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中國奧園集團股份有限公司
China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

DISCLOSEABLE TRANSACTION
ACQUISITION OF APPROXIMATELY 29.99% OF
THE SHARE CAPITAL OF
KINGHAND INDUSTRIAL INVESTMENT GROUP CO., LTD.*

THE ACQUISITION

The Board wishes to announce that on 7 April 2020 (after trading hours), the Vendors, Mr. Tian and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell approximately 29.99% of the share capital of the Target Company at the Consideration of RMB1,160,000,000 in cash.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the terms and conditions under the Framework Agreement and the Formal Share Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board wishes to announce that on 7 April 2020 (after trading hours), the Vendors, Mr. Tian and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell approximately 29.99% of the share capital of the Target Company at the Consideration of RMB1,160,000,000 in cash.

THE FRAMEWORK AGREEMENT

Summarised below are the principal terms of the Framework Agreement:

Date: 7 April 2020 (after trading hours)

Parties: (a) the Vendors;
(b) Mr. Tian; and
(c) the Purchaser.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) Mr. Tian is the controlling shareholder of the Target Company, who controls a total of approximately 40.92% of the share capital of the Target Company through the Vendors as at the date of this announcement; and (ii) the Vendors, Mr. Tian and the Target Company are Independent Third Parties.

Nature of the transaction and assets to be acquired

Pursuant to the Framework Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Target Interest.

Consideration

The Consideration payable by the Purchaser is RMB1,160,000,000, which may be adjusted subject to the terms of the Framework Agreement. The Consideration will be funded by the Group's internal resources.

If, after execution of the Framework Agreement, the Target Company conducts placing or conversion of capital reserve into new shares resulting to a change in the total share capital, the level of the Target Interest and the Consideration shall remain unchanged.

If, after execution of the Framework Agreement, the Target Company declares cash dividends, the Consideration shall be adjusted accordingly by deducting the amount of dividends derived from the Target Interest.

In the event that the Consideration shall be adjusted upwards in accordance with the relevant listing rules and regulations of the PRC, the Vendors shall bear the extra costs of the Purchaser in excess of the Consideration.

Within two (2) working days after execution of the Framework Agreement, an amount of RMB50,000,000 (the “**Deposit**”) shall be deposited by the Purchaser to the designated bank account jointly managed by the Vendors and the Purchaser. The Deposit shall be released to settle part of the Consideration after execution of the Formal Share Transfer Agreement.

Basis of Consideration

The Consideration was arrived at after arm’s length negotiations between the Vendors and the Purchaser and was determined having taken into account (a) the average closing price per share of the Target Company as quoted on the Shenzhen Stock Exchange for the ten (10) trading days immediately prior to the date of the Framework Agreement; (b) the value of the Target Company’s assets and projects; and (c) other factors as set out in the paragraph headed “Reasons for and Benefits of the Acquisition” below.

Based on the foregoing, the Directors are of the view that the Consideration is fair and reasonable.

THE FORMAL SHARE TRANSFER AGREEMENT

Pursuant to the Framework Agreement, the Parties shall enter into the Formal Share Transfer Agreement within ten (10) days after the satisfaction in full or (where applicable) waiver of, among others, the following conditions:

- (a) the Purchaser having completed the due diligence on the legal, financial and business aspects of the Target Company within thirty (30) days upon signing of the Framework Agreement and the Parties having satisfied with the due diligence results;
- (b) the Vendors having confirmed that the Target Interest is freely transferrable, free from encumbrances (except such share transfer is with the creditor’s approval) and not subject to any claim or legal dispute, and all necessary transfer procedures in respect of the Target Interest can be completed;
- (c) the Vendors and Mr. Tian having undertaken that, after completion of the Acquisition, they (including parties acting in concert with them) will not seek to, or procure any third party to seek to, obtain control of the Target Company;
- (d) the business, financial and other information of the Target Company publicly disclosed remaining true, complete and accurate in all material aspects; and
- (e) all Parties having obtained their respective necessary approvals in respect of the Acquisition.

COMPLETION

In the event that completion of the Acquisition takes place, the Company will indirectly hold approximately 29.99% of the share capital of the Target Company through the Purchaser. The Company and its auditor are in the process of reviewing the information of the Target Company, including its financial statements, and the Acquisition as a whole, and will determine whether the financial results of the Target Company will be consolidated into the financial statements of the Group under the International Financial Reporting Standards upon completion of the due diligence on the Target Company.

After completion of the Acquisition, the Purchaser will, either through provision of loan or assisting the Target Company to obtain financing, inject not less than RMB500,000,000 to the Target Company for its repayment of loan and daily operation.

INFORMATION ABOUT THE VENDORS

Prior to the Acquisition, Vendor A and Vendor B own approximately 37.04% and 3.88% of the share capital in the Target Company, respectively. Mr. Tian is the controlling shareholder of the Target Company, who controls in aggregate approximately 40.92% of the share capital of the Target Company through the Vendors as at the date of this announcement.

The Vendors are companies established under the laws of the PRC with limited liability. Vendor A is principally engaged in investment and asset management whereas Vendor B is primarily engaged in corporate management and consulting services. Mr. Tian is an individual investor.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company established under the laws of the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000615). The Target Group is mainly engaged in property development and management, construction and engineering, provision of financial services, research, development and manufacture of bio-based fibre materials and products.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out the audited consolidated financial information on the Target Company for the two financial years ended 31 December 2018, which was prepared in accordance with the PRC accounting standards:

	For the financial year ended 31 December 2018 <i>(audited)</i> <i>(approximately)</i> RMB	For the financial year ended 31 December 2017 <i>(audited)</i> <i>(approximately)</i> RMB
Turnover	2,888,554,718	2,795,030,580
Net profit before taxation	194,239,846	531,014,396
Net profit after taxation	128,087,432	418,142,656

The unaudited net asset value of the Target Company as at 30 September 2019 was approximately RMB2,889,026,748.

TERMINATION

If, for reason not related to the Purchaser, (a) the conditions precedent to execution of the Formal Share Transfer Agreement cannot be fulfilled, or (b) the Acquisition cannot proceed due to restrictions or barriers imposed by applicable laws, rules and regulations, or (c) the Acquisition is opposed by the relevant stock exchange or regulatory authority, the Purchaser has the right to terminate the Framework Agreement. Under such circumstances, the Deposit shall be returned to the Purchaser within three (3) working days upon termination of the Framework Agreement, and the Parties will be absolutely released from the Framework Agreement without any liability to each other.

However, if the Vendor or the Purchaser decides not to proceed with the Acquisition after the Parties have agreed and satisfied with the due diligence results, such Party will be regarded as in breach of the Framework Agreement and shall pay an amount of RMB50,000,000 as liquidated damages. For the sake of clarity, if the Purchaser is in default, the Deposit will be forfeited as liquidated damages.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has established its strategy of “one core business with vertical development” with property development as its core business. The Group recorded approximately RMB118.06 billion of property contracted sales in 2019, rendering it among the top 30 PRC developers.

The Target Group is engaged in property development in the PRC. Having substantial experience in property development and management, the Target Group has successfully completed many mid- to high-end real estate projects over the years. The Target Group has around 18 projects with total saleable GFA of approximately 1.24 million square metres. These projects are mainly located in Beijing, Tianjin,

Chongqing, Chengdu, Nanjing, Taiyuan, Guangdong Province and Hebei Province, etc.. The Acquisition allows the Group to cultivate the existing region and strengthen its land bank, and further increase the proportion of operations in Tier 1 and 2 cities. Further, the Acquisition can facilitate strategic cooperation between the Group and the Target Group, which may in turn drive the Group's sustainable profitability, thereby delivering fruitful returns to the Shareholders.

Having considered the above, the Board is of the view that the terms of the Framework Agreement, including the Consideration, are on normal commercial terms, which are fair and reasonable and are in the best interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the terms and conditions under the Framework Agreement and the Formal Share Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Target Interest as contemplated under the Framework Agreement
“Board”	the board of Directors
“Company”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock code: 3883)
“Consideration”	RMB1,160,000,000, being the total consideration of the Acquisition, subject to adjustment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Formal Share Transfer Agreement”	the formal share transfer agreement to be concluded and entered into among the Purchaser, the Vendors and Mr. Tian in relation to the Acquisition
“Framework Agreement”	the share transfer framework agreement dated 7 April 2020 and entered into among the Purchaser, the Vendors and Mr. Tian in relation to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tian”	Mr. Tian Han (田漢)
“Parties”	the parties to the Framework Agreement, and “Party” means any one of them
“PRC”	the People’s Republic of China, which excludes Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Purchaser”	奧園集團(廣東)有限公司 (Aoyuan Group (Guangdong) Co., Ltd.*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, and/or parties acting in concert with it (as defined under the Listing Rules)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	京漢實業投資集團股份有限公司(Kinghand Industrial Investment Group Co., Ltd.*), a company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000615)
“Target Group”	collectively, the Target Company and its subsidiaries

“Target Interest”	approximately 29.99% of the share capital of the Target Company
“Vendors”	collectively, Vendor A and Vendor B
“Vendor A”	京漢控股集團有限公司(Kinghand Holdings Group Co., Ltd.*), a company established under the laws of the PRC
“Vendor B”	建水泰融企業管理有限公司(Jianshui Tairong Business Management Co., Ltd.*), a company established under the laws of the PRC
“%”	per cent.

By the order of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 7 April 2020

** All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only. If there is any inconsistency, the Chinese titles or names shall prevail.*

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Ma Jun and Mr. Chan Ka Yeung Jacky; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang