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Jiayuan International Group Limited

佳源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2768)

DISCLOSEABLE TRANSACTION INVESTMENT FRAMEWORK AGREEMENT IN RELATION TO THE POSSIBLE ACQUISITION OF SHENZHEN DINGXI REAL ESTATE DEVELOPMENT CO., LTD.*

THE INVESTMENT FRAMEWORK AGREEMENT

The Board is pleased to announce that on 18 November 2016 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Investment Framework Agreement with the Vendors, the Guarantors and the Target Company, which set out the principal terms in respect of the sale and purchase of the Equity Interest for an estimated consideration of approximately RMB693,400,000 (equivalent to approximately HK\$780,900,000), subject to adjustment by reference to the final saleable GFA of the Target Project and the costs and expenses incidental to the acquisition of the land use right of the Target Land by the Target Company.

The Investment Framework Agreement only contains the principal terms of the Possible Acquisition, the parties to the Investment Framework Agreement will, subject to satisfactory completion of a preliminary due diligence investigation, enter into the Formal Agreement with detailed terms and conditions in respect of the Possible Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Possible Acquisition contemplated under the Investment Framework Agreement exceed 5% but less than 25%, the Possible Acquisition contemplated under the Investment Framework Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

In the event that the consideration ratio calculated by reference to the final consideration for the Possible Acquisition payable to the Vendors by the Purchaser exceeds 25%, and thus, the Possible Acquisition contemplated under the Investment Framework Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, the Company will comply with the shareholders' approval requirement and a circular will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. Mingyuan Investment currently holds more than 50% in nominal value of the shares of the Company giving the right to attend and vote at a general meeting of the Company. The Company will obtain from Mingyuan Investment, and Mingyuan Investment has agreed to give, a written shareholders' approval in relation to the Possible Acquisition contemplated under the Investment Framework Agreement, and accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting is required to be held to consider the Possible Acquisition contemplated under the Investment Framework Agreement in the event that the Possible Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules.

The Board wishes to emphasize that the Investment Framework Agreement may be terminated and no Formal Agreement may be entered into in respect of the Possible Acquisition in the event that the preliminary due diligence investigation conducted by the Group is not satisfactory. Accordingly, the transaction contemplated under the Investment Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Board is pleased to announce that on 18 November 2016 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Investment Framework Agreement with the Vendors, the Guarantors and the Target Company, which set out the principal terms in respect of the sale and purchase of the Equity Interest for an estimated consideration of approximately RMB693,400,000 (equivalent to approximately HK\$780,900,000), subject to adjustment by reference to the final saleable GFA of the Target Project and the costs and expenses incidental to the acquisition of the land use right of the Target Land by the Target Company.

THE INVESTMENT FRAMEWORK AGREEMENT

Date

18 November 2016

Parties

- (i) Jiayuan (Shenzhen) Investment Consultancy Co., Ltd.*, an indirect wholly-owned subsidiary of the Company, being the Purchaser
- (ii) Mr. Lin Juncheng, being one of the Vendors and one of the Guarantors

- (iii) Mr. Zhong Shaowei, being one of the Vendors and one of the Guarantors
- (iv) the Target Company
- (v) Chunjiang Lushan Hotel, being one of the Guarantors

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Mr. Lin Juncheng, Mr. Zhong Shaowei, the Target Company and Chunjiang Lushan Hotel (and its ultimate beneficial owner(s)) is a third party independent of the Company and its connected persons.

Subject matter

The Target Company is currently owned as to 40% and 60% by Mr. Lin Juncheng and Mr. Zhong Shaowei, respectively. Upon completion of the Possible Acquisition, the Target Company will be accounted for as a wholly-owned subsidiary of the Company.

The Target Company is in the course of applying for the land use right of the Target Land under an urban renewal scheme by way of resettlement of the occupiers/owners thereon. Chunjiang Lushan Hotel is a company majority-owned and controlled by Mr. Lin Juncheng.

Due Diligence Investigation and Deposit

The Purchaser shall complete a preliminary due diligence investigation on the Target Company, the Target Land and the Target Project during a period of 10 days from the date of execution of the Investment Framework Agreement.

If the Purchaser is not satisfied with the results of the preliminary due diligence investigation, it has the right to unilaterally terminate the Investment Framework Agreement by a written notice to the other parties thereto.

Upon satisfactory completion of the preliminary due diligence investigation, (i) the parties will enter into the Formal Agreement with detailed terms and conditions in respect of the Possible Acquisition; and (ii) the Purchaser shall deposit a sum in the amount of RMB100,000,000 (equivalent to approximately HK\$112,600,000) (the “**Deposit**”) into an escrow account within 10 Business Days from the date of execution of the Formal Agreement.

In the event that the parties fail to enter into the Formal Agreement within 5 Business Days from the date of circulation of the draft Formal Agreement and such failure is not due to the Purchaser’s fault, the Vendors, the Target Company and the Guarantors shall pay a compensation in the amount of RMB10,000,000 (equivalent to approximately HK\$11,300,000) to the Purchaser.

Undertakings of the Vendors

The Vendors undertake that:

- (i) within 2 months from the date of payment of the Deposit, the governmental approval in respect of the urban renewal scheme and specialised planning notification (城市更新單元規劃及專項規劃公示) of the Target Land and the Target Project (the “**Urban Renewal Approval**”) will be obtained with the following minimum specifications (the “**Minimum Specifications**”) (which shall be finally determined in the Urban Renewal Approval):
 - (a) site area of the Target Land : 4,940 square metres
 - (b) site area for construction : approximately 4,900 square metres
 - (c) plot ratio : 9.3
 - (d) total GFA : 45,500 square metres
 - (e) additional GFA : 7,350 square metres
- (ii) within 2 months from the date of payment of the Deposit, all demolition works on the Target Land and the resettlement of the occupiers/owners thereon by way of compensation will be completed; and
- (iii) within 60 days after obtaining the Urban Renewal Approval, the Vendors will procure the Target Company to obtain the status as the implementing entity of the urban renewal scheme of the Target Land (the “**Implementing Entity Confirmation**”).

In the event that the Vendors fail to, or fail to procure the Target Company to, obtain the Urban Renewal Approval within 2 months from the date of payment of the Deposit, the Vendors shall pay an interest of 30% per annum to the Purchaser on the Deposit from the date of payment of the Deposit to the date of issue of the Urban Renewal Approval (which shall in any event be issued within 3 months from the date of payment of the Deposit).

In the event that the Vendors fail to, or fail to procure the Target Company to:

- (a) obtain the Urban Renewal Approval within 3 months from the date of payment of the Deposit;
- (b) obtain the Urban Renewal Approval with the Minimum Specifications;
- (c) satisfy the Vendors’ undertaking (ii) above in accordance with the stipulated timeframe;
- (d) satisfy the Vendors’ undertaking (iii) above in accordance with the stipulated timeframe;
or
- (e) complete the Possible Acquisition due to a material breach of the terms of the Formal Agreement by any of the Vendors,

the Purchaser shall have the right to terminate the Formal Agreement, and the Vendors shall (i) repay and refund, and procure the Target Company to repay and refund, all payments made by the Purchaser in respect of the Possible Acquisition and an interest of 30% per annum accrued thereon from the date of payment until the date of refund; (ii) compensate the Purchaser for any direct or indirect loss arising from the failure of the Possible Acquisition; and (iii) unconditionally transfer all pledged Equity Interest to the Purchaser.

Consideration

Under the Investment Framework Agreement, the consideration for the Possible Acquisition payable to the Vendors by the Purchaser will be calculated by reference to the agreed land price and the saleable GFA of the Target Project minus the costs and expenses incidental to the acquisition of the land use right of the Target Land by the Target Company.

Saleable GFA and land price per square meter

The Purchaser estimated that (i) on the basis of, among other factors, the site area and plot ratio, the saleable GFA to be approved by the relevant governmental authorities will be approximately 32,900 square meters, the agreed land price of which is RMB31,000 (equivalent to approximately HK\$34,900) per square meter; and (ii) the additional saleable GFA to be granted by the relevant governmental authorities will be approximately 7,350 square meters, the agreed land price of which is RMB10,000 (equivalent to approximately HK\$11,300) per square meter.

Accordingly, the total saleable GFA of the Target Project is estimated to be 40,250 square meters with an estimated total land price of approximately RMB1,093,400,000 (equivalent to approximately HK\$1,231,400,000). The total saleable GFA of the Target Project shall be finally determined under the Urban Renewal Approval.

Costs and expenses incidental to the acquisition of the land use right of the Target Land

The Purchaser estimated that the costs and expenses incidental to the acquisition of the land use right of the Target Land by the Target Company will be approximately RMB400,000,000 (equivalent to approximately HK\$450,500,000), which shall include (but not limited to) (i) all debts and liabilities incurred by the Target Company (including existing bank borrowings and shareholders' loans); (ii) the paid-up registered capital of the Target Company; (iii) the costs and expenses in connection with the Implementing Entity Confirmation; (iv) the costs and expenses in connection with the resettlement of the occupiers/owners on the Target Land; and (v) the land premium payable to the land bureau by the Target Company.

Consideration payable to the Vendors

On the above premises, the consideration for the Possible Acquisition payable to the Vendors by the Purchaser is estimated to be approximately RMB693,400,000 (equivalent to approximately HK\$780,900,000).

Determination Basis

The consideration for the Possible Acquisition was determined after arm's length negotiations between the parties to the Investment Framework Agreement with reference to the prevailing market price of comparable properties, the saleable GFA of the Target Project, the estimated investment costs of the Target Project and the property market dynamics in Shenzhen.

Source of Fund

The consideration will be funded by the internal resources of the Group and bank financing.

Payment Schedule

The consideration shall be settled by the Purchaser in accordance with the following schedule:

- (i) the Deposit held in the escrow account shall be transferred to bank account(s) designated by the Vendors within 10 Business Days after completion of the 1st Tranche Transfer and the transitional arrangements in respect of the appointment of directors and senior management of the Target Company contemplated under the Investment Framework Agreement having taken place;
- (ii) an amount equal to 20% of the consideration shall be paid to the Vendors within 10 Business Days after completion of the 2nd Tranche Transfer;
- (iii) an amount equal to 30% of the consideration shall be paid to the Vendors within 10 Business Days after completion of the 3rd Tranche Transfer;
- (iv) an amount equal to 30% of the consideration shall be paid to the Vendors within 10 Business Days after the Target Company having obtained the land use right certificate of the Target Land; and
- (v) the remaining balance of the consideration shall be paid to the Vendors within 10 Business Days after completion and acceptance of construction works of the Target Project and completion of the resettlement of the occupiers/owners on the Target Land.

Transfer of the Equity Interest

The transfer of the Equity Interest will take place in the following three tranches:

- (i) within 10 Business Days from the date of payment of the Deposit, the Vendors shall (a) transfer 20% Equity Interest to the Purchaser and pledge the remaining 80% Equity Interest in favour of the Purchaser; and (b) complete the registration of the above transfer and pledge of the Equity Interest with the relevant government authority (the “**1st Tranche Transfer**”);

- (ii) within 10 Business Days after the Target Company having obtained both the Urban Renewal Approval and the approval from Shenzhen Town Planning, Architecture, Environmental and Art Committee, the Vendors shall (a) transfer 40% Equity Interest to the Purchaser and pledge the remaining 40% Equity Interest in favour of the Purchaser; and (b) complete the registration of the above transfer and pledge of the Equity Interest with the relevant government authority (the “**2nd Tranche Transfer**”); and
- (iii) within 10 Business Days after the Target Company having obtained the Implementing Entity Confirmation, the Vendors shall (a) transfer the remaining 40% Equity Interest to the Purchaser; and (b) complete the registration of the above transfer of the Equity Interest with the relevant government authority (the “**3rd Tranche Transfer**”).

Guarantees

Each of the Vendors and Chunjiang Lushan Hotel has irrevocably provided a joint and several unlimited guarantee in favour of the Purchaser in respect of the due and punctual performance of the obligations of the Vendors and the Target Company under the Investment Framework Agreement and the Formal Agreement.

Exclusivity

For a period commencing from the date of execution of the Investment Framework Agreement and ending on 60 Business Days thereafter or ending the date of execution of the Formal Agreement (whichever is earlier), the Target Company, the Vendors and the Guarantors shall not enter into or be involved in any discussion, negotiation or agreement with any other third parties in relation to the Possible Acquisition, the Target Company, the Target Land and/or the Target Project.

GENERAL INFORMATION OF THE PARTIES TO AND SUBJECT MATTER OF THE TRANSACTION

The Group

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in Jiangsu Province, the PRC. The principal activities of the Group include (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) the leasing of commercial properties owned or developed by the Group.

The Purchaser

The Purchaser is an indirect wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability on 1 September 2016. It is principally engaged in investment holding and consultancy service.

The Vendors and the Guarantors

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Mr. Lin Juncheng, Mr. Zhong Shaowei, the Target Company and Chunjiang Lushan Hotel (and its ultimate beneficial owner(s)) is a third party independent of the Company and its connected persons.

The Target Company is currently owned as to 40% and 60% by Mr. Lin Juncheng and Mr. Zhong Shaowei, respectively.

Chunjiang Lushan Hotel is a company established under the laws of the PRC with limited liability. It is principally engaged in hotel management and operation. It is a company majority-owned and controlled by Mr. Lin Juncheng.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability on 30 November 2012. It is principally engaged in property development.

As at the date of this announcement, the registered capital of the Target Company in the amount of RMB100,000,000 (equivalent to approximately HK\$112,600,000), of which RMB50,000,000 (equivalent to approximately HK\$56,300,000) was paid up. The equity interest was held as to 40% and 60% by Mr. Lin Juncheng and Mr. Zhong Shaowei, respectively.

The following table sets out the financial information of the Target Company as extracted from its unaudited financial statements for the two years ended 31 December 2014 and 2015, respectively.

	Year ended 31 December	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	669,000	448,000
Net loss after taxation and extraordinary items	669,000	448,000

As at 31 December 2014 and 2015, the unaudited net asset value of the Target Company was approximately RMB48,000,000 and RMB47,500,000, respectively.

The Target Land and The Target Project

The Target Land (Lot No: H111-0014) is a parcel of land of an aggregate site area of approximately 4,940 square meters located at the intersection of Chunfeng Road and Jiangbei Road, Luohu District, Shenzhen, Guangdong Province of the PRC. The Target Land is planned for residential and commercial development (the “**Target Project**”).

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Group is mainly engaged in the investment, development and management of residential and commercial projects.

The Group is of the view that the Target Land, being situated at a prime location in Luohu, Shenzhen, enjoys supreme geographical advantage with its close proximity to metro stations and land ports and its location in a well-established neighborhood with banks, hospital and schools. It has vast potential for the development of residential and commercial properties. The Group believes that the Possible Acquisition represents an excellent investment opportunity for the Group to establish its presence in the Shenzhen property market, expand the Group's land bank and is in line with the Group's strategy and commercial criteria for land development.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Framework Agreement (i) have been negotiated on an arm's length basis; and (ii) are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Possible Acquisition contemplated under the Investment Framework Agreement exceed 5% but less than 25%, the Possible Acquisition contemplated under the Investment Framework Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

In the event that the consideration ratio calculated by reference to the final consideration for the Possible Acquisition payable to the Vendors by the Purchaser exceeds 25%, and thus, the Possible Acquisition contemplated under the Investment Framework Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, the Company will comply with the shareholders' approval requirement and a circular will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. Mingyuan Investment currently holds more than 50% in nominal value of the shares of the Company giving the right to attend and vote at a general meeting of the Company. The Company will obtain from Mingyuan Investment, and Mingyuan Investment has agreed to give, a written shareholders' approval in relation to the Possible Acquisition contemplated under the Investment Framework Agreement, and accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting is required to be held to consider the Possible Acquisition contemplated under the Investment Framework Agreement in the event that the Possible Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no other transaction entered into between any members of the Group and the Vendors nor the Guarantors (and their ultimate beneficial owner(s), if any) within a 12-month period prior to the date of this announcement or otherwise related, which would be, together with the Possible Acquisition, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Listing Rules.

The Board wishes to emphasise that the Investment Framework Agreement may be terminated and no Formal Agreement may be entered into in respect of the Possible Acquisition in the event that the preliminary due diligence investigation conducted by the Group is not satisfactory. Accordingly, the transaction contemplated under the Investment Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“1st Tranche Transfer”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Transfer of the Equity Interest”
“2nd Tranche Transfer”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Transfer of the Equity Interest”
“3rd Tranche Transfer”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Transfer of the Equity Interest”
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday and a public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
“Chunjiang Lushan Hotel”	深圳市春江廬山大酒店有限公司 (Shenzhen Chunjiang Lushan Hotel Co., Ltd.*), a company established under the laws of the PRC with limited liability
“Company”	Jiayuan International Group Limited (佳源國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Stock Exchange (Stock Code: 2768)
“connected persons”	has the meaning ascribed thereto under the Listing Rules

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, being Mr. Shum Tin Ching and Mingyuan Investment
“Deposit”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Due Diligence Investigation and Deposit”
“Directors”	the directors of the Company
“Equity Interest”	the entire equity interest in the Target Company
“Formal Agreement”	a formal sale and purchase agreement to be entered into among the parties to the Investment Framework Agreement in relation to the Possible Acquisition
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guarantors”	the Vendors and Chunjiang Lushan Hotel
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementing Entity Confirmation”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Undertakings of the Vendors”
“Investment Framework Agreement”	a legally binding investment framework agreement dated 18 November 2016 and entered into among the Purchaser, the Vendors, the Guarantors and the Target Company in relation to the Possible Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mingyuan Investment”	Mingyuan Group Investment Limited (明源集團投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability on 4 May 2015, which was wholly owned by Mr. Shum Tin Ching, being one of the Controlling Shareholders

“Minimum Specifications”	has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Undertakings of the Vendors”
“Possible Acquisition”	the possible acquisition of the Equity Interest by the Purchaser from the Vendors pursuant to the Investment Framework Agreement
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“Purchaser”	佳源(深圳)投資諮詢有限公司 (Jiayuan (Shenzhen) Investment Consultancy Co., Ltd.*), a company established under the laws of PRC with limited liability on 1 September 2016 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	深圳市鼎曦房地產開發有限公司 (Shenzhen Dingxi Real Estate Development Co., Ltd.*), a company established under the laws of the PRC with limited liability on 30 November 2012
“Target Land”	a parcel of land located at Luohu District, Shenzhen, Guangdong Province of the PRC, as further described in the section headed “General Information of the Parties to and Subject Matter of the Transaction — The Target Land and the Target Project”
“Target Project”	has the meaning ascribed thereto under the section headed “General Information of the Parties to and Subject Matter of the Transaction — The Target Land and the Target Project”

“Urban Renewal Approval” has the meaning ascribed thereto under the section headed “The Investment Framework Agreement — Undertakings of the Vendors”

“Vendors” Mr. Lin Juncheng and Mr. Zhong Shaowei

“%” per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.1262. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

By Order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 18 November 2016

As at the date of this announcement, the non-executive Director is Mr. Shum Tin Ching; the executive Directors are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP, and Mr. Gu Yunchang.

* *For identification purposes only*