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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 INVESTMENT IN THE PROJECT COMPANY**

#### **THE CO-OPERATION AGREEMENT**

The Board wishes to announce that on 21 September 2017 (after trading hours), Aoyuan Group (Guangdong) (a wholly-owned subsidiary of the Company), Harvest Decade, Qingdao Jinmao, the Guarantor and the Project Company entered into the Co-operation Agreement, pursuant to which Aoyuan Group (Guangdong) has conditionally agreed to invest in the Project Company at the Investment Amount of RMB788,800,000 (equivalent to HK\$930,784,000) by (a) acquiring 51% equity interests in the Project Company by way of capital injection at the Consideration in cash and (b) providing a Shareholder's Loan to the Project Company.

Upon completion of the Acquisition, the Project Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Co-operation Agreement 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 Co-operation 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 21 September 2017 (after trading hours), Aoyuan Group (Guangdong), Harvest Decade, Qingdao Jinmao, the Guarantor and the Project Company entered into the Co-operation Agreement, pursuant to which Aoyuan Group (Guangdong) has conditionally agreed to invest in the Project Company at the Investment Amount of RMB788,800,000 (equivalent to HK\$930,784,000) by (a) acquiring 51% equity interests in the Project Company by way of capital injection at the Consideration in cash and (b) providing a Shareholder's Loan to the Project Company.

## **THE CO-OPERATION AGREEMENT**

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

Date: 21 September 2017 (after trading hours)

Parties: (a) Aoyuan Group (Guangdong);  
(b) Harvest Decade;  
(c) Qingdao Jinmao;  
(d) the Guarantor; and  
(e) the Project Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Harvest Decade, Qingdao Jinmao, the Guarantor, the Project 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 Co-operation Agreement, Aoyuan Group (Guangdong) has conditionally agreed to acquire 51% equity interests in the Project Company by way of capital injection. Upon completion of the Acquisition, Aoyuan Group (Guangdong) will own 51% equity interests in the Project Company, which enables the Group to develop and engage in the Project Land; and (b) the Project Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

Aoyuan Group (Guangdong) further agreed to provide a Shareholder's Loan to the Project Company for the purposes as described in the paragraph headed "Application of Investment Amount" below.

### **Investment Amount**

Subject to the terms and conditions of the Co-operation Agreement, the Investment Amount (i.e. the total amount of Consideration and the Shareholder's Loan) shall be satisfied by Aoyuan Group (Guangdong) to the Project Company in accordance with the following manners and conditions:

## 1. Opening the Joint Bank Account

Within three working days after the date of the Co-operation Agreement, Aoyuan Group (Guangdong), Harvest Decade and Qingdao Jinmao shall open the Joint Bank Account accordingly.

## 2. First Payment

Within three working days after the date of the Co-operation Agreement, an amount of RMB613,000,000 as the first payment (“**First Payment**”) shall be deposited by Aoyuan Group (Guangdong) into the Joint Bank Account. Harvest Decade and Qingdao Jinmao shall then, within the next 15 working days, assist Aoyuan Group (Guangdong) to complete the update and registration in the relevant industrial and commercial administration bureau and taxation administration authorities with respect to the Acquisition.

The First Payment shall be released from joint control and transferred to the Project Company within two working days upon the date that the following conditions are satisfied:

- (a) the update and registration in the relevant industrial and commercial administration bureau and taxation administration authorities with respect to the Acquisition having been completed;
- (b) the company seal, company stamp, cash, fixed assets and all documents, including but not limited to books and records, invoices, receipts, contracts, construction plans and governmental licenses and permits, having been under the joint control of Aoyuan Group (Guangdong), Harvest Decade and Qingdao Jinmao; and
- (c) Project Land A having been handed over to Aoyuan Group (Guangdong) by Harvest Decade and Qingdao Jinmao for management and occupation by Aoyuan Group (Guangdong).

The Consideration shall be fully settled by the First Payment.

## 3. Second Payment

Within two months after the date of the Co-operation Agreement, Aoyuan Group (Guangdong) shall provide a construction planning and design proposal (“**Proposal**”) of the Project Land to Harvest Decade and Qingdao Jinmao, who shall, within four months upon receiving the Proposal, coordinate with the government authority to adjust the land use of Project Land B.

Within three working days after the approval for change of land use and the notice of land premium adjustment amount in respect of the Project Land (“**Land Premium Adjustment Amount**”) having been issued to the Project Company by the Bureau of Land Resources and Housing Administration of Jiaozhou City\* (膠州市國土資源及房屋管理局), Aoyuan Group (Guangdong) shall deposit an amount of RMB30,000,000 as second payment (“**Second Payment**”) into the bank account designated by the Project Company. The Second Payment shall be applied by the Project Company to settle the Land Premium Adjustment Amount and relevant taxes, demolition and relocation expenses. The total amount of the Land Premium Adjustment Amount, the said demolition and relocation expenses in excess of the Second Payment shall be borne by Harvest Decade and Qingdao Jinmao.

#### **4. Final Payment**

Within two working days after the following conditions are satisfied, Aoyuan Group (Guangdong) shall deposit the final payment of RMB145,800,000 to the bank account designated by the Project Company:

- (a) the conditions set out in paragraphs 2(a) to 2(c) above having been fulfilled;
- (b) the Land Premium Adjustment Amount having been settled by the Project Company and a new Real Estate Ownership Certificate (房地產權證) in relation to Project Land B having been issued to the Project Company;
- (c) all buildings remained on the Project Land having been demolished and the site clearance work having been completed, and there is no claim in relation to demolition and relocation compensation; and
- (d) Project Land B having been handed over to Aoyuan Group (Guangdong) by Harvest Decade and Qingdao Jinmao.

#### **Basis of Investment Amount**

The Investment Amount was arrived at after arm's length negotiations between Aoyuan Group (Guangdong), Harvest Decade and Qingdao Jinmao and was determined with reference to (a) the amount of registered capital of the Project Company to be paid up by Aoyuan Group (Guangdong); (b) the estimated market value of the Project Land with the estimated market prices of the property development nearby; 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 Investment Amount is fair and reasonable. The Investment Amount shall be funded by the Group's internal resources.

#### **Shareholder's Loan**

Pursuant Co-operation Agreement, the parties thereto undertook and agreed that Aoyuan Group (Guangdong) shall provide the Shareholder's Loan to the Project Company on the condition that Aoyuan Group (Guangdong) shall be entitled to an aggregate of 80% beneficial interests derived from the development of the Project Land.

#### **Application of Investment Amount**

The Investment Amount shall be applied by the Project Company for the following purposes: (a) development of the project on the Project Land; (b) as general working capital; (c) settling the debt owed to Qingdao Jinmao; (d) settling the Land Premium Adjustment Amount; and (e) settling demolition and relocation compensation. However, the total amount to be utilised for items (c), (d) and (e) above shall not exceed RMB30,000,000.

## **COMPLETION**

Completion of the Acquisition will take place on the date that the final payment of the Investment Amount is settled by Aoyuan Group (Guangdong). Following the completion of the Acquisition, (a) the equity interests in the Project Company will be held as to 51% by Aoyuan Group (Guangdong), approximately 44% by Harvest Decade and approximately 5% by Qingdao Jinmao; and (b) the Project Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

## **OPERATION OF THE PROJECT COMPANY**

Pursuant to the Co-operation Agreement, after Completion, (a) the board of directors of the Project Company will consist of three members, two of them will be nominated by Aoyuan Group (Guangdong) and the remaining one will be jointly nominated by Harvest Decade and Qingdao Jinmao, and a director nominated by Aoyuan Group (Guangdong) will also be appointed as the chairman and legal representative of the Project Company; (b) the general manager and financial controller of the Project Company will be appointed by Aoyuan Group (Guangdong); and (c) Harvest Decade and Qingdao Jinmao will have the power to supervise the business strategies, investment plans and budgets of the Project Company. It was further agreed that 80% of the net profits after tax of the Project Company shall be distributed to Aoyuan Group (Guangdong) while the remaining 20% shall be vested in Harvest Decade and Qingdao Jinmao.

## **TERMINATION OF THE CO-OPERATION AGREEMENT**

If any party fails to perform its obligations or breach its representations and warranties under the Co-operation Agreement, the other party may terminate the Co-operation Agreement if the party in default fails to rectify the breaches within 30 days after receiving notice from the other party. In particular, in the event that any of the representations and warranties given by Harvest Decade and Qingdao Jinmao under the Co-operation Agreement is found to be untrue, inaccurate or misleading, Aoyuan Group (Guangdong) is entitled to terminate the Co-operation Agreement and, within 30 days after the termination of the Co-operation Agreement, Qingdao Jinmao shall purchase Aoyuan Group (Guangdong)'s equity interests in the Project Company at the price calculated based on the formula stipulated in the Co-operation Agreement.

## **GUARANTEE PROVIDED BY GUARANTOR**

The Guarantor, as the guarantor of Harvest Decade and Qingdao Jinmao, has agreed to accept the responsibilities for certain obligations or liabilities arising out of the Co-operation Agreement by Harvest Decade and Qingdao Jinmao, including but not limited to the representations and warranties given by Harvest Decade and Qingdao Jinmao in relation to the debts of the Project Company and the compliance status of the Project Land.

If Harvest Decade and Qingdao Jinmao are unable to fulfil the relevant obligations under or unable to accept the responsibilities arising out of the Co-operation Agreement, Aoyuan Group (Guangdong) has the right to directly demand the Guarantor to fulfil the said obligations and to accept the said responsibilities.

## FINANCIAL INFORMATION OF THE PROJECT COMPANY

The following is the unaudited financial information of the Project Company for the financial years ended 31 December 2015 and ended 31 December 2016:

	For the financial year ended	
	31 December	
	2016	2015
	(unaudited)	(unaudited)
	(Approximately)	(Approximately)
	RMB	RMB
Net losses before taxation	989,000	2,917,000
Net losses after taxation	989,000	2,917,000
Total assets	436,363,000	428,169,000
Net assets	411,201,000	406,732,000

The unaudited net assets of the Project Company as at 31 August 2017 is approximately RMB346,235,000 (equivalent to approximately HK\$408,557,300).

## INFORMATION ABOUT THE PROJECT COMPANY

The Project Company is a limited liability company incorporated under the laws of the PRC. It is principally engaged in the business of property investment and development, which involve the property development and construction of the Project Land comprising two parcels of land located in Jiaozhou City, Shandong Province, the PRC with Real Estate Ownership Certificates (房地產權證) of Qing Real Estate Ownership City No. 201121297\* (青房地權市字第201121297號) and Qing Real Estate Ownership City No. 201121298\* (青房地權市字第201121298號) for residential use and commercial use, respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group comprise property development and property investment in the PRC. The Project Company involves in the development of the Project Land with a total site area of approximately 83,446 square meters and a total gross floor area of approximately 250,337 square meters for residential and commercial uses. Considering that (a) the Project Land is located in the core area of Jiaozhou New District\* (膠州新城區), which is adjacent to an economic and technological development zone with a number of communal facilities, and is potentially capable of providing a pleasant living environment for the residents; (b) the Project Company has already obtained the land use permit (建設用地規劃許可證) for the building work on the Project Land; and (c) the Group is able to control and develop the Project Land and is entitled to 80% beneficial interests derived therefrom as agreed between the parties to the Co-operation Agreement, the Directors believe that the Acquisition will provide an opportunity to the Group to consolidate and strengthen the Group's land bank in Shandong Province with a convenient and valuable location. The Directors are of the view that the terms of the Co-operation Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Co-operation 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 Co-operation 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 51% equity interests in the Project Company by way of capital injection into the Project Company at the Consideration as contemplated under the Co-operation Agreement
“Aoyuan Group (Guangdong)”	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
“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”	equivalent RMB of USD67,445,000 (equivalent to HK\$526,071,000), being the consideration of the Acquisition
“Co-operation Agreement”	the co-operation agreement dated 21 September 2017 and entered into among Aoyuan Group (Guangdong), Harvest Decade, Qingdao Jinmao, the Guarantor and the Project Company in relation to the Acquisition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	王志軍先生 (Mr. Wang Zhijun*)
“Harvest Decade”	Harvest Decade Limited (盛季有限公司), a company incorporated in Hong Kong with limited liability, which owned approximately 89.8% equity interests in the Project Company prior to the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

<b>“Independent Third Party(ies)”</b>	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
<b>“Investment Amount”</b>	RMB788,800,000 (equivalent to HK\$930,784,000), being the total amount of the Consideration and the Shareholder’s Loan
<b>“Joint Bank Account”</b>	a bank account opened under the name of Aoyuan Group (Guangdong) and jointly managed by Aoyuan Group (Guangdong), Harvest Decade and Qingdao Jinmao, for the purpose of depositing the Consideration
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China, which excludes Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
<b>“Project Company”</b>	青島盛季金茂建設發展有限公司 (Qingdao Shengji Jinmao Construction and Development Co., Ltd.*), a limited liability company incorporated under the laws of the PRC
<b>“Project Land”</b>	comprises Project Land A and Project Land B
<b>“Project Land A”</b>	a parcel of land located at No. 89, Beijing East Road, Jiaozhou City, Shandong Province* (山東省膠州市北京東路89號) with Real Estate Ownership Certificate (房地產權證) of Qing Real Estate Ownership City No. 201121298* (青房地權市字第201121298號)
<b>“Project Land B”</b>	a parcel of land located at No. 198, Yangzhou East Road, Jiaozhou City, Shandong Province* (山東省膠州市揚州東路198號) with Real Estate Ownership Certificate (房地產權證) of Qing Real Estate Ownership City No. 201121297* (青房地權市字第201121297號)
<b>“Qingdao Jinmao”</b>	青島金茂創富投資有限公司 (Qingdao Jinmao Chuangfu Investment Co., Ltd.*), a company incorporated under the laws of the PRC, which owned approximately 10.2% equity interests in the Project Company prior to the Acquisition
<b>“Shareholders”</b>	shareholders of the Company
<b>“Shareholder’s Loan”</b>	a shareholder’s loan provided by Aoyuan Group (Guangdong) to the Project Company, being the remaining balance of the Investment Amount after payment of the Consideration



“Shares”	ordinary shares of the Company with a nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 21 September 2017

For the purpose of this announcement and for illustrative purpose only, conversions of RMB to HK\$ are based on the exchange rate of RMB1.00 = HK\$1.18 and conversions of USD to HK\$ are based on the exchange rate of USD1.00 to HK\$7.80.

\* *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; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.*