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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
FURTHER ANNOUNCEMENT IN RELATION TO
THE ACQUISITION OF TARGET INTEREST OF
KINGHAND INDUSTRIAL INVESTMENT GROUP CO., LTD.***

Reference is made to the announcement of the Company dated 7 April 2020 (the “**Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 7 April 2020, the Vendors, Mr. Tian and the Purchaser entered into the Framework Agreement in relation to the Acquisition. As all the conditions for entering into the Formal Share Transfer Agreement as set out in the Framework Agreement have been fulfilled, the Board is pleased to announce that on 15 May 2020 (after trading hours), Vendor A, Mr. Tian and Shenzhen Aoyuan Kexing Investment Company Limited* (深圳奧園科星投資有限公司) (“**Aoyuan Kexing**”), a subsidiary of the Purchaser (as designated by the Purchaser) and an indirect wholly-owned subsidiary of the Company, entered into the Formal Share Transfer Agreement, pursuant to which Aoyuan Kexing has conditionally agreed to acquire and Vendor A has conditionally agreed to sell 229,231,817 shares of the Target Company, representing approximately 29.30% of the share capital which is equivalent to approximately 29.99% of the issued shares with voting rights of the Target Company (the “**Target Interest**”), at the consideration of approximately RMB1,159,913,000 (the “**Consideration**”).

In the event there is any conflict or inconsistency between the terms and conditions of the Formal Share Transfer Agreement and the Framework Agreement, the terms and conditions of the Formal Share Transfer Agreement shall prevail.

THE FORMAL SHARE TRANSFER AGREEMENT

Summarised below are the principal terms of the Formal Share Transfer Agreement:

- Date: 15 May 2020 (after trading hours)
- Parties: (a) Vendor A;
(b) Mr. Tian; and
(c) Aoyuan Kexing (as designated by the Purchaser).

Vendor B has withdrawn from the Acquisition and whose selling obligation under the Framework Agreement has been assumed by Vendor A as instructed by Mr. Tian.

Nature of the transaction and assets to be acquired

The entire share capital of the Target Company comprises ordinary shares with voting rights and treasury shares without voting rights. Pursuant to the Formal Share Transfer Agreement, Aoyuan Kexing has conditionally agreed to acquire and Vendor A has conditionally agreed to sell the Target Interest, representing approximately 29.30% of the share capital which is equivalent to approximately 29.99% of the issued voting shares of the Target Company.

The Formal Share Transfer Agreement will be effective from the date on which any issue regarding concentration of business operators associated with the Acquisition is approved or waived by the Anti-monopoly Bureau of the State Administration for Market Regulation (國家市場監督管理總局反壟斷局).

Consideration

The Consideration payable by Aoyuan Kexing is slightly adjusted to approximately RMB1,159,913,000, which may be further adjusted subject to the terms of the Formal Share Transfer Agreement.

The Consideration shall be settled in the following manner:

- (1) First payment: within three (3) working days after satisfaction of, among others, the following conditions, Aoyuan Kexing shall pay RMB818,636,000 to Vendor A, of which (a) RMB100,000,000 shall be paid in cash and (b) RMB718,636,000 shall be settled by way of repayment of loan owed by Vendor A to financial institutions (the “**Loan**”) for discharge of, among others, the Target Interest pledged to such financial institutions (the “**Share Pledge**”):
 - (i) Vendor A, Aoyuan Kexing and the financial institutions having entered into an agreement for repayment of the Loan, and the financial institutions having confirmed to the Shenzhen Stock Exchange regarding the discharge of the Share Pledge, and the Share Pledge having been released and discharged;

- (ii) all encumbrances to the transfer of ownership of the Target Interest from Vendor A to Aoyuan Kexing have been eliminated, and the Shenzhen Stock Exchange having issued a letter of compliance in respect of the Acquisition;
 - (iii) Vendor A having procured the Target Company and its subsidiaries to inform their creditors about the Acquisition, and there having been no opposition from these creditors; and
 - (iv) the Acquisition having been approved in the shareholders' meeting of the Target Company and no regulatory measures which may affect the Acquisition having been imposed by the regulatory authorities.
- (2) Second payment: within thirty (30) days after completion of the Acquisition, Aoyuan Kexing shall release the Deposit of RMB50,000,000 to Vendor A and pay the remaining balance of approximately RMB291,277,000 to Vendor A in cash.

The Consideration will be funded by the Group's internal resources.

CONDITIONS PRECEDENT

Completion is subject to and conditional upon the satisfaction in full or (where appropriate) the waiver of the following conditions:

- (a) the Shenzhen Stock Exchange having issued a letter of compliance in respect of the Acquisition;
- (b) Aoyuan Kexing having settled the first payment of the Consideration according to the terms of the Formal Share Transfer Agreement;
- (c) the Share Pledge having been released and discharged;
- (d) the representations and warranties given by Vendor A and Mr. Tian in the Formal Share Transfer Agreement having no material change from the date of the Formal Share Transfer Agreement to the date of Completion, and having remained true, accurate and complete; and
- (e) the Acquisition and the Formal Share Transfer Agreement having been confirmed, approved, permitted or waived by the Anti-monopoly Bureau of the State Administration for Market Regulation or other regulatory authorities.

Upon the date of completion, the parties to the Formal Share Transfer Agreement shall submit an application for the registration of share transfer in respect of the Target Interest at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司深圳分公司).

COMPLETION

In the event that completion of the Acquisition takes place, the Company will indirectly hold approximately 29.30% of the share capital which is equivalent to approximately 29.99% of the issued shares with voting rights of the Target Company and will become the single largest shareholder of the Target Company. The Company will confirm whether the financial results of the Target Company will be consolidated into the financial statements of the Group under the International Financial Reporting Standards upon completion of the Acquisition.

After completion of the Acquisition, Aoyuan Kexing will, either through provision of loan or assisting the Target Company to obtain financing, inject not less than RMB500,000,000 to the Target Company for its repayment of loan and daily operation.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out the audited consolidated financial information on the Target Company for the two financial years ended 31 December 2019, which was prepared in accordance with the PRC accounting standards:

	For the financial year ended 31 December 2019 (audited) <i>RMB</i>	For the financial year ended 31 December 2018 (audited) <i>RMB</i>
Turnover	3,150,404,424	2,888,554,718
Net profit before taxation	246,609,679	194,239,846
Net profit after taxation	123,920,148	128,087,432

The audited net asset value of the Target Company as at 31 December 2019 was approximately RMB2,658,803,677.

TERMINATION

The Formal Share Transfer Agreement can be terminated under any of the following conditions:

- (a) by unanimous consent of all parties to the Formal Share Transfer Agreement;
- (b) by either party, if the regulatory authorities having jurisdiction over the Formal Share Transfer Agreement restrict or prohibit the Acquisition;
- (c) by Aoyuan Kexing, if Vendor A or Mr. Tian is in breach of their representations, warranties, undertakings or obligations in the Formal Share Transfer Agreement and fails to rectify such breach for the pursuance of the Formal Share Transfer Agreement; or

(d) if, within sixty (60) days after signing the Formal Share Transfer Agreement, registration of the share transfer in respect of the Target Interest cannot be completed, and all parties fail to reach a consensus about the postponement of the Acquisition.

The Framework Agreement will be concurrently terminated upon termination of the Formal Share Transfer Agreement. Within ten (10) days after termination of the Formal Share Transfer Agreement, Vendor A shall return the Deposit and any Consideration amount already received to Aoyuan Kexing.

As completion of the Acquisition is subject to the terms and conditions under the Formal Share Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 18 May 2020

* *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, Mr. Ma Jun, Mr. Chan Ka Yeung Jacky and Mr. Zhang Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.