

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 60% EQUITY INTEREST OF
ZHUHAI LAILI TECHNOLOGY CO., LTD.***

THE ACQUISITION

The Board wishes to announce that on 13 January 2017 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Co-operation Framework Agreement, pursuant to which the Purchaser has conditionally agreed to acquire 60% equity interest in the Target Company from the Vendor at the Consideration of RMB630,000,000 in cash. Upon Completion, the Purchaser will own 60% equity interest in the Target Company, which enables the Purchaser to develop and engage in Land A.

The Purchaser has further agreed to provide a shareholder's loan of RMB200,000,000 to the Target Company for the sole purpose of making supplemental payment to the land administration department for the value of Land A.

The Completion is subject to the terms and conditions under the Co-operation Framework Agreement as more particularly set out in the section headed "Completion".

Following Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by the Vendor. The Target Company will become an indirect non-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 Completion is subject to the terms and conditions under the Co-operation Framework Agreement, 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 13 January 2017 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Co-operation Framework Agreement, pursuant to which the Purchaser has conditionally agreed to acquire 60% equity interest in the Target Company from the Vendor at the Consideration of RMB630,000,000 in cash.

THE CO-OPERATION FRAMEWORK AGREEMENT

Summarised below are the principal terms of the Co-operation Framework Agreement:

Date: 13 January 2017 (after trading hours)

Parties: (a) the Purchaser;

(b) the Vendor; and

(c) 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 Co-operation Framework Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 60% equity interest in the Target Company. Upon Completion, (a) the Purchaser will own 60% equity interest in the Target Company, which enables the Purchaser to develop and engage in Land A; and (b) the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated by the Group.

The Purchaser has further agreed to provide a shareholder's loan of RMB200,000,000 to the Target Company for making supplemental payment to the land administration department for the value of Land A. For details, please refer to the section headed "Supplemental payment for the value of Land A" below.

Payments

The Consideration payable by the Company is RMB630,000,000 and the facility of RMB200,000,000 to be advanced to the Target Company which shall be satisfied in the following manners and conditions:

- (a) *The first payment:* the first payment of RMB82,430,000 shall be paid to the Vendor within three working days upon the date that the following conditions are fulfilled:
- (i) the representations and warranties given by the Vendor in the Co-operation Framework Agreement shall be true, accurate and not misleading;
 - (ii) the Planning Permits for Construction Land (建設用地規劃許可證) of the Lands having been obtained, with information regarding the planning conditions of the Lands being consistent with those set out in the Co-operation Framework Agreement, such that application for construction and split sales in respect of the Lands will be allowed under relevant rules and regulations governing real estate development of commercial land in Zhuhai, the PRC;
 - (iii) the Target Company having entered into a supplemental agreement with the land administration department for the transfer and alteration of land use rights in relation to the Lands;
 - (iv) the land administration department having issued a notice to the Target Company for making supplemental payment for the value of the Lands;
 - (v) the Purchaser having entered into a loan agreement with the Target Company for making supplemental payment for the value of Land A;
 - (vi) the documents in relation to the transfer of 51% equity interest in the Target Company having been duly executed, and update and registration with the industry and commerce administration bureau regarding the aforesaid transfer having been completed (subject to receipt of the new business license);
- (b) *The second payment:* the second payment of RMB410,000,000 shall be paid to the Vendor within three working days upon the date the Approvals for Construction Land (建設用地批准書) of the Lands having been obtained by the Target Company, with information regarding the planning conditions and usages of the Lands being consistent with those set out in the Co-operation Framework Agreement. It was further agreed that part of the proceeds under the second payment shall be used to settle the debts of the Target Company.

- (c) *The third payment:* the third payment of RMB137,570,000 shall be paid to the Vendor within three working days upon the date the following condition is fulfilled:
- (i) the Target Company does not have any bank borrowing, payables or contingent liabilities;
 - (ii) there is no violation of the representations and warranties given by the Vendor in respect of the Target Company and the Lands which will have material adverse impact on the Purchaser;
 - (iii) the Planning Permits for Construction Land (建設用地規劃許可證), the Approvals for Construction Land (建設用地批准書) and the Real Estate Ownership Certificate (不動產權證) of the Lands having been obtained, with information regarding the planning conditions and usages of the Lands being consistent with those set out in the Co-operation Framework Agreement;
 - (iv) the construction plans of the Lands having been reviewed and approved by the planning department; and
 - (v) the documents in relation to the transfer of further 9% equity interest in the Target Company having been duly executed, and update and registration with the industry and commerce administration bureau regarding the aforesaid transfer having been completed (subject to receipt of the new business license).

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the parties to the Co-operation Framework 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 30 November 2016; (c) the land costs paid by the Target Company; and (d) 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.

Supplemental payment for the value of Land A

It was agreed among the parties to the Co-operation Framework Agreement that the amount of supplemental payment for the value of Land A borne by the Purchaser, through provision of shareholder's loan, shall not exceed RMB200,000,000, and any amount in excess of RMB200,000,000 shall be borne by the Vendor. If the Purchaser fails to arrange the said supplemental payment according to the instructions of the land administration department after the completion of the transfer of 51% equity interest in the Target Company, the Purchaser shall be solely responsible for the amount in excess of RMB200,000,000.

Pursuant to the Co-operation Framework Agreement, within five days upon completion of the registration of the transfer of 51% equity interest in the Target Company with the industry and commerce administration bureau, the Purchaser shall provide an interest-free shareholder's loan of RMB200,000,000 to the Target Company for the sole purpose of making supplemental payment to the land administration department for the value of Land A.

Management of the Target Company

After 51% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, a board of directors comprising three directors shall be established in the Target Company. The Purchaser has the right to nominate two directors whereas the Vendor has the right to nominate one. The chairman of the board as well as the general manager of the Target Company shall be nominated by the Purchaser.

COMPLETION

Completion shall take place on the date which 60% 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.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by the Vendor. The Target Company will become an indirect non-wholly owned subsidiary of the Group and its financial results will be consolidated into the Group.

LIABILITIES FOR BREACH OF THE CO-OPERATION FRAMEWORK AGREEMENT

- (a) If any party to the Co-operation Framework Agreement fails to observe its obligations, or if any representation or warranty given by it is untrue, inaccurate or incomplete, it will constitute a breach of the Co-operation Framework Agreement, and the default party shall compensate the innocent party for all loss and damages.
- (b) If, due to reason on the part of the Vendor, transfer of the equity interest in the Target Company cannot be completed, the Purchaser is entitled to have the refund of the Consideration and the shareholder's loan together with the premium from the Vendor calculated based on the formula provided in the Co-operation Framework Agreement and claim against the Vendor for any loss therefrom.
- (c) If the Purchaser fails to pay the Consideration after it falls due for over 30 days, the Vendor is entitled to terminate the Co-operation Framework Agreement and claim against the Purchaser for any loss therefrom.
- (d) If, after the date of Completion, the Target Company has any undisclosed liabilities or litigation because of the facts already existed prior to Completion, the Vendor shall be responsible for all economic and legal liabilities and shall compensate the Purchaser for all loss and damages.

- (e) If, after 60% equity interest in the Target Company having been transferred, the commercial development of the Lands is affected by an investment agreement of transforming project (轉型項目投資協議書) of the Vendor, the Vendor shall make reasonable compensation to the Purchaser.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated under the laws of the PRC on 19 February 2016 and is wholly owned by the Vendor as at the date of this announcement. Its principal businesses include research and development of lithium-ion battery, energy storage battery, electrical and mechanical system and power management system. According to a stated-owned land use rights assignment contract for the Lands dated 30 April 2003, the Lands are located at Land No. 8 in the Zhuhai Free Trade Zone, the PRC* (中國珠海市保稅區8號地), with Real Estate Ownership Certificate Number Yue (2016) Zhuhai Real Estate Ownership 0110674 (不動產權證：粵(2016)珠海市不動產權第0110674號). The Lands are comprised of two portions: (i) the southern portion known as Land A (portion number A204b0341 and A204b0342), with an area of approximately 51,379.78 square meters for commercial use; and (ii) the northern portion known as Land B (portion number A204b0332) with an area of approximately 57,869.71 square meters. Land B shall only be developed for logistics use by the Target Company and is not for sale. Pursuant to the Co-operation Framework Agreement, the Purchaser shall have the right to develop Land A and is entitled to all the interests derived from Land A upon completion of the Acquisition. The parties further agreed that any costs and expenses on Land B incurred by the Target Company shall be solely borne by the Vendor.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on unaudited financial information of the Target Company (which was incorporated on 19 February 2016), the Target Company had gross loss and net loss of approximately RMB14,083 for the eleven months ended 30 November 2016. The unaudited net assets of the Target Company as at 30 November 2016 was approximately RMB85,061,745.

INFORMATION ABOUT THE VENDOR

The Vendor is a limited liability company established under the laws of Hong Kong 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 owns the Lands located in Zhuhai, the PRC, for commercial and logistics uses. Having considered the location of the Lands with its well-developed traffic network, the development potential for the Land A with commercial uses in the Zhuhai Free Trade Zone as well as expansion of our land bank in Zhuhai, Guangdong Province, the Directors believe that the Acquisition is in line with the business plan of the Company and, couple with the expertise of the Group in property development in the Pearl River Delta Region, the Acquisition is in the best interest of the Company.

The Directors are of the view that the terms of the Co-operation Framework Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Co-operation Framework 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 subject to the terms and conditions under the Co-operation Framework Agreement, 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 60% 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”	RMB630,000,000, being the consideration of the Acquisition
“Co-operation Framework Agreement”	the Co-operation Framework Agreement dated 13 January 2017 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”	the southern portion of the Lands (portion number A204b0341 and A204b0342), with an area of approximately 51,379.78 square meters for commercial use

“Land B”	the northern portion of the Lands (portion number A204b0332) with an area of approximately 57,869.71 square meters for logistics use
“Lands”	a parcel of land located at Land No. 8 in the Zhuhai Free Trade Zone, the PRC* (中國珠海市保稅區8號地), with Real Estate Ownership Certificate Number Yue (2016) Zhuhai Real Estate Ownership 0110674 (不動產權證：粵(2016)珠海市不動產權第0110674號), comprised of Land A for commercial use and Land B for logistics use
“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 law 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”	Zhuhai Laili Technology Co., Ltd.* (珠海來利科技有限公司), a limited liability company incorporated under the laws of the PRC
“Vendor”	Loyal Profit International Investment Limited (來利國際投資有限公司), a limited liability company incorporated in Hong Kong. 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, 13 January 2017

* 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.