

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)

DISCLOSEABLE TRANSACTION

**DISPOSALS OF 60% EQUITY INTEREST IN
ZHUHAI AOYUAN HUAFU PROPERTY COMPANY LIMITED***

THE DISPOSAL AGREEMENTS

The Board wishes to announce that on 6 January 2023 (after trading hours), the Group as vendor entered into the following Disposal Agreements in relation to the Disposals respectively with the Purchaser:

- (i) the 55% Disposal Agreement, pursuant to which Aoyuan Commercial (an indirect wholly-owned subsidiary of the Company) as vendor has agreed to sell, and the Purchaser has agreed to purchase, 55% equity interest in the Target Company at the consideration of RMB535,723,600 (equivalent to approximately HK\$621,439,000) in cash; and
- (ii) the 5% Disposal Agreement, pursuant to which Aoyuan City Renewal (an indirect non-wholly-owned subsidiary of the Company) as vendor has agreed to sell, and the Purchaser has agreed to purchase, 5% equity interest in the Target Company at the consideration of RMB48,702,100 (equivalent to approximately HK\$56,494,000) in cash.

The total consideration for the Disposals is RMB584,425,700 (equivalent to approximately HK\$677,933,000). Completion of the Disposals has taken place on 6 January 2023. Since then, the Target Company has ceased to be a subsidiary of the Company and therefore the results of the Target Company will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposals, on an aggregate basis, is more than 5% but less than 25%, the Disposals constitute discloseable transactions of the Company under the Listing Rules and is therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 6 January 2023 (after trading hours), the Group as vendor entered into the following Disposal Agreements in relation to the Disposals respectively with the Purchaser:

- (i) the 55% Disposal Agreement, pursuant to which Aoyuan Commercial (an indirect wholly-owned subsidiary of the Company) as vendor has agreed to sell, and the Purchaser has agreed to purchase, 55% equity interest in the Target Company at the consideration of RMB535,723,600 (equivalent to approximately HK\$621,439,000) in cash; and
- (ii) the 5% Disposal Agreement, pursuant to which Aoyuan City Renewal (an indirect non-wholly-owned subsidiary of the Company) as vendor has agreed to sell, and the Purchaser has agreed to purchase, 5% equity interest in the Target Company at the consideration of RMB48,702,100 (equivalent to approximately HK\$56,494,000) in cash.

The total consideration for the Disposals is RMB584,425,700 (equivalent to approximately HK\$677,933,000).

THE 55% DISPOSAL AGREEMENT

Summarised below are the principal terms of the 55% Disposal Agreement:

Date : 6 January 2023

Parties : (i) Vendor: Aoyuan Commercial, an indirect wholly-owned subsidiary of the Company; and
(ii) Purchaser: Shandong Yiyang Health Group Real Estate (Group) Co., Ltd.* (山東頤養健康集團置業(集團)有限公司)

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of : 55% equity interest in the Target Company

Consideration : RMB535,723,600 (equivalent to approximately HK\$621,439,000) in cash

Payment terms : The consideration shall be paid on the date of completion in full.

THE 5% DISPOSAL AGREEMENT

Summarised below are the principal terms of the 5% Disposal Agreement:

Date : 6 January 2023

Parties : (i) Vendor: Aoyuan City Renewal, an indirect non-wholly-owned subsidiary of the Company; and

(ii) Purchaser: Shandong Yiyang Health Group Real Estate (Group) Co., Ltd.* (山東頤養健康集團置業(集團)有限公司)

Assets to be disposed of : 5% equity interest in the Target Company

Consideration : RMB48,702,100 (equivalent to approximately HK\$56,494,000) in cash

Payment terms : The consideration shall be paid on the date of completion in full.

Basis of determining the consideration

The total consideration for the Disposals is RMB584,425,700 (equivalent to approximately HK\$677,933,000). The total consideration was arrived at after arm's length negotiation between the Group and the Purchaser and on normal commercial terms after taking into account the valuation of 60% equity interest in the Target Company of approximately RMB584,425,740 conducted by an independent professional valuer.

COMPLETION

Completion of the Disposals has taken place on 6 January 2023 and immediately upon which, the Company retained the control of 40% equity interest in the Target Company. Since then, Target Company has ceased to be a subsidiary of the Company and therefore the results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability, with registered capital of RMB100,000,000. Prior to the Disposals, the Target Company was owned as to 55% by Aoyuan Commercial, 25% by Aoyuan City Renewal and 20% by Zhuhai Gang Sheng Technology Limited* (珠海港盛科技有限公司), an indirect non-wholly-owned subsidiary of the Company. The Company was entitled to control 100% equity interest in the Target Company.

The Target Company is principally engaged in the urban redevelopment project in Cuiwei Village, Qianshan Jiedao, Xiangzhou District, Zhuhai, the PRC (珠海市香洲區前山街道翠微舊村改造項目) (the “**Project**”). The Project involves 14 parcels of lands located in Xiangzhou District, Zhuhai (珠海市香洲區), with total plot area of approximately 344,000 sq. m., plot ratio-based floor area of approximately 1,285,000 sq. m. and saleable area of approximately 647,000 sq. m., primarily for residential, commercial and retail development as well as for cultural heritage preservation. The project lands owned by the Target Company are currently under construction for apartments and high-rise residential properties, in which a portion of the residential units have been granted with commodity property pre-sale permits and sold in the market.

The table below sets out the unaudited financial information of the Target Company for the two financial years ended 31 December 2022:

	For the financial year ended 31 December 2022 (unaudited) (approximately) RMB	For the financial year ended 31 December 2021 (unaudited) (approximately) RMB
Turnover	33,670	22,852
Net profits/(losses) before taxation	(230,300,982)	(25,931,018)
Net profits/(losses) after taxation	(230,300,982)	(25,931,018)

The unaudited net asset value of the Target Company as at 31 December 2022 is approximately RMB1,494,430,700.

As the 2021 annual results of the Company have not yet been published as at the date of this announcement, the above unaudited financial information of the Target Company for the year ended 31 December 2021 does not represent the financial information or financial position of the Target Company to be included in the consolidated financial statements of the Group which are subject to final audit and will be published as and when appropriate. The above unaudited financial information of the Target Company for the year ended 31 December 2022 is also subject to final audit.

INFORMATION ON THE VENDORS AND THE GROUP

Aoyuan Commercial is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

Aoyuan City Renewal is a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company. It is principally engaged in property development in the PRC.

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

INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the PRC which is a state-owned enterprise controlled by Shandong Provincial State-Owned Assets Supervision and Administration Commission. Based on the information provided by the Purchaser, the Purchaser is principally engaged in (i) general items such as investment activities with self-owned fund, nursing services by institutions (excluding medical services), elderly care services and healthcare services (non-medical); and (ii) licensed items such as medical services, various engineering construction activities, accommodation services, catering services and real estate development and operation.

FINANCIAL EFFECT OF THE DISPOSALS AND PROPOSED USE OF PROCEEDS

The net proceeds from the Disposals (after deducting costs and expenses in connection with the Disposals) is approximately RMB584,167,100 (the “**Net Proceeds**”). The Group is expected to recognise an estimated loss of approximately RMB312,491,300 from the Disposals, representing the difference between the Net Proceeds and 60% of the unaudited net asset value of the Target Company as at 31 December 2022, which is subject to audit. Shareholders and potential investors should note that the above figures are for illustrative purpose only. The Group intends to use the Net Proceeds for (i) repayment of certain project loans in relation to the Project; and (ii) continuous investment in the Project.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group has been affected by the negative real estate market in the PRC, the relevant national macro-control policies and the difficulty in accessing typical financing channels since 2021. Consequently, the Group is currently in need of additional capital to meet its financial obligations and cope with its liquidity issue. In order to create liquidity for the Group and accelerate the development and transfer of its existing projects, the Company has been actively exploring potential purchasers or business partners for its assets in the PRC and overseas, on terms which are in the best interests of the Company and its stakeholders taken as a whole. The Disposals are part of the above plan of the Company. The Company expects to revitalise its high-quality assets, improve its financial condition and strengthen market confidence, by integrating the resources of both state-owned enterprise and private enterprise in the Disposals.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposals, on an aggregate basis, is more than 5% but less than 25%, the Disposals constitute discloseable transactions of the Company under the Listing Rules and are therefore subject to notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

REASONS FOR THE DELAY TO PUBLISH ANNOUNCEMENT

Rule 14.34 of the Listing Rules states that a listed issuer must publish an announcement as soon as possible after the terms of a discloseable transaction have been finalised. As the Disposals constitute discloseable transactions of the Company under the Listing Rules, the Company fails to comply with the requirement under Rule 14.34 of the Listing Rules in a timely manner, for the reasons that there was insufficient manpower in the Group, the Purchaser and the government agencies that approved the transactions, as relevant employees and personnel were successively infected and needed time for treatment and recovery in the latest wave of COVID-19 outbreak and the Chinese New Year holiday is earlier than before.

In order to prevent the reoccurrence of similar incidents, the Company has implemented and adopted the following measures:

- (i) The Company will strengthen and improve the internal coordination of manpower and reporting system for notifiable transactions among various departments to ensure due compliance of the Listing Rules. Any transaction not in the ordinary and usual course of business of the Group shall be reported to the compliance team of the Company for review prior to entering into of the relevant agreements, so as to assess the need and timing of making disclosure and ensure compliance with applicable requirements under the Listing Rules.
- (ii) The Company has reminded its responsible staff to strictly observe the disclosure requirements under the Listing Rules in respect of any proposed transaction to avoid delay in making disclosure in the future. The Company will provide further trainings to the responsible staff, senior management and/or Directors on notifiable transactions under the Listing Rules in order to reinforce their understanding and strengthen their knowledge of relevant regulatory requirements.

(iii) The Company will, where appropriate and necessary, seek advice from external legal advisers or other professional advisers as to any action required to be taken in relation to any proposed transactions in the future.

The Directors believe that the implementation of the above remedial measures would effectively prevent the reoccurrence of similar incidents and improve the regulatory compliance of the Company.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 April 2022 and will continue to be suspended until further notice.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“5% Disposal Agreement”	the sale and purchase agreement dated 6 January 2023 entered into between Aoyuan City Renewal and the Purchaser in relation to the disposal of 5% equity interest in the Target Company
“55% Disposal Agreement”	the sale and purchase agreement dated 6 January 2023 entered into between Aoyuan Commercial and the Purchaser in relation to the disposal of 55% equity interest in the Target Company
“Aoyuan City Renewal”	Guangdong Aoyuan City Renewal Group Company Limited* (廣東奧園城市更新集團有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Aoyuan Commercial”	Guangdong Aoyuan Commercial Real Estate Group Limited* (廣東奧園商業地產集團有限公司), formerly known as Guangdong Aoyuan City Commercial Property Development Company Limited* (廣東奧園城市商業地產開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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)

“Director(s)”	the director(s) of the Company
“Disposal Agreements”	collectively, the 5% Disposal Agreement and the 55% Disposal Agreement
“Disposals”	collectively, (i) the disposal of 55% equity interest in the Target Company by Aoyuan Commercial to the Purchaser pursuant to the terms and conditions of the 55% Disposal Agreement and (ii) the disposal of 5% equity interest in the Target Company by Aoyuan City Renewal pursuant to the terms and conditions of the 5% Disposal Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Shandong Yiyang Health Group Real Estate (Group) Co., Ltd. (山東頤養健康集團置業(集團)有限公司), a limited liability company established in the PRC which is a state-owned enterprise controlled by Shandong Provincial State-Owned Assets Supervision and Administration Commission
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company” Zhuhai Aoyuan Huafu Property Company Limited* (珠海奧園華富置業有限公司), a limited liability company established in the PRC

“%” per cent.

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

Hong Kong, 3 February 2023

For the purpose of this announcement, the exchange rate at RMB1.00 = HK\$1.16 has been used, where applicable, for the purpose of illustration only.

** 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 and Mr. Chen Zhi Bin; and the independent non-executive directors of the Company are Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor.