

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.



中國奧園集團股份有限公司
China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF PROPERTIES IN CANADA

This announcement is made by the Company on a voluntary basis.

THE DISPOSAL

The Board wishes to announce that on 24 January 2022 (Vancouver time), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Offer to Purchase, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all of the Vendor's right, title and interest in all buildings, structures and improvements on the Properties on an "as is" basis at the Consideration of CAD215,000,000 in aggregate, exclusive of GST.

IMPLICATIONS UNDER THE LISTING RULES

As the Disposal is a transaction of a revenue nature in the ordinary and usual course of business of the Company, the Disposal does not constitute a notifiable transaction pursuant to Rule 14.04(1)(g) of the Listing Rules and is therefore exempt from the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, in order to keep the stakeholders (including the Shareholders) and potential investors of the Company informed of the latest development of the Group, the Company wishes to make this announcement in relation to the Disposal on a voluntary basis.

As Completion is subject to the terms and conditions under the Offer to Purchase, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

This announcement is made by the Company on a voluntary basis.

The Board wishes to announce that on 24 January 2022 (Vancouver time), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Offer to Purchase, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all of the Vendor's right, title and interest in all buildings, structures and improvements on the Properties on an "as is" basis at the Consideration of CAD215,000,000 in aggregate, exclusive of GST.

THE OFFER TO PURCHASE

Summarized below are the principal terms of the Offer to Purchase:

Date: 24 January 2022 (Vancouver time)

Parties: (a) the Vendor: Brentwood-Willingdon Projects Ltd.; and

(b) the Purchaser: Anthem Properties Group Ltd.

Nature of the transaction and assets to be disposed of

Pursuant to the Offer to Purchase, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all of the Vendor's right, title and interest in all buildings, structures and improvements on the Properties on an "as is" basis at the Consideration of CAD215,000,000 in aggregate, exclusive of GST.

The Properties are located at 4500–4554 Dawson Street, 2223–2375 Alpha Avenue and 2350–2430 Willingdon Avenue, Burnaby, British Columbia, Canada with a total site area of approximately 364,000 square feet. The unaudited carrying value of the Properties as at 31 December 2021 was approximately CAD199,700,000.

Consideration

The Consideration shall be payable by the Purchaser to the Vendor in the following manner:

- (a) CAD200,000 as initial deposit shall be payable by the Purchaser to the Vendor's solicitors no later than three business days following the acceptance by the Vendor of the Offer to Purchase on 24 January 2022 (Vancouver time) and held by the Vendor's solicitors in trust in an interest-bearing account on behalf of the parties to the Offer to Purchase;

- (b) CAD20,000,000 as additional deposit shall be payable by the Purchaser to the Vendor's solicitors no later than three business days following the satisfaction or waiver of all of the conditions precedent to be performed by the Purchaser and held by the Vendor's solicitors in trust in an interest-bearing account on behalf of the parties to the Offer to Purchase; and
- (c) the remaining balance of the Consideration in the amount of CAD194,800,000 together with all applicable adjustments of taxes, rates and other charges shall be payable by the Purchaser to the Vendor's solicitors in trust on the Completion Date.

Basis of the Consideration

The Purchaser was selected after conducting a competitive bidding and negotiation process, which prioritized the maximization of transaction proceeds and certainty of completion. The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser and on normal commercial terms after taking into consideration the prevailing market value of similar properties in the vicinity of the Properties and other factors as set out in the paragraph headed "Reasons for and benefits of the Disposal" below.

Conditions Precedent

Completion is subject to the satisfaction or the waiver of the following conditions precedent, among others:

- (a) the Purchaser being satisfied in its sole discretion as to the state of title to the Properties;
- (b) the Purchaser being satisfied in its sole discretion as to the physical condition of the Properties (including all buildings and other improvements thereon), including the results of any environmental, geotechnical, and building condition investigations by or on behalf of the Purchaser;
- (c) the Purchaser being satisfied in its sole discretion with any other due diligence searches and investigations which it may have carried out with respect to the Properties;
- (d) the Vendor having obtained the written consent of its lenders under the Loan Facilities, as applicable, to the sale of the Properties to the Purchaser pursuant to the Offer to Purchase; and
- (e) the parties to the Offer to Purchase having obtained the Competition Act Approval.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is principally engaged in the businesses of property development and investment, urban redevelopment, property management, cultural tourism, technology, etc.

The Vendor is a company incorporated in British Columbia, Canada. As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of the Company and principally engaged in property investment and development.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in British Columbia, Canada and principally engaged in the investment, development, and management of commercial and residential properties throughout Western Canada and Northern California. As at the date of this announcement, the Purchaser is wholly owned by Mr. Eric Carlson, who is an entrepreneur. Mr. Eric Carlson is also the founder and the Chief Executive Officer of the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

FINANCIAL EFFECT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The Group is expected to recognise an estimated gain of approximately CAD15,300,000 from the Disposal, being the difference between the Consideration over the unaudited carrying value of the Properties as at 31 December 2021. The Consideration (after deducting, amongst other things, the transaction costs) is intended to be applied toward repaying the Loan Facilities secured by the Properties, supporting the daily operation of the Canadian subsidiaries of the Group, and meeting the broader liquidity needs of the Group, including continuing to address the Group's financial situations. The Company has been and will continue to be in active communication with its creditors.

Shareholders and potential investors of the Company should note that the above figure is for illustrative purpose only and the actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit. The actual accounting gain or loss in connection with the Disposal may be different from the above and will be determined based on the carrying value of the Properties on the Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In light of the Group's current liquidity position, the Directors undertook a strategic review of the Group's offshore assets including the Properties, the saleable value in their current states, and the potential capital expenditure that would otherwise be required if the Group were to develop such assets into saleable inventories and the value of such inventories thereof. Having made prudent assessments on such, the Directors were of the view that it would be beneficial for the Company and its stakeholders (including the Shareholders) as a whole to pursue the Disposal and generate liquidity for the Group.

The Board (including the independent non-executive Directors) is of the view that the Offer to Purchase has been entered into in the ordinary and usual course of business of the Company after arm's length negotiation between the parties and the terms and conditions (including the Consideration) of the Offer to Purchase are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its stakeholders (including the Shareholders) as a whole.

None of the Directors has any material interest in the Offer to Purchase and the transaction contemplated thereunder and none of them abstained from voting on the relevant Board resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As the Disposal is a transaction of a revenue nature in the ordinary and usual course of business of the Company, the Disposal does not constitute a notifiable transaction pursuant to Rule 14.04(1)(g) of the Listing Rules and is therefore exempt from the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, in order to keep the stakeholders (including the Shareholders) and potential investors of the Company informed of the latest development of the Group, the Company wishes to make this announcement in relation to the Disposal on a voluntary basis.

As Completion is subject to the terms and conditions under the Offer to Purchase, the Disposal may or may not proceed. Shareholders and potential investors of the Company 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:

“Board”	the board of Directors
“CAD”	Canadian dollars, the lawful currency of Canada
“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)
“Competition Act”	the Competition Act, R.S.C. 1985, c. C 34, as amended, supplemented or otherwise modified from time to time
“Competition Act Approval”	the approval in relation to the Disposal under the Competition Act
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Offer to Purchase
“Completion Date”	the date of Completion, being 15 March 2022 (Vancouver time) or such other time or date as may be agreed upon in writing by the Vendor and the Purchaser
“Consideration”	CAD215,000,000, being the aggregate consideration, exclusive of GST, payable by the Purchaser for the purchase of all of the Vendor’s right, title and interest in all buildings, structures and improvements on the Properties on an “as is” basis

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of all of the Vendor’s right, title and interest in all buildings, structures and improvements on the Properties on an “as is” basis by the Vendor to the Purchaser pursuant to the terms and conditions of the Offer to Purchase
“Group”	the Company and its subsidiaries
“GST”	goods and services tax in Canada
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Loan Facilities”	the loan facilities in the principal amount of CAD85,000,000 in aggregate granted by the lending banks to the Vendor, where the Properties are security to such facilities
“Offer to Purchase”	the offer to purchase dated 24 January 2022 (Vancouver time) entered into between the Vendor and the Purchaser in relation to the Disposal
“Properties”	the properties located at 4500–4554 Dawson Street, 2223–2375 Alpha Avenue and 2350–2430 Willingdon Avenue, Burnaby, British Columbia, Canada, details of which are set out in the paragraph headed “Nature of the transaction and assets to be disposed of” of this announcement
“Purchaser”	Anthem Properties Group Ltd., a company incorporated in British Columbia, Canada
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Vendor” Brentwood-Willingdon Projects Ltd., a company incorporated in British Columbia, Canada and an indirect wholly-owned subsidiary of the Company

“%” per cent.

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

Hong Kong, 26 January 2022

As at the date of this announcement, the executive Directors are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Ma Jun, Mr. Chen Zhi Bin and Mr. Chan Ka Yeung Jacky; the non-executive Director is Mr. Zhang Jun; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor.