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

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

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF SUBSIDIARIES**

**THE AGREEMENT**

The Board wishes to announce that on 11 May 2023 (after trading hours), the Vendors, which are indirect wholly-owned subsidiaries of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Sale Assets at the total consideration of CAD50,300,004 (equivalent to approximately HK\$299,285,024) in cash.

Upon completion of the Sale Shares Disposal, 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 Sale Assets all relate to one of the Specified Assets under the Standstill Agreements and therefore the Net Proceeds will be applied in accordance with the terms of the Standstill Agreements.

**IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

**Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board wishes to announce that on 11 May 2023 (after trading hours), the Vendors, which are indirect wholly-owned subsidiaries of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Sale Assets at the total consideration of CAD50,300,004 (equivalent to approximately HK\$299,285,024) in cash.

Summarised below are the principal terms of the Agreement:

## **THE AGREEMENT**

### **Date**

11 May 2023

### **Parties**

Vendors: (i) Aoyuan Properties  
(ii) Aoyuan Management

Purchaser: Macdonald Communities Limited

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

### **Sale Assets to be disposed of**

#### ***Sale Shares***

Pursuant to the terms of the Agreement:

- (a) Aoyuan Properties has agreed to sell, and the Purchaser has agreed to purchase,
  - (i) the entire issued and outstanding common shares of Aoyuan Parking and Storage (BC) Ltd.; and
  - (ii) the entire issued and outstanding common shares and class A preferred shares of 133A Street Projects Ltd.; and
- (b) Aoyuan Management has agreed to sell, and the Purchaser has agreed to purchase, the entire issued and outstanding common shares of Aoyuan 133ASurrey GP Ltd.

The portion of the Consideration allocated to the Sale Shares Disposal is CAD4.

## ***Sale Note***

Pursuant to the terms of the Agreement, Aoyuan Properties has agreed to sell, and the Purchaser has agreed to purchase, the Sale Note. The portion of the Consideration allocated to the Sale Note Disposal is CAD50,300,000. The entirety of the resulting shareholder's loans owed by the Disposal Group to the Vendors after completion of its restructuring will be approximately CAD50,300,000 and will be, in substance, assigned to the Purchaser by the Vendors in the Sale Note Disposal.

### **Consideration and payment terms**

The total consideration for the Disposal is CAD50,300,004. The Consideration shall be paid by the Purchaser to the Vendors in the following manner:

- (a) an initial deposit of CAD1,000,000 has already been paid by the Purchaser to the Purchaser's solicitors, which is deposited and held by the Purchaser's solicitors in a trust account on behalf of the Parties;
- (b) an additional deposit of CAD4,000,000 (together with the initial deposit, the "**Deposit**") shall be paid by the Purchaser to the Purchaser's solicitors immediately upon execution of the Agreement, which is to be deposited and held by the Purchaser's solicitors in a trust account on behalf of the Parties;
- (c) a further amount of CAD45,300,000 shall be paid by the Purchaser (or the Purchaser's solicitors) to the Vendors on the First Closing Date for the Sale Note Disposal, and the Deposit shall be credited to the consideration for the Sale Note Disposal and shall be paid to the Vendors on the same date; and
- (d) a further amount of CAD4, being the balance of the Consideration, shall be paid by the Purchaser (or the Purchaser's solicitors) to the Vendors on the Second Closing Date for the Sale Shares Disposal.

### **BASIS OF THE CONSIDERATION**

The Consideration was determined after arm's length negotiations between the Group and the Purchaser on normal commercial terms after taking into account: (i) the valuation on the market value of the equity components<sup>(Note)</sup> of Aoyuan 133ASurrey GP Ltd., 133A Street Projects Ltd., Aoyuan 133ASurrey Project Limited Partnership and Aoyuan One Central Nominee Ltd. of approximately CAD47,450,000 as at 30 April 2023 (the "**Appraised Value**") as assessed by an independent professional valuer; (ii) the issued and paid-up share capital of Aoyuan Parking and Storage (BC) Ltd. of CAD1; and (iii) the reasons for and benefits of the Disposal as described under the paragraph headed "Reasons for and Benefits of the Disposal" in this announcement below. The Consideration represents a premium of approximately 6.0% to the Appraised Value. Accordingly, the Directors consider that the Consideration and the terms of the Agreement are fair and reasonable, are on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

*Note:* According to the valuation report, "equity components" is defined as the shares in Aoyuan 133ASurrey GP Ltd., the shares in 133A Street Projects Ltd. (which owns the shares in Aoyuan 133ASurrey Project Limited Partnership and Aoyuan One Central Nominee Ltd.) and all intercompany obligations owing by Aoyuan 133ASurrey Project Limited Partnership. The said intercompany obligations represent the shareholder's loans owed by the Disposal Group to the Vendors.

## **COMPLETION**

### **Sale Note Disposal**

Pursuant to the Agreement, completion of the Sale Note Disposal shall take place on the First Closing Date.

If completion of the Sale Note Disposal does not occur on the First Closing Date, the Deposit will:

- (a) if the Purchaser is in default of its obligation to complete the sale and purchase of the Sale Note and the Vendors elect to terminate the Agreement, be retained by the Vendors without prejudice to any rights and remedies the Vendors may have in respect of the Purchaser's breach; or
- (b) if the Vendor(s) is/are in default of its/their obligation to complete the sale and purchase of the Sale Note and the Purchaser elects to terminate the Agreement, be paid in full to the Purchaser without prejudice to any rights and remedies the Purchaser may have in respect of the Vendors' breach.

### **Sale Shares Disposal**

Pursuant to the Agreement, completion of the Sale Shares Disposal shall take place on the Second Closing Date, being the earliest to occur of:

- (a) the first Business Day after the relevant construction loans owing to the construction lender have been completely paid and satisfied and the securities of the Disposal Group pledged to the construction lender have been returned to the Vendors or the Vendors' solicitors; and
- (b) 31 March 2024, as may be extended by written agreement of the Parties.

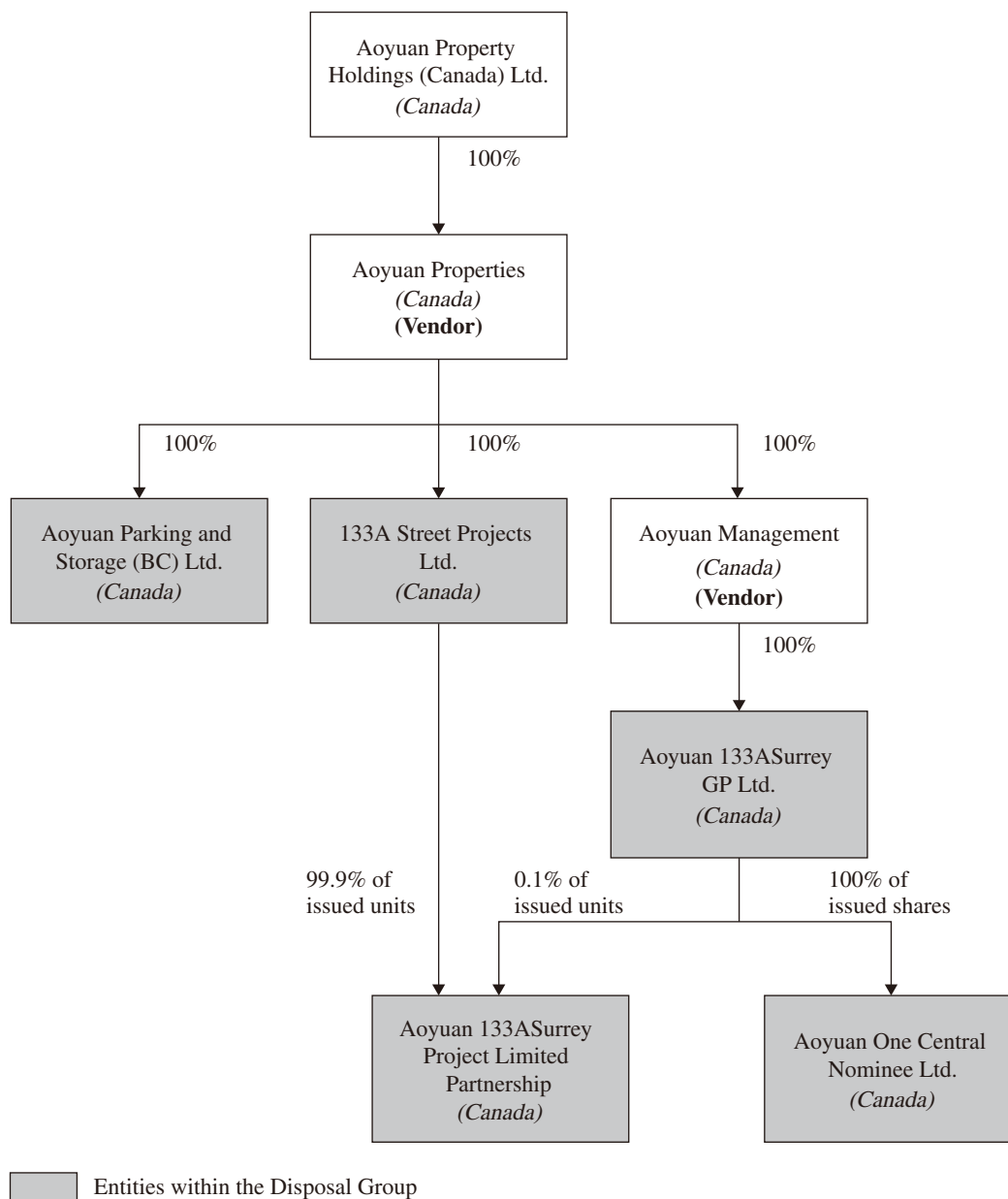
If completion of the Sale Shares Disposal does not take place on or before 31 March 2024, then the Purchaser will lose its right and entitlement to purchase the Sale Shares and the Vendors will be released from all obligations under the Agreement.

Upon completion of the Sale Shares Disposal, 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.

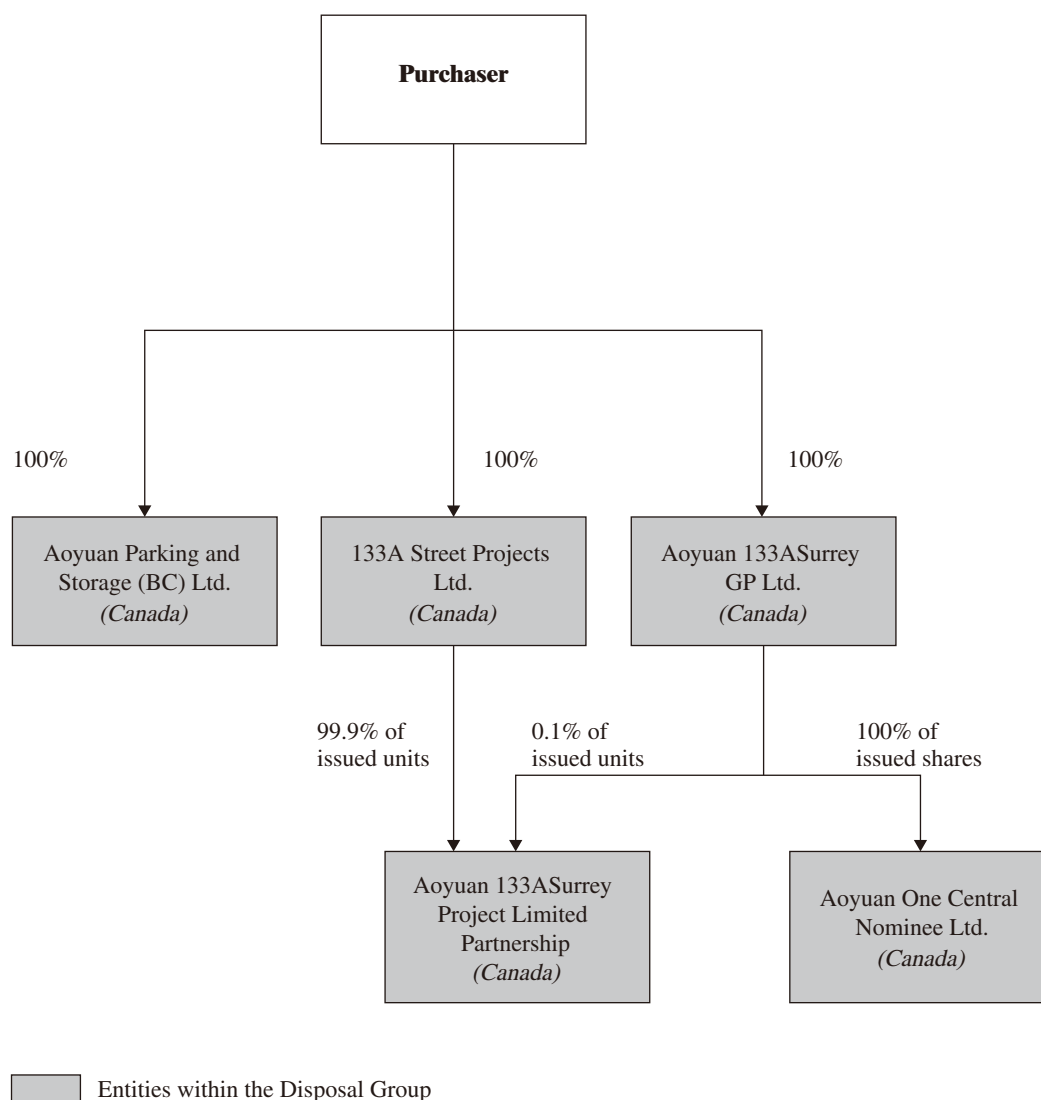
## INFORMATION ON THE DISPOSAL GROUP

The following diagrams respectively illustrate the shareholding structure of the Disposal Group as at the date of this announcement and upon completion of the Sale Shares Disposal:

### (i) As at the date of this announcement



## (ii) Upon completion of the Sale Shares Disposal



## Corporate information

### (i) Disposal Companies

#### *133A Street Projects Ltd.*

133A Street Projects Ltd. is a limited company incorporated under the laws of British Columbia of Canada on 19 September 2018. As at the date of this announcement, its entire issued share capital is owned by Aoyuan Properties. 133A Street Projects Ltd. is engaged in investment holding and is the sole limited partner of Aoyuan 133ASurrey Project Limited Partnership.

*Aoyuan 133ASurrey GP Ltd.*

Aoyuan 133ASurrey GP Ltd. is a limited company incorporated under the laws of British Columbia of Canada on 4 January 2018. As at the date of this announcement, its entire issued share capital is owned by Aoyuan Management. Aoyuan 133ASurrey GP Ltd. is engaged in investment holding, which is the sole general partner of Aoyuan 133ASurrey Project Limited Partnership and the sole shareholder of Aoyuan One Central Nominee Ltd..

*Aoyuan Parking and Storage (BC) Ltd.*

Aoyuan Parking and Storage (BC) Ltd. is a limited company incorporated under the laws of British Columbia of Canada on 12 September 2018. As at the date of this announcement, its entire issued share capital is owned by Aoyuan Properties. Aoyuan Parking and Storage (BC) Ltd. has not commenced business since its incorporation.

**(ii) Other entities within the Disposal Group**

*Aoyuan 133ASurrey Project Limited Partnership*

Aoyuan 133ASurrey Project Limited Partnership is a limited partnership formed under the laws of British Columbia of Canada on 9 February 2018. As at the date of this announcement, its issued units are owned as to 99.9% by 133A Street Projects Ltd. (as limited partner) and 0.1% by Aoyuan 133ASurrey GP Ltd. (as general partner). It is principally engaged in property development in Canada and is one of the developers of the Project.

*Aoyuan One Central Nominee Ltd.*

Aoyuan One Central Nominee Ltd. is a limited company incorporated under the laws of British Columbia of Canada on 9 November 2017. As at the date of this announcement, its entire issued share capital is owned by Aoyuan 133ASurrey GP Ltd.. Aoyuan One Central Nominee Ltd. is principally engaged in property development in Canada and is one of the developers of the Project. It holds the registered and legal title to the remaining inventory of the Project as bare trustee for Aoyuan 133ASurrey Project Limited Partnership.

## Financial information

Set out below is certain unaudited consolidated financial information of the Disposal Group for the two financial years ended 31 December 2021 and 2022:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>CAD'000</b>	<b>CAD'000</b>
Revenue	<b>0</b>	<b>0</b>
Loss before and after tax	<b>466</b>	<b>1,424</b>

The unaudited consolidated total asset value and net asset value of the Disposal Group as at 30 April 2023 were approximately CAD251,725,000 and CAD68,726,000, respectively.

As the 2021 and 2022 annual results of the Company have yet to be published as at the date of this announcement, the above unaudited financial information of the Disposal Group for the year ended 31 December 2021 and 2022 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 VENDORS AND THE GROUP

Aoyuan Properties is a limited company incorporated under the laws of British Columbia of Canada on 9 February 2018. Aoyuan Properties, being an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

Aoyuan Management is a limited company incorporated under the laws of British Columbia of Canada on 18 August 2017. Aoyuan Management is directly held as to 100% by Aoyuan Properties and is an indirect wholly-owned subsidiary of the Company. Aoyuan Management is 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 PURCHASER**

The Purchaser has been duly incorporated and is validly existing as a company under the Business Corporations Act (Alberta) and extra-provincially registered with the Registrar of Companies for British Columbia of Canada. The Purchaser is principally engaged in property development in Canada. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owner of the Purchaser is Mr. Robert Macdonald, who is an entrepreneur. Mr. Macdonald is the founder and the president of the Purchaser.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

The net proceeds from the Disposal after deducting transaction costs attributable to the Disposal are expected to be approximately CAD48,500,000 (the "**Net Proceeds**"). The Group is expected to recognise an estimated loss of approximately CAD20,226,000 from the Disposal, representing the difference between the Net Proceeds and the unaudited net asset value of the Disposal Group as at 30 April 2023, which is subject to audit. Shareholders and potential investors should note that the above figures are for illustrative purpose only.

The Sale Assets all relate to one of the Specified Assets under the Standstill Agreements and therefore, the Net Proceeds will be applied in accordance with the terms of the Standstill Agreements and will be deposited into certain designated accounts, which are subject to the oversight of a monitoring accountant, whilst the Group formulates a holistic debt restructuring plan. Eventually, the Net Proceeds are intended to be used entirely by the Group in paying the professional fees and administrative expenses in relation to the potential debt restructuring plan of the Group as well as payment of creditors in accordance with the potential debt restructuring plan.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Aoyuan 133ASurrey Project Limited Partnership and Aoyuan One Central Nominee Ltd. are the developers of the Project. The Project, known as "One Central", is a 44-storey luxury condo building located at 13350 Central Avenue in Surrey, British Columbia, Canada, with 553 units. The Project is being marketed to the public. As at the date of this announcement, the Project is 96% complete and over 90% of the units have already been pre-sold.

The Group has been affected by the negative real estate market in the PRC, the relevant national macro-control policies and the difficulty in accessing typical financing channels since 2021. Consequently, the Group is currently in need of additional capital to meet its financial obligations and cope with its liquidity issues.

The financial condition of the Group is further worsened by the slowing down of the Group's business, which is attributable to the continued market downturn and the dampening of purchasers' confidence in the PRC property market in the recent years. As disclosed in the Company's announcement dated 12 January 2023, during the year ended 31 December 2022, the Group's accumulated unaudited property contracted sales was approximately RMB20.22 billion in total, representing a decline of approximately 83.3% as compared to the prior year. As further disclosed in the Company's announcement dated 31 March 2023, the Group's accumulated unaudited property contracted sales for January to March 2023 was approximately RMB2.93 billion in total, representing a decline of approximately 63.2% as compared to the same period in the prior year.

Due to liquidity issues of the Group, it is of the Group's best interest to exit from the market of British Columbia of Canada. The Disposal would provide quick relief to the Group from the on-going funding of the Project to completion and generate liquidity for the broader financial needs of the Group. After the Disposal, the Purchaser would be responsible for taking over the Project in its final stage of development, managing the closing of the pre-sold units, selling the remaining inventory, and managing the deficiencies and post-occupancy warranties.

The Purchaser will proceed with the occupancy and closing of the pre-sold units, and continue working with existing financing lenders, general contractors, consultants, marketing agent, condo lawyer and other necessary third parties that are involved in the Project, towards a successful completion. The Purchaser will also engage the existing management team in British Columbia after the Disposal to facilitate a smooth transition.

The Directors have reviewed the valuation report, including the valuation basis, valuation methodologies and assumptions applied in the valuation, and considered it appropriate to rely on the valuation in assessing whether the Consideration would be fair and reasonable. Notwithstanding that the Company would record a loss on the Disposal of approximately CAD20,226,000, the Consideration represents a premium of approximately 6.0% to the Appraised Value, and the Directors believe that it is favourable to the Company and the Shareholders as a whole amid the uncertain market condition. Furthermore, the terms of the Disposal, as agreed upon by the Parties, are advantageous to the Group. The Parties anticipate a prompt completion following execution of the Agreement, ensuring a quick and efficient transaction process.

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 Directors are further of the view that the terms (including the Consideration) of the Agreement 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**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

**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 and will continue to be suspended until further notice.

## **DEFINITIONS**

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

“Agreement”	the share purchase and sale agreement dated 11 May 2023 and entered into between the Vendors and the Purchaser in relation to the Disposal
“Aoyuan Management”	Aoyuan Management Services (BC) Ltd., a company incorporated under the laws of British Columbia of Canada with limited liability
“Aoyuan Properties”	Aoyuan Properties (B.C.) Ltd., a company incorporated under the laws of British Columbia of Canada with limited liability
“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 Vancouver, British Columbia, Canada
“CAD”	Canadian dollar, the lawful currency of Canada
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Disposal of CAD50,300,004
“Director(s)”	the director(s) of the Company

“Disposal”	collectively, the Sale Shares Disposal and the Sale Note Disposal
“Disposal Companies”	collectively, Aoyuan 133ASurrey GP Ltd., 133A Street Projects Ltd. and Aoyuan Parking and Storage (BC) Ltd.
“Disposal Group”	the Disposal Companies, Aoyuan 133ASurrey Project Limited Partnership and Aoyuan One Central Nominee Ltd.
“First Closing Date”	18 May 2023, being the date of completion of the Sale Note Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, the Vendors and the Purchaser
“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
“Project”	of a mixed-use development project known as “One Central” within Strata Plan EPS9010, which is developed by the Disposal Group and is currently being marketed to the public
“Purchaser”	Macdonald Communities Limited, a company incorporated under the Business Corporations Act (Alberta) and extra-provincially registered with the Registrar of Companies for British Columbia of Canada
“Sale Assets”	collectively, the Sale Shares and the Sale Note
“Sale Note”	the interest free promissory note issued by 133A Street Projects Ltd. in the amount of CAD50,300,000 in favour of Aoyuan Properties
“Sale Note Disposal”	the disposal of the Sale Note by Aoyuan Properties pursuant to the terms of the Agreement

“Sale Shares”	collectively, all the issued and outstanding shares of the Disposal Companies
“Sale Shares Disposal”	the disposal of the Sale Shares by the Vendors pursuant to the terms of the Agreement
“Second Closing Date”	the date on which completion of the Sale Shares Disposal takes place
“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)
“Specified Assets”	the “Specified Assets” as defined in each of the Standstill Agreements
“Standstill Agreements”	the standstill agreements in respect of certain of the Group’s offshore debts entered into between the Company, certain Group companies and certain of the Group’s offshore creditors, as referred to in the previous announcements of the Company dated 28 February 2023, 24 March 2023, 27 March 2023, 31 March 2023 and 6 April 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, Aoyuan Management and Aoyuan Properties
“%”	per cent

*In this announcement, translation of CAD into HK\$ based on the exchange rate of CAD1.00 to HK\$5.95. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Canadian 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, 12 May 2023

*As at the date of this announcement, the executive Directors are Mr. Guo Zi Wen, Mr. Ma Jun, Mr. Chen Zhi Bin and Mr. Tan Yi; and the independent non-executive Directors are Mr. Cheung Kwok Keung, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick.*