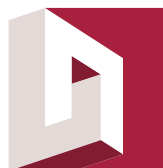


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Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET GROUP HOLDING PROPERTY DEVELOPMENT PROJECTS LOCATED IN SHANDONG PROVINCE INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Financial adviser to the Company



The Board is pleased to announce that on 13 January 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire, and Mr. Shum has conditionally agreed to sell, the Sale Share, representing the entire issued share capital in the Target Company, at the Initial Consideration of HK\$7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment), which will be settled by (i) as to HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of the Convertible Bonds; (ii) as to HK\$2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue and allotment of 840,000,000 Consideration Shares; and (iii) as to the remaining balance of HK\$1,054,920,000 (equivalent to approximately RMB894,000,000) by cash.

Both of the Conversion Price and the Issue Price are HK\$3.30.

The Adjusted NAV of the Target Group as at 30 September 2020 is approximately HK\$7,601,560,000 (equivalent to approximately RMB6,442,000,000). The Initial Consideration represents a discount of approximately 4.66% to the Adjusted NAV.

After completion of the Reorganisation, the Target Group will hold three Qingdao Projects and one Weihai Project. The Qingdao Projects mainly consist of large-scale residential complex projects, as well as wholesale and retail, information technology research and commercial offices developments. The Weihai Project is a residential complex project with shopping arcades and other supporting facilities. Given that the Acquisition (i) is aligned with the Group's strategic goal of "expansion and strengthening"; (ii) taking the opportunities for project merger and acquisition in Shandong Province, it will fully enhance its core competitiveness in each segment of the property value chain; and (iii) could enhance the assets portfolio of the Company, the Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, Mr. Shum, being the chairman, a non-executive Director and, together with Mingyuan Investment, the controlling shareholders of the Company, and the ultimate controlling shareholder of the Company, is interested in approximately 69.74% of the issued share capital of the Company. Hence, Mr. Shum is a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders on or before 25 February 2021, which is more than 15 Business Days after the publication of this announcement so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed “*Conditions precedent*” in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 13 January 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire, and Mr. Shum has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital in the Target Company, at the Initial Consideration of HK\$7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment), which will be settled (i) as to HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of the Convertible Bonds; (ii) as to HK\$2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue and allotment of 840,000,000 Consideration Shares; and (iii) as to the remaining balance of HK\$1,054,920,000 (equivalent to approximately RMB894,000,000) by cash.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

13 January 2021 (after trading hours).

Parties

- (i) The Company, as the purchaser; and
- (ii) Mr. Shum, as the vendor.

Mr. Shum, being the chairman, a non-executive Director and, together with Mingyuan Investment, the controlling shareholders of the Company, and the ultimate controlling shareholder of the Company, is interested in approximately 69.74% of the issued share capital of the Company. Hence, Mr. Shum is a connected person of the Company.

Subject matter to be acquired

The Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company. The Company has the right to nominate and designate a wholly-owned subsidiary to take up the Sale Share upon Completion.

The Target Company will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Shandong Province, the PRC, wholly-owned or partially-owned by Mr. Shum and/or companies controlled by him after the Reorganisation. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and all the property development project companies in Shandong Province, the PRC. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed “*Reorganisation*” and “*Information of the Target Group and its business*”, respectively, in this announcement.

Consideration

The Initial Consideration for the Acquisition is HK\$7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment), which will be satisfied upon Completion in the following manner:

1. as to HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of the Convertible Bonds in the aggregate principal amount of HK\$3,420,640,000 entitling Mr. Shum or his nominee(s) to convert at the Conversion Price of HK\$3.30 per Conversion Share into a maximum number of 1,036,557,575 Conversion Shares (subject to adjustment);
2. as to HK\$2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue and allotment of 840,000,000 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK\$3.30 per Consideration Share; and
3. the remaining balance of HK\$1,054,920,000 (equivalent to approximately RMB894,000,000) by cash.

The Initial Consideration was determined after arm’s length negotiations between the Company and Mr. Shum with reference to, among other things, (i) the appreciated value of the property development projects in the amount of approximately HK\$3,459,760,000 (equivalent to approximately RMB2,932,000,000) as at 30 November 2020 based on the Properties Preliminary Valuation in the amount of HK\$19,186,000,000 (equivalent to approximately RMB16,259,000,000) as at 30 November 2020 prepared by JLL, an independent property valuer, based on approaches including comparison approach, etc., and the ownership percentage of the property development project companies owned by the Target Group; (ii) the unaudited combined pro forma financial information of the Target Group after the Reorganisation as at 30 September 2020; (iii) an approximately 4.66% discount on the Adjusted NAV (as defined below); and (iv) the amount of deferred PRC taxes on the appreciated value of the property development projects.

The Initial Consideration was agreed on based on the Adjusted NAV (as defined and calculated in the manner described below) as at 30 September 2020. The Initial Consideration shall be adjusted to the Final Consideration according to the adjustment mechanism described in the paragraph headed “*Consideration Adjustment Mechanism*” below. The Final Consideration shall be payable by the Company to Mr. Shum or his nominee(s) upon Completion.

Adjusted NAV and Initial Consideration

The following table demonstrates the calculations of the Adjusted NAV (as defined below) of the Target Group as at 30 September 2020 and the Initial Consideration:

	<i>HK\$</i> <i>approximately</i> <i>(unaudited)</i>
Unaudited combined pro forma net asset value attributable to the owners of the Target Group as at 30 September 2020	5,006,740,000 (equivalent to approximately RMB4,243,000,000)
<i>Add:</i>	
Appreciated value of the property development projects as at 30 November 2020 based on the Properties Preliminary Valuation and ownership percentage of the property development project companies by the Target Group	3,459,760,000 (equivalent to approximately RMB2,932,000,000)
<i>Less:</i>	
Deferred PRC taxes on appreciated value	864,940,000 (equivalent to approximately RMB733,000,000)
<i>Equal to:</i>	
Adjusted net asset value attributable to the owners of the Target Group (the “ Adjusted NAV ”) as at 30 September 2020	7,601,560,000 (equivalent to approximately RMB6,442,000,000)
<i>Less:</i>	
4.66% discount to the Adjusted NAV	354,000,000 (equivalent to approximately RMB300,000,000)
Initial Consideration	7,247,560,000 (equivalent to approximately RMB6,142,000,000)

Consideration Adjustment Mechanism

In the event that the Adjusted NAV of the Target Group at Completion calculated by reference to, *inter alia*, the audited combined accounts of the Target Group as at and for the year ended 31 December 2020 (the “**Adjusted NAV at Completion**”) is less than the Adjusted NAV, the Initial Consideration shall be adjusted downward by the difference between the amount of the Adjusted NAV and the amount of the Adjusted NAV at Completion after accounting for the 4.66% discount to arrive at the Final Consideration (i.e. the Final Consideration equals to 95.34% of the Adjusted NAV at Completion). If the Adjusted NAV at Completion is equal to or more than the Adjusted NAV, no adjustment will be made (i.e. the Final Consideration is equal to the Initial Consideration). In the event the Initial Consideration is adjusted downward in the aforementioned scenario, the cash portion of the Final Consideration will be reduced whereas the Convertible Bonds and Consideration Shares portions of the Final Consideration will remain unchanged.

Principal Terms of the Convertible Bonds

Convertible Bonds

Subject to certain conditions to Completion, the Company will issue the Convertible Bonds in an aggregate principal amount of HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) which, unless previously converted, will mature on the date falling 60 months from the Issue Date, unless extended at the request of the Company.

Denomination

The Convertible Bonds are issued in registered form and will be in the denominations of HK\$1.00.

Issue Price of the Convertible Bonds

100% of the aggregate principal amount of the Convertible Bonds.

Interest

The Convertible Bonds will bear no interest.

Maturity Date

The date falling 60 months from the Issue Date.

Transferability

The Convertible Bonds may be freely assigned or transferred to any third party who has confirmed to the relevant holder of the Convertible Bonds in writing it is not a connected person of the Company within the meaning of the Listing Rules (save that the Convertible Bonds may be assigned or transferred to a connected person when the Company has given its written consent), subject to the compliance with: (i) the terms and conditions of the Convertible Bonds; (ii) the Listing Rules; (iii) the approval for listing in respect of the Conversion Shares (as defined below); and (iv) all applicable laws and regulations.

Ranking of the Convertible Bonds

The Convertible Bonds constitute the direct, subordinated, unconditional and unsecured general obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The right to payment of the Holder of the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, be subordinated to the claims of all other present and future senior and subordinated creditors of the Company.

Maturity

Unless previously converted, the then outstanding principal amount of the Convertible Bonds shall be fully converted into Conversion Shares at 100% of their principal amount on the Maturity Date. The Convertible Bonds shall not be redeemable by any monetary consideration.

Conversion

At any time after the Issue Date and up to and inclusive of one Business Day prior to the Maturity Date, the Holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the Convertible Bonds, into such number of fully paid Shares of the Company as determined in accordance with the following formula:

$$N = A/C$$

Where:

“N” is the number of Shares to be issued by the Company upon conversion.

“A” is the principal amount of the Convertible Bonds to be converted.

“C” is the Conversion Price.

The Holder shall effect conversions by delivering to the Company a completed notice in the form prescribed in the Convertible Bonds Instrument.

The Conversion Shares, when issued, will in all respects rank *pari passu* with the Shares already in issue on the day when the Conversion Shares are issued.

Conversion Price

The conversion price at which the Company shall issue the Conversion Shares to the Holder upon conversion of the Convertible Bonds will initially be HK\$3.30 per Share but will be subject to adjustment for dilutive events.

The terms of the Convertible Bonds, including the Conversion Price, has been arrived at after arm's length negotiations between the Company and Mr. Shum, with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares.

The maximum of 1,036,557,575 Conversion Shares to be issued upon full conversion of the Convertible Bonds represents approximately:

- (a) 25.56% of the existing issued share capital of the Company; and
- (b) 17.47% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares (when allotted and issued upon full conversion of the Convertible Bonds) will be issued under the Specific Mandate to be sought at the EGM.

Consideration Shares

The 840,000,000 Consideration Shares represent approximately 20.71% of the issued share capital of the Company as at the date of this announcement, approximately 17.16% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares) and approximately 14.16% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Price and the Issue Price

The Conversion Price of HK\$3.30 per Conversion Share and the Issue Price of HK\$3.30 per Consideration Share represents:

- (a) a premium of approximately 5.10% to the closing price per Share of HK\$3.14 as quoted on the Stock Exchange on 13 January 2021, being the date of the Sale and Purchase Agreement;
- (b) a premium of approximately 6.45% to the average closing price per Share of HK\$3.10 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement; and

- (c) a premium of approximately 6.90% to the average closing price per Share of HK\$3.09 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The Conversion Price and Issue Price were determined on an arm's length basis between the Company and Mr. Shum with reference to the prevailing market price of the Shares as shown above.

The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account the advice of an independent financial adviser) consider that the Issue Price and Conversion Price are fair and reasonable.

Conditions precedent

Completion is conditional upon fulfilment or, where applicable, waiver of the following conditions:

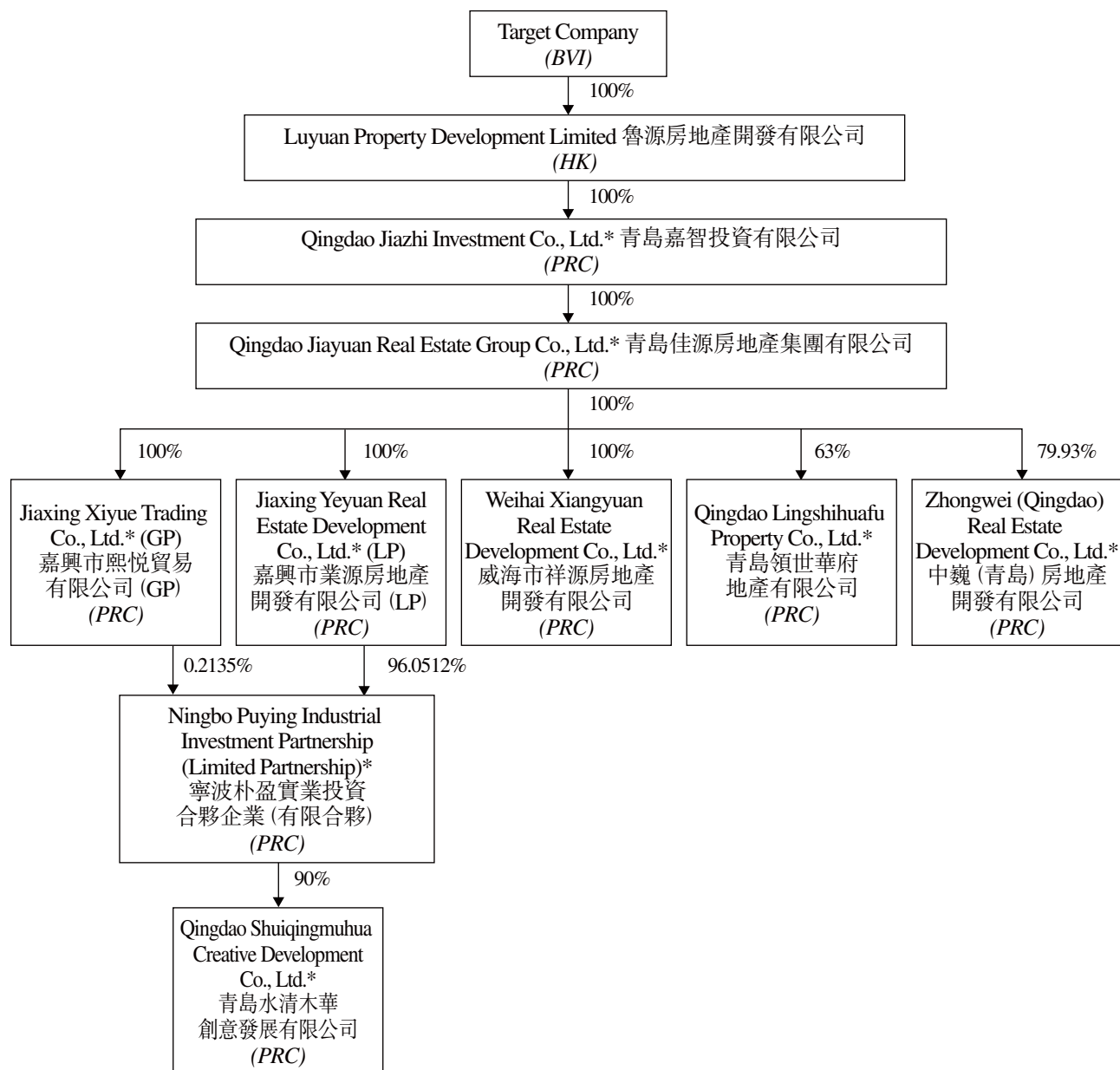
- (a) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;
- (b) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares and the Convertible Bonds, having been approved by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules;
- (c) the approval for the listing of, and permission to deal in, the Consideration Shares as well as the Conversion Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (d) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and
- (e) the Company having been satisfied with the due diligence results of the Target Group in all respects.

If any of the conditions set out above has not been satisfied or waived by the Company (other than conditions (a), (b) and (c) which may not be waived) on or before 31 December 2021 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

Reorganisation

Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and the PRC operating companies conducting property development business in Shandong Province, the PRC.

Set out below is a chart showing the corporate and shareholding structure of the Target Group immediately after the completion of the Reorganisation:



* for identification purposes only

Guarantees

Pursuant to the Reorganisation, the Target Group shall cancel all the corporate guarantees provided by the subsidiaries or associated corporation(s) of the Target Group to any of the subsidiaries or associated corporation(s) of the Private Group before the Completion.

Completion

Completion shall take place on the tenth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree.

REASONS AND BENEFITS FOR THE ACQUISITION

Reference is made to the prospectus of the Company dated 26 February 2016 (the “**Prospectus**”). As stated in the Prospectus, in order to achieve the geographical segregation between the property development projects of Mr. Shum and the Private Group and the Group and to ensure clear delineation, Mingyuan Investment and Mr. Shum entered into a deed of non-competition with and in favour of the Company, pursuant to which, the Private Group has agreed to conduct its property development business only in the Non-Target Cities (as defined in the Prospectus) while the Group shall conduct its property development business in the Target Cities (as defined in the Prospectus) exclusively.

In 2020, sales growth of the Group was stable, primarily attributable to the regionally coordinated development strategy of China and the ability to precisely capture the home purchase demand in China’s second-tier and third-tier cities.

In 2019, the gross domestic product of Shandong Province exceeded RMB7,106.8 billion, representing an increase of approximately 5.5% from the previous year. The full-year property development investment amounted to RMB861.5 billion, representing an increase of 14.1% from the previous year. For commodity housings, total construction area amounted to 757.7 million sq. m., representing an increase of 9.7% from the previous year and for residential purpose amounted to 559.4 million sq. m., representing an increase of 10.1% from the previous year.

As the property development projects of the Target Group are largely located in Qingdao of Shandong Province, which is one of China’s new first-tier cities, the Group expects that the property market of Shandong Province will continue to grow steadily in future, which will be a boost to the Group’s sales expectation. On the other hand, the Group may swiftly expand the geographical coverage of its business by adding more provinces to its regional layout and further expand its land reserve and achieve economies of scale and in turn uplift the Group’s competitiveness.

Further, the Group considers that the Acquisition represents the performance of the commitment of Mr. Shum to continually inject non-listed businesses to the listed vehicle. Completion of such allotment and issue of the Consideration Shares and the Conversion Shares will further raise the shareholding percentage of Mr. Shum. Meanwhile, the increase in the Group’s estimated net assets will continue to optimize the structure of assets and liabilities of the Group and enable the Group to further establish a healthier financial position.

The Group believes that establishing presence in Shandong Province will lay solid foundations for the future development of the Company and play a positive role in further boosting the influence of the “Jiayuan” brand across the PRC. It will help in expanding the strategic layout of the Group in key regions nationwide. Given that the Acquisition (i) is aligned with the Group’s strategic goal of “expansion and strengthening”; (ii) taking the opportunities for project merger and acquisition in Shandong Province, it will fully enhance its core competitiveness in each segment of the property value chain; and (iii) could enhance the assets portfolio of the Company, the Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (a) as at the date of this announcement; (b) immediately after the Completion and the allotment and issue of the Consideration Shares; and (c) immediately after full conversion of the Convertible Bonds:

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares, but before the exercise of the conversion rights attached to the Convertible Bonds ^(Note 2)		Immediately after Completion and the allotment and issue of (i) the Consideration Shares and (ii) the Conversion Shares upon the exercise in full of the conversion rights attached to the Convertible Bonds ^{(Note 2) & (Note 5)}	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate % ^(Note 4)
Mr. Shum and his associate(s) ^(Note 3)	2,828,310,136 ^(Note 1)	69.74	3,668,310,136	74.93	4,704,867,711	79.31
Public Shareholders	<u>1,227,424,487</u>	<u>30.26</u>	<u>1,227,424,487</u>	<u>25.07</u>	<u>1,227,424,487</u>	<u>20.69</u>
Total	<u>4,055,734,623</u>	<u>100.00</u>	<u>4,895,734,623</u>	<u>100.00</u>	<u>5,932,292,198</u>	<u>100.00</u>

Notes:

1. The 2,756,308,418 Shares are held by Mingyuan Investment, which is wholly-owned by Mr. Shum.
2. The figures above assume that other than the Consideration Shares and the Conversion Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after the date of this announcement and up to the date the allotment and issue of the Consideration Shares and the Conversion Shares.

3. On 13 January 2021, the Company entered into a Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of the Target Company, at the Initial Consideration of HK\$7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment), which will be settled by (i) as to HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) by way of issue of the Convertible Bonds; (ii) as to HK\$2,772,000,000 (equivalent to approximately RMB2,349,152,542) by way of issue and allotment of 840,000,000 Consideration Shares; and (iii) as to the balance of HK\$1,054,920,000 (equivalent to approximately RMB894,000,000) by cash.
4. The percentage figures included in this table are subject to rounding adjustment.
5. The shareholding structure is prepared for illustrative purpose only. There is no right for any Holder(s) to convert any principal amount of the Convertible Bonds held by the Holder(s) and the Company shall not issue any Conversion Shares thereof if, upon such conversion and issue of the Conversion Shares, the Company will be in breach of the minimum public float requirement as stipulated under the Listing Rules.

INFORMATION OF THE TARGET GROUP AND ITS BUSINESS

The following table sets out the unaudited combined financial information of the Target Group excluding Qingdao Lingshihuafu Property Co., Ltd* (青島領世華府地產有限公司) (“**Qingdao Lingshihuafu**”), for the two years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2020, respectively, based on the unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December		Nine months ended
	2018	2019	30 September
	<i>(rounded to nearest hundred)</i>	<i>(rounded to nearest hundred)</i>	<i>(rounded to nearest hundred)</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net (loss)/profit before taxation and extraordinary items	(26,385,000) (equivalent to approximately HK\$(31,134,300))	(20,942,000) (equivalent to approximately HK\$(24,711,560))	248,801,000 (equivalent to approximately HK\$293,585,180)
Net (loss)/profit after taxation and extraordinary items	(19,788,000) (equivalent to approximately HK\$(23,349,840))	(20,102,000) (equivalent to approximately HK\$(23,720,360))	131,488,000 (equivalent to approximately HK\$155,155,840)

The following table sets out the unaudited financial information of Qingdao Lingshihuafu, for the two years ended 31 December 2018 and 2019 and for the nine months ended 30 September 2020, respectively, based on the unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December		Nine months ended
	2018	2019	30 September
	<i>(rounded to nearest hundred)</i>	<i>(rounded to nearest hundred)</i>	<i>(rounded to nearest hundred)</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation and extraordinary items	(41,451,000) (equivalent to approximately HK\$(48,912,180))	(16,224,000) (equivalent to approximately HK\$(19,144,320))	(21,422,000) (equivalent to approximately HK\$(25,277,960))
Net loss after taxation and extraordinary items	(31,088,000) (equivalent to approximately HK\$(36,683,840))	(12,168,000) (equivalent to approximately HK\$(14,358,240))	(16,066,000) (equivalent to approximately HK\$(18,957,880))

As at 30 September 2020, (i) the unaudited combined net asset value of the Target Group excluding Qingdao Lingshihuafu was approximately RMB2,268,932,000 (equivalent to approximately HK\$2,677,339,760); (ii) the unaudited net asset value of Qingdao Lingshihuafu was approximately RMB(41,142,000) (equivalent to approximately HK\$(48,547,560)); and (iii) after taking into account the original investment costs of certain project companies of the Target Group, the unaudited combined pro forma net asset value attributable to the owners of the Target Group was approximately RMB4,243,000,000 (equivalent to approximately HK\$5,006,740,000).

The original investment costs of certain project companies of the Target Group were approximately in the aggregate amount of RMB2,249,000,000 (equivalent to approximately HK\$2,653,820,000).

The Target Group and its business

The Target Company is a company newly incorporated under the laws of the BVI with limited liability and wholly-owned by Mr. Shum.

The Target Group will own equity interests in all the property development project companies in Shandong Province, the PRC, wholly-owned or partially-owned by Mr. Shum and/or companies controlled by him after completion of the Reorganisation.

After completion of the Reorganisation, the Target Group will hold three property development projects located in Qingdao of Shandong Province (the “**Qingdao Projects**”) and one property development project located in Weihai of Shandong Province (the “**Weihai Project**”). The Qingdao Projects mainly consist of large-scale residential complex projects, as well as wholesale and retail, information technology research and commercial offices developments. The Weihai Project is a residential complex project with shopping arcades and other supporting facilities.

GENERAL INFORMATION OF THE PARTIES

Information of the Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. The principal activities of the Group include (a) the development and sale of residential and commercial properties; (b) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (c) the leasing of commercial properties owned or developed by the Group.

Information of the vendor

Mr. Shum, being the chairman, a non-executive Director and, together with Mingyuan Investment, the controlling shareholders of the Company, and the ultimate controlling shareholder of the Company, is interested in approximately 69.74% of the issued share capital of the Company.

THE SPECIFIC MANDATE

The Consideration Shares and the Conversion Shares upon exercise in full of the Convertible Bonds will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all the existing Shares in issue.

LISTING RULES IMPLICATIONS

Major Transaction

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Connected Transaction

As at the date of this announcement, Mr. Shum, being the chairman and a non-executive Director and, together with Mingyuan Investment, the controlling shareholders of the Company and the ultimate controlling shareholder of the Company, is interested in approximately 69.74% of the issued share capital of the Company. Hence, Mr. Shum is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Voting at the EGM will be conducted by poll and Mr. Shum and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Mr. Shum, the chairman of the Board and a non-executive Director, is the vendor of the Acquisition and the ultimate beneficial owner of the Private Group. Mr. Shum has abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, (a) no other Director has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; and (b) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the aforesaid matters.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders on or before 25 February 2021, which is more than 15 Business Days after the publication of this announcement so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed “*Conditions precedent*” in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Company from Mr. Shum pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“associates”; “connected person(s)”; “connected transaction”; “controlling shareholder(s)”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a Sunday) on which banks in the PRC and Hong Kong are normally open for banking business to the public
“BVI”	the British Virgin Islands
“Company”	Jiayuan International Group Limited (佳源國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2768)
“Completion”	the completion of the Acquisition

“Consideration Shares”	840,000,000 new Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s) to satisfy part of the Initial Consideration
“Conversion Price”	HK\$3.30 per Conversion Share
“Conversion Shares”	1,036,557,575 new Shares to be issued by the Company upon the exercise in full of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$3,420,640,000 (equivalent to approximately RMB2,898,847,458) to be issued at Completion by the Company to Mr. Shum or his nominee(s) to satisfy part of the Initial Consideration
“Convertible Bonds Instrument”	the instrument to be executed by the Company constituting the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Final Consideration”	the final consideration after making the adjustment as set out in the paragraph headed “ <i>Consideration Adjustment Mechanism</i> ” in this announcement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holder”	a person in whose name a Convertible Bond is registered in the register of holders of Convertible Bonds (or in the case of joint holders, the first named thereof)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Initial Consideration”	the initial consideration of HK\$7,247,560,000 (equivalent to approximately RMB6,142,000,000) (subject to adjustment) for the Sale Share as set out in the paragraph headed “ <i>Adjusted NAV and Initial Consideration</i> ” in this announcement
“Issue Date”	the date on which the Convertible Bonds are issued, which shall be no later than the date of Completion unless otherwise agreed by the Company and Mr. Shum
“Issue Price”	HK\$3.30 per Consideration Share
“JLL”	Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent property valuer appointed by the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling 60 months from the Issue Date of the Convertible Bonds
“Mingyuan Investment”	Mingyuan Group Investment Limited (明源集團投資有限公司), a company incorporated under the laws of the BVI with limited liability, which is interested in approximately 67.96% of the issued share capital of the Company as at the date of this announcement
“Mr. Shum”	Mr. Shum Tin Ching, the chairman, a non-executive Director, the ultimate controlling shareholder of the Company and the ultimate beneficial owner of the Private Group
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Private Group”	佳源創盛控股集團有限公司 (Jiayuan Chuangsheng Holdings Group Co., Ltd.*), a company established under the laws of the PRC with limited liability, and its subsidiaries from time to time
“Properties Preliminary Valuation”	the preliminary appraised value of the property development projects held by the Target Group after the Reorganisation as at 30 November 2020 in the amount of HK\$19,186,000,000 (equivalent to approximately RMB16,259,000,000)

“Reorganisation”	such arrangement and restructuring of companies comprising the Target Group in accordance with the terms of the Sale and Purchase Agreement, further details of which are set out in the paragraph headed “ <i>Reorganisation</i> ” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 January 2021 and entered into between the Company and Mr. Shum in relation to the Acquisition
“Sale Share”	1 (one) share in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares and the Conversion Shares upon exercise in full of the Convertible Bonds
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Luyuan Investment Holdings Limited (魯源投資控股有限公司), a company incorporated under the laws of the BVI with limited liability on 21 December 2017, which will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Shandong Province, the PRC
“Target Group”	the Target Company and its wholly-owned or partially-owned companies upon completion of the Reorganisation
“%”	per cent.

* *for identification purposes only*

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1:HK\$1.18. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

By Order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 13 January 2021

As at the date of this announcement, the Board comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.