company		
Total assets	195,861	195,862
(Loss)/profit before tax	(40)	1
(Loss)/profit after tax	(40)	1

As at 31 December 2023, the net asset value of Active Success attributable to the Company is approximately HKD3.579 billion which takes account of the investment cost and revaluation of the Property on acquisition. On the date of completion of the acquisition, the market value of the Property was approximately HKD12.5 billion.

As at 31 December 2023, the net asset value of the Project Company is HKD0.05 billion as it accounts for the Property at cost.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE SETTLEMENT AGREEMENT

The Board is of the view that the entering into of the Settlement Agreement by the Company with the Plaintiffs is in the best interest of the Company and the Shareholders as a whole. Although based on advice sought, the Board believes that the Company has a good arguable case against the Plaintiffs, a settlement can avoid risks in litigation which can take up to several years and subsequent risks in enforcement.

Further, the Board believes that the present value of the Property is zero therefore there is no value in continuing to hold a 30% interest in the Property. The Board believes that the present value of the Property is zero for the following reasons. The Property is located at the junctions of Estrada de Seac Pai Van, Estrada Militar and Estrada do Alto de Coloane, Coloane, Macau. According to the property registration certificate obtained from the Land Registry Office of Macau, a piece of land registered under no. 6150 is in the ownership of the Project Company. It was decided by the Macau First Instance Court that the Property was not the piece of land registered at Land Registry Office of Macau under no. 6150. In addition, according to the decision of the Macau First Instance Court, the Macau Government's re-entry of the Property was deemed as valid and legal under Macau law. Finally, a settlement will enable the Company to save legal costs and management time and resources and to focus on developing its principal businesses.

The Property has not been written down to zero in the financial statements of the Group because the Company had received the deposits from the Plaintiffs which were adequate to cover the acquisition cost of the Company hence there was no loss to the Company.

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

## FINANCIAL EFFECT OF THE SETTLEMENT

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HKD200 million which is calculated by: (i) the total consideration of approximately HKD3.951 billion; minus (ii) the net assets of Active Success as at 31 December 2023 of HKD3.579 billion; minus (iii) the Shareholders' Loan of approximately HKD172 million. The exact amount of gain from the Disposal to be recorded in the consolidated statement of profit or loss of the Group for the year ending 31 December 2024 is subject to audit.

Upon the completion of the Disposal, Active Success will cease to be a subsidiary of the Group, and the profits or losses as well as assets and liabilities of Active Success will no longer be consolidated into the consolidated financial statements of the Group. The Company will cease to have any interest in the Project Company.

## INTENDED USE OF PROCEEDS FROM THE SETTLEMENT

The Group intends to apply proceeds from the Settlement for financing other future potential investment opportunities and/or general working capital of the Group.

## LISTING RULES IMPLICATIONS

The Company has applied for and the Stock Exchange has agreed to exercise its discretion under Rule 14.20 of the Listing Rules to adopt an alternative consideration ratio test in relation to the Disposal. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal calculated based on the alternative size tests exceed 5% but all of which are below 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification 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:

“Active Success”	Active Success Consultants Limited, a company incorporated in the British Virgin Islands
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“Best Attitude”	Best Attitude International Limited, a company incorporated in the British Virgin Islands, an Independent Third Party and the wholly-owned subsidiary of Poly Development Fund
“Board”	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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Defendants”	Active Success, Poly HK, Poly Macau and the Company
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of Active Success by Poly Macau to Best Attitude or Poly Development Fund or a party designated by the Plaintiffs
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a third party who is independent of the Company and its connected persons
“Legal Proceeding”	the legal proceeding commenced by the Plaintiffs in the Court of First Instance of the High Court of Hong Kong against Active Success, Poly HK, Poly Macau and the Company under action number HCA 467 of 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LLC Agreement”	the amended and restated limited liability company agreement dated 10 January 2018 in respect of Poly Development Fund

“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Mr. Si”	Mr. Si Tit Sang, an Independent Third Party
“Mr. Sio”	Mr. Sio Tak Hong, an Independent Third Party
“Parties”	the parties to the Settlement Agreement, including the Company, Poly HK, Poly Macau, Active Success, Mr. Sio, Mr. Si and Best Attitude
“Plaintiffs”	Mr. Sio, Mr. Si and Best Attitude
“Poly Development Fund”	Poly Development Fund, Macau, LLC, a limited liability company registered and formed in the Cayman Islands on 26 September 2017 and the sole shareholder of Best Attitude
“Poly HK”	Poly Property (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong and the sole shareholder of Poly Macau
“Poly Macau”	Polymac Property Company Limited (Polymac Propriedade Sociedade Unipessoal Limitada), a wholly-owned subsidiary of Poly HK incorporated in Macau and the sole shareholder of Active Success
“Power Wheel”	Power Wheel Limited, a limited liability company incorporated in the British Virgin Islands
“Project Company”	Win Loyal Development Limited, a company incorporated in Hong Kong, which holds the Property
“Property”	a plot of land in Macau with an area of approximately 56,592 square metres located at Coloane Island, next to Estrada do Campo, registered with the Land Registry Office of Macau under no. 6150
“Settlement Agreement”	a settlement agreement dated 31 October 2024 between the Company, Poly HK, Poly Macau, Active Success, Mr. Sio, Mr. Si and Best Attitude

“Shareholders”	shareholders of the Company
“Shareholders’ Loan”	all outstanding loans and advances due from Active Success to Poly Macau as at 30 June 2024, being HKD172,198,861.36
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board  
**Poly Property Group Co., Limited**  
**Wan Yuqing**  
*Chairman*

Hong Kong, 31 October 2024

*As at the date of this announcement, the executive directors of the Company are Mr. Wan Yuqing and Mr. Hu Zaixin, the non-executive director of the Company is Mr. Chen Yuwen and the independent non-executive directors of the Company are Mr. Fung Chi Kin, Miss Leung Sau Fan, Sylvia, Mr. Wong Ka Lun and Mr. Ng Kim Lam.*