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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
IN RELATION TO THE ACQUISITION OF
CHENGDU TONGWEI INDUSTRIES CO., LTD.*

THE ACQUISITION

The Board wishes to announce that on 10 July 2020 (after trading hours), the Vendor, the Purchaser (a wholly-owned subsidiary of the Company) and each of the Guarantors entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 98% equity interests in the Target Company and partial debt of the Target Company at the Consideration of RMB1,936,265,300 in total.

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

IMPLICATIONS UNDER THE LISTING RULES

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 to completion. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board wishes to announce that on 10 July 2020 (after trading hours), the Vendor, the Purchaser (a wholly-owned subsidiary of the Company) and each of the Guarantors entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 98% equity interests in the Target Company and partial debt of the Target Company at the Consideration of RMB1,936,265,300 in total.

THE EQUITY TRANSFER AGREEMENT

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

Date: 10 July 2020 (after trading hours)

Parties: (a) the Vendor;
(b) the Purchaser;
(c) Guarantor A; and
(d) Guarantor B.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor, Guarantor A and each of their ultimate beneficial owners (where applicable) and the Target Company are Independent Third Parties.

Nature of the transaction and assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell 98% equity interests in the Target Company and partial debt of the Target Company of approximately RMB136,265,300. The partial debt above is the payables of the Target Company. Upon completion of the Acquisition, the Purchaser will hold 98% equity interests in the Target Company, and will be able to develop and participate in property development projects via the Target Company.

Consideration

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Consideration is RMB1,936,265,300 in total, which shall be settled in accordance with the following manners and conditions:

1. First Payment

The Purchaser shall pay an amount of RMB1,000,000,000 as the first payment into the joint account opened in the name of the Vendor prior to 30 July 2020. The first payment shall be transferred by the Purchaser and the Vendor to a bank account designated by the Vendor within two (2) working days after the satisfaction in full of the following conditions:

- (a) The 98% equity interests in the Target Company having been duly transferred by the Vendor to the Purchaser, and the formalities with the relevant administration for industry and commerce relating to the Acquisition having been completed;

- (b) the Vendor having handed over all the information about the Target Company including seals, chops, business license, financial accounting books and certificates of all kinds to the Purchaser;
- (c) The Vendor having handed over the Project Land to the Purchaser; and
- (d) The Vendor and the Purchaser having completed the formalities with the relevant administration for industry and commerce relating to the management personnel of the Target Company designated by the Purchaser, and corresponding amendments to the articles of association of the Target Company as well as relevant changes in industrial and commercial registration, and having obtained the new business license of the Target Company.

2. *Second Payment*

The Purchaser shall pay the remaining RMB936,265,300 to the Vendor on or before 30 July 2020. As negotiated and agreed by the parties, such amount may enjoy a payment term of one year, provided that the Purchaser shall pay additional fees equivalent to the amount calculated at annual interest rate of 10.5% on the outstanding amount from 31 July 2020 to the date of actual payment.

RMB136,265,300 of the second payment shall be applied to settle the debt of the Target Company as agreed.

Basis of the Consideration

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser and was determined with reference to (a) the registered capital of the Target Company; (b) the estimated market value of the Project Land based on the estimated market prices of the property developments projects 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 Consideration is fair and reasonable. The Consideration shall be funded by the Group's internal resources and external financing, including but not limited to bank borrowings or other methods considered as appropriate by the Directors.

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's consolidated financial statements.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out the audited consolidated financial information of 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 <i>(audited)</i> <i>RMB</i>	For the financial year ended 31 December 2018 <i>(audited)</i> <i>RMB</i>
Turnover	–	79,069
Net profit (loss) before taxation	(2,504,852)	(3,917,756)
Net profit (loss) after taxation	72,586	(1,495,825)
Total assets	410,586,805	407,640,079
Net assets	274,439,207	274,366,621

The unaudited net asset value of the Target Company as at 30 June 2020 was RMB272,613,189.

TERMINATION

If the Purchaser files applications with competent authorities for approval of planning and construction in respect of the Project Land before 30 November 2020 and the Target Company is identified by competent authorities as having any act of land idling or being late in commencement or completion of construction and is required to pay corresponding land idling fees or liquidated damages, the Vendor shall bear such amounts in full. If, as a result, the Project Land is resumed in part or in whole or the purpose of the Equity Transfer Agreement cannot be achieved as the development cannot be carried out as agreed therein, the Purchaser shall have the right to terminate the Equity Transfer Agreement and require the Vendor to pay compensation of RMB20,000,000.

Save the abovementioned, neither party shall terminate the Equity Transfer Agreement after it comes into effect. Otherwise, the party in default shall pay liquidated damages equivalent to 20% of the Consideration as agreed in the Equity Transfer Agreement to the observant party in a lump sum, and shall assume full liability for compensation if any loss is caused to the observant party.

GUARANTEES PROVIDED BY THE GUARANTORS

Guarantor A and Guarantor B have agreed to provide joint-liability guarantees for the performance of the obligations and liabilities under the Equity Transfer Agreement by the Vendor and the Purchaser, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has established its strategy of “one core business with vertical development” with property development as its core business. The Group focuses on Guangdong – Hong Kong – Macao Greater Bay Area, with a strategic layout in South China, core region of Central and Western China, East China and Bohai Rim. The Group recorded approximately RMB118.06 billion of property contracted sales in 2019, rendering it among the top 30 PRC developers.

The Target Company currently holds the Project Land located at Chenghua District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市成華區), which consists of three land parcels with total site area of approximately 127,408 square metres and total gross floor area of approximately 303,590 square metres. The Project Land is classified as type 2 residential land and the relevant state-owned land use right certificates have been granted.

The Acquisition allows the Group to further cultivate its existing regions as well as to strengthen and expand its land bank. Having considered the above, the Board is of the view that the terms of the Equity Transfer Agreement, including the Consideration, are on normal commercial terms, which are fair and reasonable and are in the best interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

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 to completion. 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 98% equity interests in and partial debt of the Target Company pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	China Aoyuan Group Limited (中國奧園集團股份有限公司), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock code: 3883)

“Consideration”	RMB1,936,265,300, being the consideration of the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 10 July 2020 and entered into among the Vendor, the Purchaser and the Guarantors in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Guarantors”	Guarantor A and Guarantor B
“Guarantor A”	通威集團有限公司 (Tongwei Group Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability, being the Vendor’s guarantor
“Guarantor B”	廣東奧園商業地產集團有限公司 (Guangdong Aoyuan Commercial Real Estate Group Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, being the Purchaser’s guarantor
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Project Land”	the three parcels of land located on the north side of Panda Avenue in Chenghua District, Chengdu, Sichuan Province, the PRC (中國四川省成都市成華區熊貓大道北側), of which the registration numbers stated in the Real Estate Title Certificates are: Chuan (2018) Chengdu Real Estate Certificate No. 0016967, Chuan (2018) Chengdu Real Estate Certificate No. 0016949 and Chuan (2018) Chengdu Real Estate Certificate No. 0016920, respectively
“Purchaser”	成都宜華置業有限公司 (Chengdu Yihua Property Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	the ordinary share(s) of the Company with nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	成都通威實業有限公司 (Chengdu Tongwei Industries Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability
“Vendor”	通威實業(西藏)有限公司 (Tongwei Industries (Tibet) Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability
“%”	per cent.

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

Hong Kong, 13 July 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.