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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 DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

The Board announces that the Company recently received notice relating to the disposal of 100% equity interest and the related liabilities in the Target Company held by the Vendor in a public listing-for-sale process organized by the Shanghai United Assets and Equity Exchange at a consideration of RMB669,951,200 (equivalent to approximately HK\$788,197,587), which includes RMB22,452,500 owed by the Target Company to the Vendor as at the date of the announcement.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

The Board announces that the Company recently received notice relating to the disposal of 100% equity interest and the related liabilities in the Target Company held by the Vendor in a public listing-for-sale process organized by 上海聯合產權交易所 (Shanghai United Assets and Equity Exchange*) (the "Shanghai United Assets and Equity Exchange") at a consideration of RMB669,951,200 (equivalent to approximately HK\$788,197,587).

Pursuant to the terms of the bid, the Purchaser and the Vendor will enter into an 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 DISPOSAL

Parties

- (1) 湖北保利置業有限公司 (Hubei Poly Property Co., Ltd.*) as vendor; and
- (2) 湖南愛爾物業投資發展有限公司 (Hunan Aier Property Investment Development Co., Ltd.*) as the successful bidder and purchaser

Save as disclosed above, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

The Target Company is a wholly-owned subsidiary of the Vendor. The principal assets of the Target Company are Flat 1 at Mezzanine Floor and levels -1 to 8 of Wuhan Poly Culture Plaza, a comprehensive commercial plaza located at 99 Zhongnan Road, Wuchang, Wuhan, the PRC.

The table below sets out selected financial information of the Target Company based on audited financial statements for the two years ended 31 December 2019 prepared in accordance with HK GAAP.

	For the year ended 31 December 2018	For the year ended 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before tax	6,023	5,694
Net loss after tax	6,023	5,694

The unaudited net asset value of the Target Company is approximately RMB630,305,000 as at 31 October 2020.

Consideration

The consideration for the Disposal is RMB669,951,200 (equivalent to approximately HK\$788,197,587), which includes RMB22,452,500 owed by the Target Company to the Vendor as at the date of the announcement. The reserve price of the public listing-for-sale process is determined with reference to the latest unaudited net asset value of the Target Company and the liability of RMB22,452,500 owed by the Target Company to the Vendor.

Completion

The Purchaser has already paid a deposit of RMB200,000,000 to participate in the open tender process, and such amount will be applied towards payment of the consideration upon signing of the equity transfer agreement.

The Purchaser is required to pay the balance of the consideration, being RMB469,951,200 shortly after signing of the equity transfer agreement. After payment of the consideration, the parties will proceed to register the change of shareholder with the relevant regulatory authorities. Upon completion of the Disposal, the Target Company ceases to be a subsidiary of the Company and its financial statements will not be consolidated to the Group's financial statements for the financial year ending 31 December 2020.

INFORMATION RELATING TO THE PARTIES

The Group

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.

The Vendor

The Vendor is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in real estate investment and development.

The Purchaser

The Purchaser is a limited liability company established in the PRC. Based on public available information, the Purchaser is a wholly-owned subsidiary of 愛爾醫療投資集團有限公司 (Aier Medical Investment Group Co., Ltd.*), which is held as to 79.99% by CHEN Bang (陳邦) and 20.01% by LI Li (李力).

The Purchaser is principally engaged in real estate investment, equity investment, self-owned real estate investment management, and corporate management consulting.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal is expected to improve the Group's asset turnover rate and generate additional cash inflow, which would enhance the Group's ability to acquire or invest in other land parcels or property projects.

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

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS FROM THE DISPOSAL

It is expected that, subject to audit, the Group will record a gain on the Disposal of approximately RMB17,193,700 before tax, which is the difference between (1) the consideration for the Disposal and (2) the net asset value of the Target Company and the liability of RMB22,452,500 owed by the Target Company to the Vendor.

The Group intends to apply the sale proceeds for general working capital purpose.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“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
“Disposal”	the disposal of 100% equity interest in the Target Company by the Vendor to the Purchaser and the assumption of debts owed by the Target Group to the Vendor amounting to RMB22,452,500 as at the date of the announcement by the Purchaser
“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
“PRC”	People’s Republic of China

“Purchaser”	湖南愛爾物業投資發展有限公司 (Hunan Aier Property Investment Development Co., Ltd.*), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	武漢長江保資控股有限公司 (Wuhan Yangtze Baozi Holdings Co., Ltd.*), a limited liability company established on 28 June 2010 in the PRC
“Vendor”	湖北保利置業有限公司 (Hubei Poly Property Co., Ltd.*), a limited liability company 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\$1.1765.

** for identification purpose only*

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

Hong Kong, 17 November 2020

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 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.