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中國奧園地產集團股份有限公司 China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE EQUITY INTEREST OF GUANGZHOU XIONGTAI PROPERTY DEVELOPMENT CO., LTD.*

THE ACQUISITION

The Board wishes to announce that on 24 October 2016 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company from the Vendor at the Consideration of RMB650,000,000 (equivalent to approximately HK\$770,250,000) in cash. Upon Completion, the Purchaser will own the entire equity interest in the Target Company, which enables the Purchaser to develop and engage in the Land.

The Completion is subject to and conditional upon the fulfillment (or waiver, where applicable) of the conditions precedent as more particularly set out in the section headed “Conditions Precedent”.

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated by the Group.

LISTING RULES IMPLICATIONS

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

As the Completion is conditional upon satisfaction of the conditions precedent as set out under the section headed “Conditions Precedent” in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board wishes to announce that on 24 October 2016 (after trading hours), the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company from the Vendor at the Consideration of RMB650,000,000 (equivalent to approximately HK\$770,250,000) in cash.

THE EQUITY TRANSFER AGREEMENT

Summarised below are the principal terms of the Equity Transfer Agreement:

Date: 24 October 2016 (after trading hours)
Parties: (i) the Purchaser;
(ii) the Vendor; and
(iii) the Target Company.

To the best of the Director’s knowledge, information and belief, and having made all reasonable enquiries, the Vendor, the Target Company and their ultimate beneficial owners are Independent Third Parties.

Nature of the transaction and assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company. Upon Completion, (i) the Purchaser will own the entire equity interest in the Target Company, which enables the Purchaser to develop and engage in the Land; and (ii) the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated by the Group.

Consideration

The total Consideration payable by the Company is RMB650,000,000 (equivalent to approximately HK\$770,250,000) which shall be satisfied in the following manners and conditions:

- (a) *The first payment:* the Purchaser shall deposit a sum of RMB100,000,000 (the “**Deposit**”) into an escrow bank account jointly maintained by the Vendor and the Purchaser within three working days after the date of the Equity Transfer Agreement, and the registration of the transfer of 70% equity interest in the Target Company to the Purchaser shall be submitted to the relevant industry and commerce administration bureau within three working days after the above deposit having been made.

The first payment of RMB455,000,000 (of which RMB100,000,000 shall be satisfied by the release of the Deposit) shall be made to the Vendor within five working days upon the date that the following conditions are fulfilled, *inter alia*:

- (i) the registration of the transfer of 70% equity interest in the Target Company from the Vendor to the Purchaser with the relevant industry and commerce administration bureau having been completed;
 - (ii) the Land shall be free from any encumbrances; and
 - (iii) the Vendor having delivered the Purchaser with all the relevant licenses, permits, approvals and documentations in respect of the Target Company and the Land.
- (b) *The second payment:* the Purchaser shall pay a sum of RMB130,000,000 being the second payment of the Consideration, to the Vendor within five working days after the satisfaction of the following conditions:
- (i) the conditions set out in paragraph (a) above having been fulfilled;
 - (ii) the registration of the transfer of further 20% equity interest in the Target Company from the Vendor to the Purchaser with the relevant industry and commerce administration bureau having been completed;
 - (iii) all the debts owed to the Vendor by the Target Company prior to the Purchaser holding 70% equity interest in the Target Company having been settled by Target Company, and relevant documents showing the settlement of the debts having been provided; and
 - (iv) within three months after the first payment has been made pursuant to paragraph (a) above, there is no emergence of debts (including contingent or hidden liability) which were incurred by the Target Company prior to the Purchaser holding 70% equity interest in the Target Company and had not been disclosed by the Vendor.

- (c) *The final payment*: the Purchaser shall pay a sum of RMB65,000,000 being the remaining balance of the Consideration, to the Vendor within ten working days after the satisfaction of the following conditions:
- (i) the conditions set out in paragraph (b) above having been fulfilled;
 - (ii) the registration of the transfer of the remaining 10% equity interest in the Target Company from the Vendor to the Purchaser with the relevant industry and commerce administration bureau having been completed; and
 - (iii) within six months after the second payment has been made pursuant to paragraph (b) above, there is no emergence of debts (including contingent or hidden liability) which were incurred by the Target Company prior to the Purchaser holding 70% equity interest in the Target Company and had not been disclosed by the Vendor.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement and was determined with reference to (a) the paid-up registered capital of the Target Company; (b) the net asset value of the Target Company as at 31 August 2016; (c) the land costs paid by the Target Company; (d) the costs, compensation, taxes paid by the Target Company in respect of certain construction work of the Land; and (e) other factors as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" below.

Based on the foregoing, the Directors are of the view that the Consideration is fair and reasonable. The Consideration shall be funded by the Group's internal resources and/or financing through bank borrowing as the Directors may deem appropriate.

Conditions Precedent

The obligations of the parties to effect the Completion shall be conditional upon the following conditions being fulfilled:

- (a) the purchase price and taxes in respect of the Land having been duly paid to the government authority and settled by the Vendor;
- (b) the permits, authorisations and approvals in respect of the Land held by the Target Company are valid and subsisting;
- (c) the Target Company having completed the transfer of its entire equity interests in its subsidiaries and other assets to the Vendor;
- (d) save for those owed to the Vendor, the Target Company shall not incur other debts or liabilities;
- (e) the Land is free from mortgages or other encumbrances;

- (f) the Vendor shall be responsible for all the debts (including contingent or hidden liability) in connection with the Land arising from historical reasons;
- (g) the Vendor shall be responsible for all the debts (including contingent or hidden liability) incurred by the Target Company prior to the Purchaser holding 70% equity interest in the Target Company; and
- (h) 100% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, and the update and registration with the industry and commerce administration bureau having been completed.

COMPLETION

Completion shall take place on the date which the conditions precedent have been satisfied. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group and its financial results will be consolidated into the Group.

TERMINATION OF THE ACQUISITION

If (a) the Vendor fails to cooperate with the Purchaser to conduct the update and registration in the industrial and commercial administration bureau and taxation administration authorities with respect to the Acquisition, and such update and registration fail to complete within 60 days after the payment of the Consideration; (b) the Vendors fails to provide the Purchaser with the relevant licenses, permits, approvals and documentations in respect of the Target Company and the Land within 60 days after the payment of the Consideration; (c) because of the facts already existed prior to the entering into of the Equity Transfer Agreement or reasons on the part of the Vendor or the Target Company, the Land is deemed by the relevant land bureau as idle, or the relevant land bureau imposes an idle land charge on the Target Company, or the land bureau repossesses the Land, and the Vendor fails to resolve the issue with the relevant land bureau within 90 days, the Purchaser is entitled to terminate the Equity Transfer Agreement, have the refund of the Consideration together with the premium from the Vendor calculated based on the formula provided in the Equity Transfer Agreement and claim against the Vendor for any loss therefrom.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated under the laws of the PRC and is wholly owned by the Vendor as at the date of this announcement. Its principal business is property investment and development, comprising the property development and construction of two parcels of land located in Guangzhou including the Land known as Lizhi Shan, Cooperative Society of Qiling, Jiancun, Yonghe, No. 29 Yongping Road, Yonghe, Xintang Town, Zengcheng District, Guangzhou* (廣州市增城區新塘鎮永和永平路29號、永和簡村村齊嶺合作社荔枝山) with State-owned Land Use Rights Certificate Number of Zeng Guo Yong (2013) GY000751* (國有土地使用證：增國用(2013)第GY000751號) for residential uses. Pursuant to the Agreement for the Transfer of Land Use Rights of State-owned Construction Land (國有建設用地使用權出讓合同) dated 12 July 2013 and its supplemental agreement dated 24 August 2015 entered into between the Target Company and the Land Resources and Housing

Administrative Bureau of Zengcheng District, Guangzhou (廣州市增城區國土資源和房屋管理局), apart from development of the project, the Target Company is required to build certain communal facilities and resettlement houses on the Land which are to be repurchased by the government authority.

Save for the land use rights of the Land, the Target Company will transfer all other assets held by the Target Company to the Vendor prior to Completion. The Vendor shall be responsible for all taxes, costs and expenses incurred by it and/or the Target Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the unaudited financial information on the Target Company for the two financial years ended 31 December 2014 and 2015:

	For the financial year ended 31 December 2015 <i>(unaudited)</i> <i>RMB'000</i>	For the financial year ended 31 December 2014 <i>(unaudited)</i> <i>RMB'000</i>
Net profit (losses) before taxation	(2,020)	(2,030)
Net profit (losses) after taxation	(2,020)	(2,030)
Total assets	131,735	97,150
Total liabilities	95,511	58,906
Net assets	36,224	38,244

The unaudited net assets of the Target Company as at 31 August 2016 is approximately RMB33.1 million.

INFORMATION ABOUT THE VENDOR

The Vendor is a limited liability company established under the laws of the PRC and its principal business is investment holding. As at the date of this announcement, the Vendor beneficially owns 100% equity interest in the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group comprise property development and property investment in the PRC. The Target Company is a limited liability company established under the laws of the PRC, which involves in the development of the Land in Guangzhou, the PRC with a maximum plot ratio-based gross floor area of approximately 138,263 square meters for residential uses. The Directors consider that (a) the Target Company has already obtained the State-owned Land Use Rights Certificate, the Planning Permit for Construction Land (建設用地規劃許可證) and the Planning Permit for Construction Works (建設工程規劃許可證) (subject to further adjustments) in respect of the Land; and (b) the foundation work of certain part of the Land has been completed and the expected completion

date of the construction work on the Land would be around mid-2017. In view of the above, it would be more time efficient and cost effective for the Company to complete the construction and launch the project on the Land to the market.

The Directors are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the 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 exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As Completion is conditional upon satisfaction of the conditions precedent as set out under the section headed “Conditions Precedent” in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company
“Board”	the board of Directors
“Company”	China Aoyuan Property Group Limited, a company incorporated under the laws of the Cayman Islands, shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Consideration”	RMB650,000,000 (equivalent to approximately HK\$770,250,000), being the consideration of the Acquisition
“Equity Transfer Agreement”	the equity transfer agreement dated 24 October 2016 and entered into between the Vendor, the Purchaser and the Target Company in relation to the Acquisition
“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
“Land”	a parcel of land located in Lizhi Shan, Cooperative Society of Qiling, Jiancun, Yonghe, No. 29 Yongping Road, Yonghe, Xintang Town, Zengcheng District, Guangzhou* (廣州市增城區新塘鎮永和永平路29號、永和簡村村齊嶺合作社荔枝山) with State-owned Land Use Rights Certificate Number of Zeng Guo Yong (2013) GY000751* (國有土地使用證：增國用(2013)第GY000751號)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Aoyuan Group Company Limited (奧園集團有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xiongtai Property Development Co., Ltd.* (廣州市雄泰房地產開發有限公司), a limited liability company incorporated under the laws of the PRC
“Vendor”	Guangzhou Shenhui Trading Co., Ltd.* (廣州市紳輝貿易有限公司), a limited liability company incorporated under the laws of the PRC. As at the date of this announcement, it holds the entire equity interest in the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 24 October 2016

For the purpose of this announcement, the exchange rate at RMB1.00 = HK\$1.185 has been used, where applicable, for the purpose of illustration only.

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

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Ms. Zhong Ping and Mr. Ma Jun; the non-executive director of the Company is Mr. Yang Zhong, and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.