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奧園健康生活集團有限公司

AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3662)

MAJOR TRANSACTION PROPOSED ACQUISITION OF THE TARGET INTEREST IN EASY LIFE SMART COMMUNITY SERVICES GROUP CO., LTD.*

FRAMEWORK AGREEMENT

The Board wishes to announce that on 22 April 2020 (after trading hours), the Vendors, the Target Company and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement in relation to the Proposed Acquisition, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest at the Consideration of RMB247,904,000 in cash in accordance with the terms and conditions of the Framework Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 25% but all of them are less than 100%, the Proposed Acquisition, if materializes, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Proposed Acquisition and is required to abstain from voting if the Company is to convene a general meeting for the approval of the Proposed Acquisition. Accordingly, the Company intends to obtain written approval for the Proposed Acquisition from China Aoyuan, which indirectly holds 396,375,000 Shares (representing approximately 54.58% of the issued share capital of the Company) as at the date of this announcement, to dispense with the holding of a general meeting of the Company for the purpose of approving the Proposed Acquisition pursuant to Rule 14.44 of the Listing Rules. Further announcement will be made if and when such written approval has been obtained.

A circular containing, among other things, details of the Proposed Acquisition and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 July 2020, which is more than 15 business days after the publication of this announcement, because (a) additional time is required to prepare the financial information to be included in the circular in connection with the Proposed Acquisition; and (b) additional time is required for negotiating and entering into the Formal Share Transfer Agreement.

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

INTRODUCTION

The Board wishes to announce that on 22 April 2020 (after trading hours), the Vendors, the Target Company and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Framework Agreement in relation to the Proposed Acquisition, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest at the Consideration of RMB247,904,000 in cash in accordance with the terms and conditions of the Framework Agreement.

FRAMEWORK AGREEMENT

Summarised below are the principal terms of the Framework Agreement:

Date: 22 April 2020 (after trading hours)

Parties: (a) the Vendors: Mr. Tian and Kinghand;
(b) the Purchaser: Aoyuan Healthy Life (Guangzhou) Group Co., Ltd.* (奧園健康生活(廣州)集團有限公司), a wholly-owned subsidiary of the Company; and

- (c) the Target Company: Easy Life Smart Community Services Group Co., Ltd.* (樂生活智慧社區服務集團股份有限公司)

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Vendors, the Target Company and their respective ultimate beneficial owners are all 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.

As at the date of the Framework Agreement, the Vendors hold a total of approximately 70.82% of the entire share capital of the Target Company. Pursuant to the Framework Agreement, the Vendors undertake to complete the acquisition of approximately 9.18% of the entire share capital of the Target Company (the “**Minority Target Interest**”) from certain minority shareholders of the Target Company for the consummation of the transaction contemplated under the Framework Agreement. Upon completion of the Proposed Acquisition, the Purchaser will hold a total of 80% of the entire share capital of the Target Company.

The Target Interest shall be free from all encumbrances and together with all rights attaching thereto as from the completion of the Proposed Acquisition, including but not limited to all dividends paid, declared or made, the record date for the entitlement of which falls on or after the completion of the Proposed Acquisition. The shares representing the Target Interest rank *pari passu* in all respects among themselves and with the other existing issued shares in the Target Company.

Consideration

The Consideration payable by the Purchaser is RMB247,904,000, which may be adjusted downwards pursuant to the terms of the Framework Agreement against breach of the representations and warranties given by the Vendors in relation to the Target Interest. The Consideration will be funded by the proceeds from the global offering of the Company in connection with its listing on the Stock Exchange consummated on 18 March 2019.

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 its total share capital, the percentage level of the Target Interest and the amount of the Consideration shall remain unchanged.

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

Within fifteen (15) 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. In addition, such Deposit may be applied towards settling part of the consideration of acquisition of the Minority Target Interest on behalf of the Vendors pursuant to the terms and conditions of the Framework Agreement.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations among the Parties with reference to, among other things, (a) the unaudited consolidated net profit after tax of the Target Group for the year ended 31 December 2019; (b) the market position of the Target Company in the industry and its property management projects; and (c) other factors as set out in the paragraph headed “Reasons for and Benefits of the Proposed Acquisition” below.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FORMAL SHARE TRANSFER AGREEMENT

Pursuant to the Framework Agreement, the Parties shall enter into the Formal Share Transfer Agreement after the satisfaction in full, among others, the following conditions:

- (a) the Purchaser having completed the due diligence on legal, financial and business aspects of the Target Group 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 requires the creditor’s consent and 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 having undertaken that, after completion of the Proposed Acquisition, they (including the 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 internal consents and approvals in respect of the Proposed Acquisition.

COMPLETION

In the event that completion of the Proposed Acquisition takes place, the Company will indirectly hold the Target Interest through the Purchaser, and thus the Target Company will become a non wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

TERMINATION

If, for reason not attributable to the Purchaser, the Proposed Acquisition cannot proceed due to (a) the restrictions or barriers imposed by applicable laws, rules and regulations, or (b) the oppositions raised by the NEEQCL or other relevant competent authorities, 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 obligation and liability to each other.

However, if any of the Vendors or the Purchaser decides not to proceed with the Proposed 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.

INFORMATION ABOUT THE VENDORS

As at the date of this announcement, Kinghand and Mr. Tian own approximately 32.92% and 37.90% of the entire share capital of the Target Company, respectively. Kinghand is a company incorporated in the PRC with limited liability and is principally engaged in the investment and asset management in the PRC. It is owned as to approximately 94.78% by Mr. Tian and approximately 5.22% by Ms. Li Li (李莉女士). Each of Mr. Tian and Ms. Li Li (李莉女士) is an Independent Third Party.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a joint-stock company incorporated in the PRC with limited liability, the shares of which are quoted on the NEEQ (stock code: 837249). The Target Group is principally engaged in the provision of property management services in the PRC.

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 relevant PRC accounting standards:

| | For the financial year ended 31 December 2018 (audited) (approximately) RMB | For the financial year ended 31 December 2017 (audited) (approximately) RMB |
|----------------------------|--|--|
| Turnover | 417,004,537 | 245,660,537 |
| Net profit before taxation | 30,730,004 | 11,581,739 |
| Net profit after taxation | 22,488,701 | 10,218,759 |

The unaudited net asset value of the Target Company as at 30 June 2019 was approximately RMB294,198,330.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in the provision of the property management services and commercial operational services to the properties developed or owned by the property developers. The Group has been proactively expanding its business scale, management portfolio and geographical coverage, and continuing to develop and broaden its customer base for the provision of property management services and commercial operational services to the Independent Third Parties. As part of its business strategies, the Group intends to expand the property management services portfolio through strategic acquisition of property management services providers, which will enable the Group to gain access to new geographic market and expand its business portfolio in an efficient manner and are therefore effective ways to achieve the Group's business strategies.

The Target Company, one of the leading property management services providers in the PRC and ranked 38th among the 2019 Top100 Property Management Companies in China (2019中國物業服務百強企業榜), together with its subsidiaries, is principally engaged in the provision of property management service in the PRC. Having substantial and affluent experience in the provision of the property management services, the Target Group has successfully completed numerous mid to higher-end property management projects over the years. Currently, according to the information provided by the Vendors, the Target Group has 208 projects with a total GFA of properties of approximately 22,630,000 square metres under its management. These projects are mainly located in Beijing Municipality, Hebei Province, Henan Province, Tianjin Municipality, Chongqing Municipality and Sichuan Province in the PRC.

The Directors are of the view that the Proposed Acquisition will enable the Group to (a) further expand its business scale, management portfolio and geographical coverage; and (b) further enhance its market influence and competitiveness in the PRC, both of which are in line with the Group's business strategies.

Further, the Directors have been proactively seeking appropriate investment opportunities to increase the return of the Shareholders and believe that the Proposed Acquisition will facilitate strategic cooperation and create synergy between the Group and the Target Group, which may in turn strengthen the Group's continuous profitability, thereby increasing the returns to the Shareholders.

Having considered the foregoing, 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.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 25% but all of them are less than 100%, the Proposed Acquisition, if materializes, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Proposed Acquisition and is required to abstain from voting if the Company is to convene a general meeting for the approval of the Proposed Acquisition. Accordingly, the Company intends to obtain written approval for the Proposed Acquisition from China Aoyuan, which indirectly holds 396,375,000 Shares (representing approximately 54.58% of the issued share capital of the Company) as at the date of this announcement, to dispense with the holding of a general meeting of the Company for the purpose of approving the Proposed Acquisition pursuant to Rule 14.44 of the Listing Rules. Further announcement will be made if and when such written approval has been obtained.

A circular containing, among other things, details of the Proposed Acquisition and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 July 2020, which is more than 15 business days after the publication of this announcement, because (a) additional time is required to prepare the financial information to be included in the circular in connection with the Proposed Acquisition; and (b) additional time is required for negotiating and entering into the Formal Share Transfer Agreement.

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

DEFINITIONS

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

| | |
|-----------------------------------|--|
| “Board” | the board of Directors |
| “China Aoyuan” | China Aoyuan Group Limited (中國奧園集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3883) |
| “Company” | Aoyuan Healthy Life Group Company Limited (奧園健康生活集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3662) |
| “Consideration” | RMB247,904,000, being the total consideration to be paid by the Purchaser to the Vendors for the Proposed Acquisition, subject to adjustment |
| “Deposit” | has the meaning as ascribed to it under the paragraph headed “Consideration” of this announcement |
| “Director(s)” | director(s) of the Company |
| “Formal Share Transfer Agreement” | the formal share transfer agreement to be concluded and entered into between, among others, the Purchaser and the Vendors in relation to the Proposed Acquisition |
| “Framework Agreement” | the framework agreement dated 22 April 2020 (after trading hours) entered into among the Purchaser, the Vendors and the Target Company in relation to the Proposed Acquisition |
| “GFA” | Gross floor area |
| “Group” | the Company and its subsidiaries |
| “HK\$” | 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 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 |
| “Kinghand” | Kinghand Holdings Group Co., Ltd.* (京漢控股集團有限公司), a company established under the laws of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Minority Target Interest” | has the meaning as ascribed to it under the paragraph headed “Nature of the transaction and assets to be acquired” of this announcement |
| “Mr. Tian” | Mr. Tian Han (田漢先生), a director and a controlling shareholder of the Target Company |
| “NEEQ” | the National Equities Exchange and Quotations* (全國中小企業股份轉讓系統) |
| “NEEQCL” | the National Equities Exchange and Quotations Co., Ltd.* (全國中小企業股份轉讓系統有限責任公司) |
| “Parties” | the parties to the Framework Agreement, and “Party” means any one of them |
| “PRC” | the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Proposed Acquisition” | the proposed acquisition by the Purchaser from the Vendors in respect of the Target Interest |
| “Purchaser” | Aoyuan Healthy Life (Guangzhou) Group Co., Ltd.* (奧園健康生活(廣州)集團有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |

| | |
|-------------------|--|
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Target Company” | Easy Life Smart Community Services Group Co., Ltd.* (樂生活智慧社區服務集團股份有限公司), a joint-stock company incorporated in the PRC with limited liability on 14 February 2003 |
| “Target Group” | the Target Company and its subsidiaries |
| “Target Interest” | a total of 80% of the entire share capital of the Target Company which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell under the Framework Agreement |
| “Vendors” | collectively, Kinghand and Mr. Tian |
| “%” | percent. |

By the order of the Board
Aoyuan Healthy Life Group Company Limited
Guo Zining
Chairman

Hong Kong, 22 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 are Mr. Miao Sihua and Mr. Tao Yu; the non-executive Directors are Mr. Guo Zining and Mr. Chen Zhibin; and the independent non-executive Directors are Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao.