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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 INTERESTS OF
SHENZHENSHI QIUMING INVESTMENT DEVELOPMENT CO., LTD.**

THE ACQUISITION

The Board wishes to announce that on 24 February 2017 (after trading hours), the Vendors, the Purchaser, the Vendor Guarantors, the Purchaser Guarantors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interests in the Target Company at the Consideration of RMB984,934,359 (equivalent to approximately HK\$1,112,975,826) in cash.

Following the completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into 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 of the Company under the Listing Rules and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the terms and conditions under the Equity Transfer 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 24 February 2017 (after trading hours), the Vendors, the Purchaser, the Vendor Guarantors, the Purchaser Guarantors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interests in the Target Company at the Consideration of RMB984,934,359 (equivalent to approximately HK\$1,112,975,826) in cash.

THE EQUITY TRANSFER AGREEMENT

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

Date: 24 February 2017 (after trading hours)

Parties:

- (a) the Vendors;
- (b) the Purchaser;
- (c) the Vendor Guarantors;
- (d) the Purchaser Guarantors; and
- (e) the Target Company.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors, the Vendor Guarantors and the Target Company, and each of their ultimate beneficial owners (where applicable) 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 Vendors have conditionally agreed to sell the entire equity interests in the Target Company. Upon the completion of the Acquisition, the Purchaser will own the entire equity interests in the Target Company, which enables the Purchaser to develop and engage in the North District Project.

The major assets to be acquired through the Target Company under the Equity Transfer Agreement, together with their brief descriptions, are provided as follows:

1. The South District Project

Under the Equity Transfer Agreement, the assets in the South District Project to be acquired contain 1,359 car parking spaces with GFA of approximately 60,290 m².

The South District Project is a property development known as 峰薈花園 (Feng Hui Garden) which is located in Guangming New District, Shenzhen, PRC and mainly composes of, among other things, ordinary commodity housing and real estate properties for commercial purpose. The land use right of the South District Project shall be expired on 24 October 2083.

In addition, the development of and the construction on the South District Project have been completed and the pre-sale permits in relation to the ordinary commodity housing, and commercial units (excluding the said car parking spaces) have been obtained.

As at the date of the Equity Transfer Agreement, an application for the initial registration of the property ownership (產權初始登記) of the South District Project was in progress, and the purchasers of the South District Project were able to apply for the real estate ownership certificates (不動產權證) for the properties that they bought.

2. The North District Project

Under the Equity Transfer Agreement, the assets in the North District Project to be acquired contain the following:

- (a) properties for research and development (with GFA of approximately 29,080.24 m²);
- (b) properties for ancillary facilities (with GFA of approximately 29,141.50 m²);
- (c) commercial podium and research and development podium (with GFA of approximately 14,450.62 m²); and
- (d) 800 car parking spaces (with GFA of approximately 42,223 m²).

The North District Project is a property development known as 峰薈時代科技中心 (Feng Hui Times Technology Center) which is located in Guangming New District, Shenzhen, PRC and mainly composes of real estate properties for, among other things, commercial, research and development and the relevant staff quarters. The land use right of the North District Project shall be expired on 24 October 2063.

In addition, the development of and construction on the North District Project have been commenced and the pre-sale permit for the assets to be acquired being 深房許字 (2016) 光明003號 (Shen Fang Xu Zi (2016) Guang Ming No. 003) has been obtained. The total permitted pre-sale area under the present permit is 118,093.39 m² in which, inter alia, (a) 82,265.04 m² for research and development purposes; (b) 28,394.01 m² for ancillary facilities and (c) 7,334.34 m² for commercial use.

3. Others

Certain structures, spaces and designated car parking spaces which the Target Company owns or has the right to use (as the case may be).

Other than the assets to be acquired under the Equity Transfer Agreement (the “**Remaining Assets**”), the Target Company and the Vendors shall dispose and transfer all Remaining Assets within the time limit as specified thereunder. All liabilities, costs, expenses and taxes incurred by the Target Company in relation to the Remaining Assets shall be fully responsible by the Vendors.

Further, (a) property ownership certificate (房地產證); (b) real estate ownership certificate; (b) construction land planning permit (建設用地規劃許可證); (c) work permit (施工許可證); and (d) quality supervision registration audit form (質量監督登記審查表) of Project Feng Hui were all obtained by the Target Company.

Consideration

Subject to the terms and conditions of the Equity Transfer Agreement, the total Consideration is RMB984,934,359 (equivalent to approximately HK\$1,112,975,826) which shall be settled in accordance with the following manners and conditions:

1. Opening the Joint Bank Account

Per the directions of the Vendors and the Purchaser, the Joint Bank Account shall be opened within 3 working days after the Equity Transfer Agreement is duly signed.

2. First Capital Injection

- (a) Within 5 working days after the signing of the Equity Transfer Agreement, the Purchaser shall make the First Capital Injection;
- (b) 2 working days after the completion of the First Capital Injection, the Vendors and the Purchaser shall commence the registration procedures with the industry and commerce administration bureau so that the Purchaser will hold approximately 51% equity interests in the Target Company through capital injection;
- (c) Within 2 working days upon the fulfilment of the following conditions, the First Capital Injection shall be transferred to a bank account designated by the Vendors:
 - (i) Target Company and the properties to be developed under the North District Project are not subject to any equity interest pledge, mortgage and other encumbrances;
 - (ii) the Majority Shareholding Registration has been completed (subject to receipt of the new business licence);
 - (iii) the relevant common seal, company chops, information, documents and certificates of the Target Company specified in the Equity Transfer Agreement have been passed to the Purchaser; and

(iv) before the Purchaser holding an approximately 51% equity interests in the Target Company, the loans borrowed or amount due by the Target Company from the related parties of the Vendors (excluding the shareholders of the Vendors) or other Independent Third Party(ies) have been fully settled. Save as already disclosed to the Purchaser, there is no loan or contingent loan yet to be settled by the Target Company and the Target Company shall provide a confirmation to the effect that all loans have been fully settled.

3. Second Capital Injection

- (a) After the completion of the First Capital Injection, the Majority Shareholding Registration has been completed for 90 days and within 5 working days after the following conditions are fulfilled, the Purchaser shall make the Second Capital Injection:
- (i) the conditions under the paragraph headed “2 First Capital Injection” above have all been fulfilled;
 - (ii) the Vendors have settled most of the liabilities under the South District Project and the amount of the outstanding liabilities (including contingent or hidden liabilities but excluding the land appreciation tax and the income tax of the South District Project payable) does not exceed RMB20,000,000 (equivalent to HK\$22,600,000);
 - (iii) the initial registration of the right to property ownership for the South District Project has been completed, and the costs for the construction works in South District Project have been settled;
 - (iv) the Target Company has submitted the land appreciation tax report of the South District Project to the relevant tax authority and the tax authority has accepted such submission; and
 - (v) within 3 months upon the completion of the First Capital Injection but before the Purchaser has hold approximately 51% equity interest in the Target Company, there is no undisclosed liability of the Target Company incurred by the Vendors (including contingent or hidden liability).
- (b) Within 2 working days upon the completion of the Second Capital Injection, the Vendors and the Purchaser shall commence the registration procedures with the industry and commerce administration bureau so that the Purchaser will hold a total of approximately 85% of its equity interests in the Target Company (subject to receipt of the new business licence).
- (c) Within 2 working days after the registration mentioned in paragraph 3(b) above, the Second Capital Injection shall be transferred to the bank account designated by the Vendors.

4. Final payment

- (a) After the completion of the First Capital Injection, the Majority Shareholding Registration has been completed for 180 days and within 5 working days after the following conditions are fulfilled, the Purchaser shall deposit the final payment of RMB147,740,154 (equivalent to approximately HK\$166,946,374), representing approximately 15% of the Consideration to the Joint Bank Account:
- (i) the conditions under the paragraph headed “3 Second Capital Injection” above have all been fulfilled;
 - (ii) the properties developed under the South District Project have satisfied all the conditions to apply for the real estate ownership certificate, and the application for such real estate ownership certificates for the properties already sold are being processed in accordance with the applicable sale and purchase agreements;
 - (iii) the Target Company has settled the relevant tax payable to the tax authority; and
 - (iv) within 6 months after the completion of the Second Capital Injection, there is no undisclosed liability (including contingent or hidden liability) of the Target Company incurred before the First Capital Injection by the Vendors.
- (b) Within 2 working days upon the completion of depositing the final payment to the Joint Bank Account:
- (i) 深圳市秋碩投資發展有限公司 (Shenzhenshi Qiushuo Investment Development Co., Ltd.) shall transfer its approximately 4.80% (as diluted after the First Capital Injection and the Second Capital Injection) equity interests in the Target Company to the Purchaser;
 - (ii) 深圳市中南華利投資有限公司 (Shenzhenshi Zhongnanhuali Investment Co., Ltd.) shall transfer its approximately 10.20% (as diluted after the First Capital Injection and the Second Capital Injection) equity interests in the Target Company to the Purchaser; and
 - (iii) the Vendors shall commence the registration procedures with the industry and commerce administration bureau for the Purchaser to become the sole shareholder of the Target Company (subject to receipt of the new business licence).
- (c) Within 2 working days after such registration, the final payment shall be transferred to the bank account designated by the Vendors.

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 30 November 2016; and (c) 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.

COMPLETION

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

TERMINATION OF THE EQUITY TRANSFER AGREEMENT

The Equity Transfer Agreement may be terminated when:

1. there is a force majeure event happening;
2. the First Capital Injection and/or Second Capital Injection are not approved by the relevant government department or not allowed under the relevant laws or regulatory guidelines;
3. the development and construction of the North District Project or South District Project are not approved by the relevant government department or not allowed under the relevant laws or regulatory guidelines; or
4. there is a mutual agreement between the Vendors and the Purchaser to terminate.

In the event that the Equity Transfer Agreement is terminated:

5. the Purchaser shall return all licenses, company chops, information and documents of the Target Company to the Vendors;
6. the Vendors shall cooperate with the Purchaser to cancel the status of co-management of the Joint Bank Account and return to the Purchaser all the payments received; and
7. when the Purchaser transfers its equity interests in the Target Company back to the Vendors, the legal representative of the Target Company shall be changed to a person designated by the Vendors.

GUARANTEES PROVIDED BY THE VENDOR GUARANTORS AND PURCHASER GUARANTORS

Being the ultimate beneficial owners of the Target Company, the Vendor Guarantors, as Vendors’ guarantors, have collectively agreed to accept the responsibility for the obligations or liabilities arising out of the Equity Transfer Agreement by the Vendors. If the Vendors are unable to fulfil the obligations under or unable to accept the responsibilities arising out of the Equity Transfer Agreement, the Purchaser has the right to directly demand the Vendor Guarantors to fulfil the said obligations and to accept the said responsibilities.

The Purchaser Guarantors, as Purchaser's guarantors, have collectively agreed to accept the responsibility for the obligations or liabilities arising out of the Equity Transfer Agreement by the Purchaser. If the Purchaser is unable to fulfil the obligations under or unable to accept the responsibilities arising out of the Equity Transfer Agreement, the Vendors have the right to directly demand the Purchaser Guarantors to fulfil the said obligations and accept the said responsibilities.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following are the unaudited financial information of the Target Company for the financial year ended 31 December 2015 and the eleven months ended 30 November 2016:

	For the eleven months ended 30 November 2016 (unaudited) RMB'000	For the financial year ended 31 December 2015 (unaudited) RMB'000
Net losses before taxation	52,179	68,846
Net losses after taxation	52,179	68,846
Total assets	185,325	161,308
Net liabilities	15,659	8,480

The unaudited net liabilities of the Target Company as at 30 November 2016 is approximately RMB15,659,000 (equivalent to approximately HK\$17,694,670).

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of the PRC. It is principally engaged in property development.

INFORMATION ABOUT THE VENDORS

深圳市秋碩投資發展有限公司 (Shenzhen Shiqi Investment Development Co., Ltd.) is a limited liability company established under the laws of the PRC. It is principally engaged in investment holding.

深圳市中南華利投資有限公司 (Shenzhen Zhongnanhuali Investment Co., Ltd.) is a limited liability company established under the laws of the PRC. It is principally engaged in investment holding.

INFORMATION ABOUT THE VENDOR GUARANTORS

深圳南顯科技有限公司 (Shenzhen Nanxian Technology Co., Ltd.) is a limited liability company incorporated under the laws of the PRC and its principal business is investment holding. Together with 劉銘海先生 (Mr. Liu Ming Hai), they are the ultimate beneficial owners of the Target Company and Independent Third Parties.

INFORMATION ABOUT THE PURCHASER GUARANTORS

奧園集團有限公司 (Aoyuan Group Co., Ltd.) is a limited liability company established under the laws of the PRC and its principal businesses are property development and property investment.

惠州市泰瑞房地產開發有限公司 (Huizhou City Tairui Real Estate Development Co., Ltd.) is a limited liability company established under the laws of the PRC and its principal business is property development.

Both of the Purchaser Guarantors are the wholly-owned subsidiaries of the 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 and is currently involved in the investment and development of Project Feng Hui, containing the North District Project and South District Project in Guangming New District, Shenzhen, the PRC.

Having considered the North District Project and the South District Project both located in the well-developed traffic network, the development potential of the Project Feng Hui for residential and commercial uses as well as the expansion of the Group's land bank in Shenzhen, the PRC, the Directors are of the view that the Acquisition is in line with the business plan of the Group and 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 notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the terms and conditions under the Equity Transfer 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 the entire equity interests in the Target Company as contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), a company incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Stock Exchange (Stock code: 3883)
“Consideration”	RMB984,934,359 (equivalent to approximately HK\$1,112,975,826), being the consideration of the Acquisition
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 24 February 2017 and entered into among the Vendors, the Purchaser, the Vendor Guarantors, the Purchaser Guarantors and the Target Company in relation to the Acquisition
“First Capital Injection”	pursuant to the Equity Transfer Agreement, the deposit of RMB502,316,523 (equivalent to approximately HK\$567,617,671), representing approximately 51% of the Consideration, by the Purchaser into the Joint Bank Account
“GFA”	Gross Floor Area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration 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
“Joint Bank Account”	a bank account opened under the name of the Target Company per the Equity Transfer Agreement and jointly managed by the Vendors and the Purchaser, for the purpose of depositing the Consideration and the transfer of equity interests in relation to the Acquisition

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“m²”	square meter
“Majority Shareholding Registration”	the registration with the industry and commerce administration bureau in PRC regarding the Purchaser holding approximately 51% equity interest in the Target Company
“North District Project”	a property development known as 峰薈時代科技中心 (Feng Hui Times Technology Center) which is located in Shenzhen, PRC, and mainly composes of real estate properties for, among other things, commercial, research and development and the relevant staff quarters
“PRC”	the People’s Republic of China, which excludes Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Project Feng Hui”	峰薈項目, the property development project composing of the North District Project and the South District Project
“Purchaser”	奧園集團(廣東)有限公司 (Aoyuan Group (Guangdong) Co., Ltd.), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Purchaser Guarantors”	collectively, 奧園集團有限公司 (Aoyuan Group Co., Ltd.) and 惠州市泰瑞房地產開發有限公司 (Huizhoushi Tairui Real Estate Development Co., Ltd.), both of which are limited liability companies incorporated under the laws of the PRC and wholly-owned subsidiaries of the Company
“Second Capital Injection”	pursuant to the Equity Transfer Agreement, the deposit of RMB334,877,682 (equivalent to approximately HK\$378,411,781), representing approximately 34% of the Consideration, by the Purchaser into the Joint Bank Account
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of the Company with a nominal value of HK\$0.01 each
“South District Project”	a property development known as 峰薈花園 (Feng Hui Garden) which is located in Shenzhen, PRC and mainly composes of, among other things, ordinary commodity housing and real estate properties for commercial purpose
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“ Target Company ”	深圳市秋銘投資發展有限公司 (Shenzhenshi Qiuming Investment Development Co., Ltd.), a limited liability company incorporated under the laws of the PRC
“ Vendors ”	collectively, (a) 深圳市秋碩投資發展有限公司 (Shenzhenshi Qiushuo Investment Development Co., Ltd.); and (b) 深圳市中南華利投資有限公司 (Shenzhenshi Zhongnanhuali Investment Co., Ltd.), both of which are limited liability companies incorporated under the laws of the PRC, and own approximately 32% and approximately 68%, respectively, of the equity interests in the Target Company
“ Vendor Guarantors ”	collectively, (a) 深圳南顯科技有限公司 (Shenzhen Nanxian Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC; and (b) 劉銘海先生 (Mr. Liu Ming Hai)
“ HK\$ ”	the lawful currency of the Hong Kong Special Administrative Region of the PRC
“ RMB ”	Renminbi, the lawful currency of the PRC
“ % ”	per cent.

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

Hong Kong, 24 February 2017

For the purpose of this announcement, the exchange rate at RMB1.00 = HK\$1.13 has been used, where applicable, for the purpose of illustration only.

All of the English titles or names of the PRC entities and individuals, 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 are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Ms. Zhong Ping and Mr. Ma Jun; the non-executive Director is Mr. Yang Zhong; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.