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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)

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF INTERESTS IN SUBSIDIARIES**

THE SHARE SALE DEEDS

The Board wishes to announce that on 23 June 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the APGA Deed with Purchaser B and the Company A Deed with Purchaser A.

Pursuant to the APGA Deed, the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to purchase, the APGA Shares, representing 49% of the issued share capital of APGA, at the consideration of A\$1.00 (equivalent to approximately HK\$5.41) in cash.

Pursuant to the Company A Deed, the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to purchase, the Company A Shares, representing 100% of the issued share capital of Company A, at the consideration of A\$1.00 (equivalent to approximately HK\$5.41) in cash.

As one of the conditions precedent to the completion of the Disposal pursuant to the Share Sale Deeds, the Vendor and the Disposal Group shall restructure the Shareholder's Loans, pursuant to which the entire Shareholder's Loans will be, in substance, assigned to Purchaser A by the Vendor and, in return, the Vendor will receive A\$105 million (equivalent to approximately HK\$568.1 million) in cash from APGA.

Upon completion of the Disposal, the Company will indirectly hold 51% of the issued share capital in APGA and cease to hold any interest in Company A. By operation of the terms of the APGA Shareholders' Deed which will be entered into among the Vendor, Purchaser B and APGA prior to completion of the Disposal as summarised in the section headed "The APGA Shareholders' Deed" below, the Vendor, despite its holding of 51% of the issued share capital of APGA after completion, will only be left with residual power in the affairs and management decisions of the APGA Group and no longer have control of the APGA Group. Accordingly, the Disposal Group will cease to be subsidiaries of the Company and therefore their results will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the ultimate beneficial owner of the Purchasers is a discretionary family trust of Mr. Liaw, who is a director of certain companies within the APGA Group and hence a connected person of the Company at subsidiary level. Each of the Purchasers is an associate of Mr. Liaw and thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) the Purchasers are connected persons of the Company at the subsidiary level; (ii) the Board has approved the Share Sale Deeds and the Disposal; and (iii) all the independent non-executive Directors have confirmed that the terms of the Share Sale Deeds are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Share Sale Deeds, on an aggregate basis, is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors have any material interest in the Share Sale Deeds and the transactions contemplated thereunder and none of them abstained from voting on the relevant Board resolutions.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder or their respective associates has any material interest in the Share Sale Deeds and thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Share Sale Deeds and the Disposal.

As at the date of this announcement, Joy Pacific directly and indirectly holds a total of 1,660,925,625 Shares, representing approximately 56.01% of the total number of issued shares of the Company. On 23 June 2022, the Company has obtained the irrevocable and unconditional written approval from Joy Pacific for the Share Sale Deeds and the transactions contemplated thereunder. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Share Sale Deeds and the Disposal; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders for information only on or before 15 July 2022 pursuant to Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors should note that completion of the Disposal is subject to fulfillment (or waiver) of the condition(s) as set out in the Share Sale Deeds, and the Disposal may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Board wishes to announce that on 23 June 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the APGA Deed with Purchaser B and the Company A Deed with Purchaser A.

Prior to entering into of the Share Sale Deeds, the Group, with the primary intention of realising its entire Australian assets portfolio for immediate cash inflow, underwent an offer solicitation process (the “**Offer Solicitation Process**”) through its own business network and financial intermediaries, to seek for prospective buyers for its Australian assets. After considering the merits of all formal offers received (including the offer from Mr. Liaw), the Board resolved to pursue the offer from Mr. Liaw. The terms of the APGA Deed and the Company A Deed were arrived at after further arm’s length negotiations between the Group and Mr. Liaw.

Pursuant to the APGA Deed, the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to purchase, the APGA Shares, representing 49% of the issued share capital of APGA, at the consideration of A\$1.00 (equivalent to approximately HK\$5.41) in cash.

Pursuant to the Company A Deed, the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to purchase, the Company A Shares, representing 100% of the issued share capital of Company A, at the consideration of A\$1.00 (equivalent to approximately HK\$5.41) in cash.

Summarised below are the principal terms of the Share Sale Deeds:

THE APGA DEED

Date

23 June 2022

Parties

- (a) Vendor: Grand First Holdings Limited
- (b) Purchaser: Company B (Aust) Pty Limited ACN 658 173 687

Assets to be disposed of

Pursuant to the terms and conditions of the APGA Deed, the Vendor has conditionally agreed to sell, and Purchaser B has conditionally agreed to purchase, the APGA Shares.

Consideration and payment terms

The consideration for the disposal of the APGA Shares is A\$1.00 (equivalent to approximately HK\$5.41). The consideration shall be paid by Purchaser B to the Vendor in cash on completion of the APGA Disposal.

Conditions precedent

Completion of the APGA Disposal is conditional upon the fulfillment (or waiver, as the case may be) of the following conditions:

- (a) Purchaser B has received evidence acceptable to it that any approval from the board of directors and shareholders of the Company have been obtained and have not been withdrawn or revoked;
- (b) Purchaser B has received evidence acceptable to it that no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, or order issued by any regulatory authority and no other legal or regulatory restraint or action preventing any of the transactions contemplated by the APGA Deed is in effect;
- (c) Purchaser B has received evidence acceptable to it that all the steps in relation to the Shareholder's Loans Restructuring (as defined below) have been implemented in accordance with the relevant plan as agreed by the parties and on the terms of the relevant documents;
- (d) Purchaser B, the Vendor and APGA have entered into the APGA Shareholders' Deed;
- (e) the Vendor has obtained irrevocable waiver in respect of options, rights of pre-emption, rights of first or last refusal or other third party rights or consent over the sale or transfer of any of the APGA Shares (if any);
- (f) APGA has secured external funding to pay A\$105 million (equivalent to approximately HK\$568.1 million) (the "**Relevant Amount**") to the Vendor, on terms and conditions satisfactory to Purchaser A (as disclosed in the paragraph headed "Restructuring of the Shareholder's Loans" below); and
- (g) APGA has paid the Relevant Amount to the Vendor, causing all indebtedness owed from it to the Vendor to be discharged and extinguished in full.

The conditions set out in: paragraph (d) may be waived by the Vendor and Purchaser B; paragraphs (b), (c), (e), (f) and (g) may be waived by Purchaser B; and paragraph (a) cannot be waived.

A non-defaulting party is entitled to terminate the APGA Deed at any time before completion if (i) any condition above has become incapable of satisfaction and that condition has not been waived within 5 Business Days after the occurrence of the matter which caused that condition to become incapable of satisfaction; (ii) any condition has not been satisfied or waived before 31 August 2022 or any other date agreed in writing between the Vendor and Purchaser B (the "**End Date**"); or (iii) any condition, having been satisfied on or before the End Date, ceases to be satisfied before completion. The said party retains the rights it has against the others in respect of any breach of the APGA Deed occurring before termination.

THE COMPANY A DEED

Date

23 June 2022

Parties

- (a) Vendor: Grand First Holdings Limited
- (b) Purchaser: Silver Mako Pty Limited ACN 658 173 614

Assets to be disposed of

Pursuant to the terms and conditions of the Company A Deed, the Vendor has conditionally agreed to sell, and Purchaser A has conditionally agreed to purchase, the Company A Shares.

Consideration and payment terms

The consideration for the disposal of the Company A Shares is A\$1.00 (equivalent to approximately HK\$5.41). The consideration shall be paid by Purchaser A to the Vendor in cash on completion of the Company A Disposal.

Conditions precedent

Completion of the Company A Disposal is conditional upon the fulfillment (or waiver, as the case may be) of the following conditions:

- (a) the conditions precedent in the APGA Deed have been satisfied or waived in accordance with its terms;
- (b) Purchaser A has received evidence acceptable to it that any approval from the board of directors and shareholders of the Company have been obtained and have not been withdrawn or revoked;
- (c) Purchaser A has received evidence acceptable to it that no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, or order issued by any regulatory authority and no other legal or regulatory restraint or action preventing any of the transactions contemplated by the Company A Deed is in effect;
- (d) Purchaser A has received evidence acceptable to it that all the steps in relation to the Shareholder's Loans Restructuring (as defined below) have been implemented in accordance with the relevant plan as agreed by the parties and on the terms of the relevant documents;

- (e) the Vendor has obtained irrevocable waiver in respect of any options, rights of pre-emption, rights of first or last refusal or other third party rights or consent over the sale or transfer of any of the Company A Shares (if any);
- (f) APGA has secured external funding to pay the Relevant Amount to the Vendor, on terms and conditions satisfactory to Purchaser A (as disclosed in the paragraph headed “Restructuring of the Shareholder’s Loans” below); and
- (g) APGA has paid the Relevant Amount to the Vendor, causing all indebtedness owed from it to the Vendor to be discharged and extinguished in full.

The conditions set out in: paragraph (a) may be waived by the Vendor and Purchaser A; paragraphs (c) to (g) may be waived by Purchaser A; and paragraph (b) cannot be waived.

A non-defaulting party is entitled to terminate the Company A Deed at any time before completion if (i) any condition above has become incapable of satisfaction and that condition has not been waived within 5 Business Days after the occurrence of the matter which caused that condition to become incapable of satisfaction; (ii) any condition has not been satisfied or waived before the End Date; or (iii) any condition, having been satisfied on or before the End Date, ceases to be satisfied before completion. The said party retains the rights it has against the others in respect of any breach of the Company A Deed occurring before termination.

RESTRUCTURING OF THE SHAREHOLDER’S LOANS

As at 31 May 2022, the aggregate sum of the Shareholder’s Loans owed by APGA to the Vendor (including the principal amount and interest) was approximately A\$384.6 million. As one of the conditions precedent to the completion of the Disposal pursuant to the Share Sale Deeds, the Vendor and the Disposal Group shall restructure the Shareholder’s Loans (the “**Shareholder’s Loans Restructuring**”), pursuant to which the entire Shareholder’s Loans will be, in substance, assigned to Purchaser A by the Vendor and, in return, the Vendor will receive the Relevant Amount in cash from APGA. Under the Shareholder’s Loan Restructuring, the funding of the Relevant Amount secured by APGA for the repayment of the Shareholder’s Loans is arranged by the Purchaser(s) and borrowed by Purchaser A, Company A and/or APGA (as the case may be) under bank facilities or other arrangements providing financial accommodation on terms and conditions satisfactory to Purchaser A.

The settlement of the Shareholder’s Loans, together with the disposal by the Vendor of its 49% equity interest in APGA and 100% equity interest in Company A at the total consideration of A\$2 (equivalent to approximately HK\$10.82), would enable the Group to receive total cash proceeds of A\$105,000,002 (equivalent to approximately HK\$568.1 million) under the Disposal.

BASIS OF THE CONSIDERATION

The Group has engaged an independent valuer to conduct a valuation on 100% of the equity interest in APGA as at 31 March 2022 (the “**Valuation**”), being the date of Valuation, on the basis that the Shareholder’s Loans are excluded from being treated as liabilities of APGA since the Shareholder’s Loans will be, in substance, assigned to Purchaser A upon the Disposal pursuant to the Shareholder’s Loans Restructuring.

The Directors, having considered that (i) the Group will not have control over the composition of the board of APGA or over the affairs and operations of APGA after completion of the Disposal, as further elaborated in the section headed “The APGA Shareholders’ Deed” below; and (ii) the commercial decision of the Group to realise its entire Australian assets portfolio for immediate cash inflow, are of the view that comparing the total cash proceeds receivable by the Group under the Disposal against the valuation of 100% of the equity interest of APGA instead of 49% of the equity interest of APGA under the APGA Deed is appropriate.

On the basis that the Valuation which was carried out on the basis of the market value (the “**Market Value**”) (Note 1) and the estimated realisation price (the “**ERP**”) (Note 2) on 100% of the equity interest in APGA and the Shareholder’s Loans are excluded from being treated as liabilities of APGA since the Shareholder’s Loans will be, in substance, assigned to the Purchaser A upon the Disposal, the Market Value and the ERP are approximately A\$169 million and A\$132 million, respectively. The total cash proceeds receivable by the Group under the Disposal of A\$105,000,002, comprising the consideration for the sale and purchase of the APGA Shares and Company A Shares and the repayment of the Shareholder’s Loans, represent a discount of approximately 37.9% to the Market Value and a discount of approximately 20.5% to the ERP. The Board considered that the ERP is a more appropriate benchmark to measure the total cash proceeds against with, as the Disposal is effectively a sale of all the property projects of the APGA Group on hand in one transaction at the same time and attractive concession on the ERP price would be expected by bulk buyers. Given that (i) the property projects of the APGA Group on hand comprise of approximately 300 apartment units and three pieces of land; and (ii) the sale of all of the above properties in a single transaction, the Board considered a quick sale discount to the ERP is not unreasonable.

Notes:

- (1) Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length negotiation, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- (2) ERP is defined as the estimated value for which an asset or liability should exchange on the valuation date assuming a shorter period, considered less than standard market period, in which to achieve a sale.

COMPLETION

The APGA Disposal

Pursuant to the APGA Deed, completion of the APGA Disposal shall take place (i) on the later of: (a) 29 July 2022; and (b) the date which is five (5) Business Days after all of the conditions above have been satisfied or waived (as the case may be); and (ii) one hour after completion of the Company A Disposal has occurred in accordance with the terms of the Company A Deed.

The Company A Disposal

Pursuant to the Company A Deed, completion of the Company A Disposal shall take place on the later of: (i) 29 July 2022; and (ii) the date which is five (5) Business Days after all of the conditions above have been satisfied or waived (as the case may be).

In connection with the above schedule of completion, if the Company A Deed is terminated, or completion occurs in accordance with the terms of the Company A Deed but completion of the APGA Deed does not occur in accordance with the terms of the APGA Deed on the date of completion, then: (i) completion under the Company A Deed is taken not to have occurred; (ii) the Vendor must promptly procure payment of the Relevant Amount to Purchaser B; and (iii) the parties must take all steps within their control to unwind each step taken prior to completion under the Shareholder's Loans Restructuring and other related documents.

Upon completion of the Disposal, the Company will indirectly hold 51% of the issued share capital in APGA and cease to hold any interest in Company A. By operation of the terms of the APGA Shareholders' Deed which will be entered into among the Vendor, Purchaser B and APGA prior to completion of the Disposal as summarised in the section headed "The APGA Shareholders' Deed" below, the Vendor, despite its holding of 51% of the issued share capital of APGA after completion, will only be left with residual power in the affairs and management decisions of the APGA Group and no longer have control of the APGA Group. Accordingly, the Disposal Group will cease to be subsidiaries of the Company and therefore their results will no longer be consolidated into the financial statements of the Group.

THE APGA SHAREHOLDERS' DEED

The Vendor, Purchaser B and APGA will enter into the APGA Shareholders' Deed to regulate their respective rights and obligations in relation to the management, operation and affairs of APGA after Purchaser B becomes a shareholder of APGA. The APGA Shareholders' Deed shall take effect from the date of completion of the Disposal. The principal terms of the APGA Shareholders' Deed are set out below.

Objectives

The parties to the APGA Shareholders' Deeds agree that the primary objectives in entering into the APGA Shareholders' Deed include, among others:

- (a) the APGA Group will carry on the business of selling, developing, managing and delivering real estate projects in Australia in accordance with the provisions of the APGA Shareholders' Deed;
- (b) on and from the effective date, the APGA Group will carry on its business in accordance with the business plan;
- (c) on and from the effective date, the APGA Group will not pursue any new projects, investments or other opportunities to develop or expand its business, including entering into any new contracts related to property development other than those related to the completion and sale of the existing projects and related matters;

- (d) the brands used in the business will be modified and replaced with a brand agreed by the board of APGA; and
- (e) following the completion and sale of the existing projects by the APGA Group, the business will cease and subject to the provisions of the APGA Shareholders' Deed, the intention of the parties is that APGA will be wound up.

Board composition and management

- (a) The overall direction and management of APGA is vested in its board of directors.
- (b) The board of APGA must be constituted by a maximum of three directors and a minimum of two directors. On and from the effective date, the board will consist of three directors, including Mr. Liaw and two other existing director and senior management of APGA.
- (c) Each director is entitled to one vote in a resolution of the directors. The chairperson has a casting vote, except over resolution that relates to alteration of the constitution, or variation of rights conferred to the APGA shares, or substitution or replacement of shares in APGA with other shares in APGA, or declaration, making or payment of any dividend or other distribution.
- (d) The shareholders acting unanimously have the right to appoint, remove and replace any person as a director.
- (e) The chairperson of the board is to be appointed, removed and replaced by Purchaser B. Mr. Liaw will be appointed as the chairman of APGA as from effective date of the APGA Shareholder's Deed.
- (f) Certain actions of APGA require approval by 75% of votes cast by directors including but not limited to disposal of subsidiary or acquisition of new subsidiary, declaration and payment of dividends or other distributions, appointment, removal and replacement of persons to the board of directors of the subsidiaries and certain senior executives of APGA, approving borrowings and/or expenditures exceeding a particular amount, creating or varying any encumbrances over the assets of the APGA Group other than in the ordinary course of business, and changing the name of any company in the APGA Group or the brands used in their business.
- (g) As at the effective date of the APGA Shareholders' Deed, the APGA board will appoint Mr. Liaw as the chief executive officer of APGA, who has overall authority to manage the day-to-day business and operation of APGA.
- (h) Certain matters of APGA require approval by 75% of votes cast by its shareholders, including but not limited to issuance or grant of right to issue any securities, variation of rights attaching to any securities, alteration of share capital, alteration of the constitution, material change of business or cessation of business, winding up of APGA, and appointment of administrator and receiver or liquidator.

Disposal of shares

A shareholder may only dispose of its shares in APGA if:

- (a) each other shareholder consents (in its absolute discretion) to such disposal;
- (b) a deadlock situation arises at the board level or the shareholders' level, where a resolution requiring affirmative votes of 75% or more cast by the directors, or unanimous or special resolution of shareholders (as the case may be) cannot be passed in accordance with the terms of the APGA Shareholders' Deed and cannot be resolved by the mechanism provided therein, Purchaser B or its nominee may give each shareholder notice offering to purchase all of that shareholder's shares pursuant to the terms of the APGA Shareholders' Deed;
- (c) if an event of default as described in the APGA Shareholders' Deed occurs in relation to a shareholder other than Purchaser B, Purchaser B or its nominee(s) may purchase all of that shareholder's shares, each pursuant to the terms of the APGA Shareholders' Deed; or
- (d) it notifies APGA and the other shareholders its intention to transfer all or part of its shares with details of the proposed transfer, the other shareholders may exercise their right to acquire all or part of such sale shares pro rata to their shareholding in APGA. At any time within 90 business days after completion of the above offer process, the selling shareholder may offer all of the sale shares to a qualified buyer on terms no more favourable to the qualified buyer than the terms set out in the sale notice to the other shareholders. "Qualified buyer" means (i) if the selling shareholder is Purchaser B, any person; and (ii) if the selling shareholder is a shareholder other than Purchaser B, a person which Purchaser B has approved in its absolute discretion. For the avoidance of doubt, this provision does not apply if the disposal has been consented to by all other shareholders pursuant to (a) above.

Dividends and distributions

As at the effective date, the dividend policy of APGA is to distribute to its shareholders surplus funds from its distributable profits, subject to: (a) the recognition of profit and availability of cash for distribution; (b) any banking or other funding requirements by which it is bound from time to time; (c) the operating and working capital requirements, including for funding payment of taxes; and (d) the requirements of applicable laws.

Funding

Each shareholder agrees it is not required to provide to, or on behalf of, any company within the APGA Group any funds of any nature including by way of loans or subscription for securities; or any form of financial accommodation or guarantee or any other similar commitment or comfort.

Implications of the APGA Shareholders' Deed

By operation of the terms of the APGA Shareholders' Deed as disclosed in the paragraph headed "Board composition and management" above, in particular:

- (a) given that the maximum number of directors in the board of APGA is three (3), the requisite 75% approval threshold of the board for certain actions of APGA means that any resolution related to such matters will require unanimous vote of all directors of APGA, notwithstanding that the Vendor has a simple majority of the issued shares of APGA;
- (b) certain matters of APGA require approval by 75% of votes cast by its shareholders which means that unanimous approval of the Vendor and Purchaser B is required given their 51:49 shareholding proportion; and
- (c) given the 51:49 shareholding proportion, the board composition, the chairperson's right to a casting vote and the voting mechanisms as set out in paragraphs (a) and (b) above,

the Vendor, despite its holding of 51% of the issued share capital of APGA after completion of the Disposal, would not have control over the composition of the board of APGA or over the affairs and operations of APGA. Accordingly, the APGA Group will cease to be subsidiaries of the Company and therefore its results will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE DISPOSAL GROUP

Corporate information

APGA

APGA is a proprietary company limited by shares registered in New South Wales under the laws of Australia on 8 July 2014. APGA is principally engaged in investment holding and its subsidiaries are principally engaged in property development in the greater Sydney area of Australia. As at the date of this announcement, APGA has 24 subsidiaries engaged in ten projects, four of which have been completed and sold. Of the six property projects that the APGA Group currently has on hand, three are completed developments and the remaining three are still under development.

As at the date of this announcement, the entire issued share capital of APGA is owned by the Vendor, and the principal subsidiaries of APGA are set out in the table below:

Name of subsidiary	Place of incorporation	Attributable effective equity interest held by APGA	Issued and fully paid share capital/ registered share capital	Principal activities
Prime Development Project Pty Ltd	Australia	100%	A\$10,000	Operation and administration
Prime Gordon Pty Ltd	Australia	100%	A\$1,000	Property development, the development project in Gordon, Australia was completed in 2020.
Prime Burwood Pty Ltd	Australia	100%	A\$1,000	Property development, the development project in Burwood, Australia was completed in 2021.
Prime Hurstville Pty Ltd	Australia	100%	A\$1,000	Property development, owner of a new mixed-use development project in Hurstville, Australia and the pre-sale has been launched in 2021.
Prime Moss Vale Pty Ltd	Australia	100%	A\$1,000	Property development, owner of an integrated residential community in Moss Vale which will be developed in six stages. Pre-sale of stage 1 has been launched in 2021.
Prime Woolooware 4 Pty Ltd	Australia	75%	A\$1,000	Property development, owner of a new mixed-use development project in Woolooware Bay, Australia which was launched in 2019.
Prime Parramatta Development Pty Ltd	Australia	100%	A\$1,000	Property development, the development project in Parramatta, Australia was completed in 2021.

Company A

Company A is a proprietary company limited by shares registered in New South Wales under the laws of Australia on 7 March 2022. It is established as a special purpose vehicle solely for the purpose of undertaking the Shareholder's Loans Restructuring. As at the date of this announcement, the entire issued share capital of Company A is owned by the Vendor, and, save for its share capital, Company A does not hold any assets or liabilities or have any subsidiary.

Financial information

Set out below is certain consolidated financial information of the Disposal Group for the two financial years ended 31 December 2021 and 2020 prepared in accordance with the International Financial Reporting Standards:

	For the year ended	
	31 December	
	2021	2020
	Unaudited	Audited
	A\$'000	A\$'000
Total assets	732,534	824,757
Net (liabilities)/assets, excluding non-controlling interest	(27,837)	4,256
Revenue	246,226	492,953
(Loss)/gain before tax	(43,975)	20,444
(Loss)/gain after tax	(32,093)	13,249

As the 2021 annual results of the Company have yet been published as at the date of this announcement, the above unaudited financial information of the Disposal Group for the year ended 31 December 2021 do not represent the financial information or financial position of the Disposal Group to be included in the consolidated financial statements of the Group which are subject to final audit and will be published as and when appropriate.

INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is a limited liability company incorporated in Hong Kong. As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of the Company and principally engaged in investment holding.

The Group is principally engaged in the businesses of property development and investment, urban redevelopment, property management, cultural tourism, technology, etc.

INFORMATION ON THE PURCHASERS

Purchaser B is a proprietary company limited by shares registered in New South Wales under the laws of Australia on 21 March 2022. As at the date of this announcement, the ultimate beneficial owner of Purchaser B is Company B Trust, a discretionary family trust of Mr. Liaw, interested in 100% of the issued shares of Purchaser B. Mr. Liaw is a director of certain companies within the APGA Group.

Purchaser A is a proprietary company limited by shares registered in New South Wales under the laws of Australia on 21 March 2022. As at the date of this announcement, the ultimate beneficial owner of Purchaser A is Company B Trust, a discretionary family trust of Mr. Liaw, interested in 100% of the issued shares of Purchaser A.

The Company confirmed that during the Offer Solicitation Process and up to the date of this announcement, the Purchasers and their representatives, including Mr. Liaw, had not been placed in a more advantageous position than the other bidders. To that end, Mr. Liaw has abstained from and has not been involved in any decision making processes of the Group (including at the level of the Disposal Group) and has not been privy to any confidential information of the Group (including at the level of the Disposal Group) in respect of (i) the offer solicitation, review and selection process; and (ii) the deliberations and evaluations by the management of the Company on the terms and conditions of the Disposal, the structure of the Disposal Group and the effects on the Group.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

The Shareholder's Loans Restructuring would result in the entire Shareholder's Loans owed by APGA to the Vendor being, in substance, assigned to Purchaser A for a payment of A\$105 million to the Vendor. The total cash proceeds receivable by the Vendor under the Disposal will be A\$105,000,002, comprising the settlement of A\$105 million of the Shareholder's Loans funded by Purchaser A and the aggregate cash consideration of A\$2 under the Share Sale Deeds.

Based on the aggregate cash consideration of A\$2 under the Share Sale Deeds and taking into account the effect of the Shareholder's Loans Restructuring, the Company is expected to record a loss before related transaction costs from the Disposal of approximately A\$245.9 million, which is represented by the difference between the total proceeds receivable by the Group under the Disposal of A\$105,000,002 and the aggregate sum of the net asset value of the Disposal Group attributable to the Group and the Shareholder's Loans. The actual loss in connection with the Disposal may be different from the above and will be determined based on the financial position of the Disposal Group and the final amount of outstanding Shareholder's Loans at completion of the Disposal, and is subject to final audit.

The net proceeds from the Disposal after deducting transaction costs attributable to the Disposal are expected to be approximately A\$103.9 million, which are intended to be used as general working capital of the Group and meeting the broader liquidity needs of the Group, including continuing to address the Group's financial situations. The Company has been and will continue to be in active communication with its creditors. Shareholders and potential investors should note that the above figures are for illustrative purpose only.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company has been facing liquidity pressures and difficulty in accessing typical financing channels amid the negative real estate market in the PRC and the relevant national macro-control policies put in place since 2021. To improve its liquidity and obtain financing to meet the financial needs of the Group, the Company has been actively seeking for potential purchasers in respect of its PRC and offshore assets on terms which are in the best interests of the Company and its stakeholders taken as a whole. The Disposal is part of such initiative.

The APGA Group, as a newly established developer in Australia, has been able to deliver its projects as scheduled in the past two years, and is yet to deliver stable financial performance. If it were given more time, it might be able to ride over to become a mature developer with more stabilised revenue and profitability. However, the Group's liquidity issue does not allow it to plough in additional funding to nurture the APGA Group further. The Group's urgency for cash warrants the realisation of its Australian assets.

The Company will record a loss on the Disposal of approximately A\$245.9 million, which is significant in magnitude in the context of the Group's total investment in the Disposal Group. However, as discussed above, if the Group were to continue with its projects in Australia, the Group would need to inject further funding to support the Disposal Group before the Disposal Group would independently generate sufficient cashflows to meet its own needs. In the circumstances, it appears that the Disposal would be the best option on hand to help alleviate the Group's current liquidity crunch with immediate cash of A\$103.9 million. The Board (including the independent non-executive Directors) therefore considers that the resultant significant loss on disposal would be unavoidable.

Having made prudent assessments on the above and considered the prevailing market conditions, the Directors are of the view that it would be beneficial for the Company and its stakeholders (including the Shareholders) as a whole to pursue the Disposal and generate liquidity for the Group. The Board (including the independent non-executive Directors) is further of the view that the terms and conditions (including the consideration) of the Share Sale Deeds and the APGA Shareholders' Deed are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the ultimate beneficial owner of the Purchasers is a discretionary family trust of Mr. Liaw, who is a director of certain companies within the APGA Group and hence a connected person of the Company at subsidiary level. Each of the Purchasers is an associate of Mr. Liaw and thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) the Purchasers are connected persons of the Company at the subsidiary level; (ii) the Board has approved the Share Sale Deeds and the Disposal; and (iii) all the independent non-executive Directors have confirmed that the terms of the Share Sale Deeds are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Share Sale Deeds, on an aggregate basis, is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors have any material interest in the Share Sale Deeds and the transactions contemplated thereunder and none of them abstained from voting on the relevant Board resolutions.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder or their respective associates has any material interest in the Share Sale Deeds and thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Share Sale Deeds and the Disposal.

As at the date of this announcement, Joy Pacific directly and indirectly holds a total of 1,660,925,625 Shares, representing approximately 56.01% of the total number of issued shares of the Company. On 23 June 2022, the Company has obtained the irrevocable and unconditional written approval from Joy Pacific for the Share Sale Deeds and the transactions contemplated thereunder. Accordingly, such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Share Sale Deeds and the Disposal; and (ii) other information as required under the Listing Rules is expected to be despatched to the Shareholders for information only on or before 15 July 2022 pursuant to Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors should note that completion of the Disposal is subject to fulfillment (or waiver) of the condition(s) as set out in the Share Sale Deeds, and the Disposal may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 April 2022, pending the publication of the 2021 annual results of the Company.

DEFINITIONS

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

“APGA”	Aoyuan Property Group (Australia) Pty Ltd, a company incorporated under the laws of Australia with limited liability
“APGA Deed”	the conditional share sale deed dated 23 June 2022 and entered into between the Vendor and Purchaser B in relation to the sale and purchase of the APGA Shares
“APGA Disposal”	disposal of the APGA Shares pursuant to the terms and conditions of the APGA Deed
“APGA Group”	APGA and its subsidiaries
“APGA Shareholders’ Deed”	the shareholders’ deed to be entered into among the Vendor, Purchaser B and APGA in relation to APGA
“APGA Shares”	49% of the issued share capital in APGA to be disposed of by the Vendor under the APGA Deed
“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Sydney, Australia
“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)
“Company A”	A.C.N. 657 824 701 Pty Ltd ACN 657 824 701, a company incorporated under the laws of Australia with limited liability
“Company A Deed”	the conditional share sale deed dated 23 June 2022 and entered into between the Vendor and Purchaser A in relation to the sale and purchase of the Company A Shares

“Company A Disposal”	the sale and purchase of the Company A Shares pursuant to the terms and conditions of the Company A Deed
“Company A Shares”	100% of the issued share capital in Company A to be disposed of by the Vendor under the Company A Deed
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the APGA Shares and the Company A Shares by the Vendor to the Purchasers pursuant to the Share Sale Deeds
“Disposal Group”	APGA Group and Company A
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joy Pacific”	Joy Pacific Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liaw”	Mr. Adrian Liaw
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser A”	Silver Mako Pty Limited ACN 658 173 614, a proprietary company limited by shares registered in New South Wales under the laws of Australia
“Purchaser B”	Company B (Aust) Pty Limited ACN 658 173 687, a proprietary company limited by shares registered in New South Wales under the laws of Australia
“Purchasers”	collectively, Purchaser A and Purchaser B
“Share Sale Deeds”	collectively, the APGA Deed and the Company A Deed
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loans”	the shareholder’s loans advanced by the Vendor to APGA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Grand First Holdings Limited (太豐集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“A\$”	Australian dollars, the lawful currency of Australia
“%”	per cent

In this announcement, translation of A\$ into HK\$ based on the exchange rate of A\$1.00 to HK\$5.41. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Australian dollars have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 23 June 2022

As at the date of this announcement, the executive Directors are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Ma Jun and Mr. Chen Zhi Bin; the non-executive Director is Mr. Zhang Jun; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor.