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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

**EQUITY TRANSFER AGREEMENT
IN RELATION TO
FURTHER ACQUISITION OF 51% EQUITY INTEREST
IN SHENZHEN SONGLING INDUSTRIAL CO., LTD.***

THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2016 in relation to (a) the possible acquisition of 49% equity interest in the Target Company (i.e. the First Acquisition) by Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company; and (b) the possible further acquisition of the remaining 51% equity interest in the Target Company (i.e. the Further Acquisition) contemplated under the Framework Agreement. The First Acquisition was completed in August 2017 and 49% equity interest in the Target Company was acquired by and transferred to Jiayuan (Shenzhen).

The Board is pleased to announce that on 29 December 2017 (after trading hours), Jiayuan (Shenzhen) entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which, Jiayuan (Shenzhen) agreed to acquire the remaining 51% equity interest in the Target Company (i.e. the Sale Interest) at the consideration of RMB320,000,000 (equivalent to approximately HK\$382,880,000) subject to the terms and conditions of the Equity Transfer Agreement.

As at the date of this announcement, Jiayuan (Shenzhen) holds 49% equity interest in the Target Company. Upon completion of the Further Acquisition, the Company will hold the entire equity interest in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the First Acquisition and the Further Acquisition (i.e. the Acquisitions) on an aggregated basis exceed 5% but are less than 25%, the Acquisitions constitute 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 December 2016 in relation to (a) the possible acquisition of 49% equity interest in the Target Company (i.e. the First Acquisition) by Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company; and (b) the possible further acquisition of the remaining 51% equity interest in the Target Company (i.e. the Further Acquisition) contemplated under the Framework Agreement. The First Acquisition was completed in August 2017 and 49% equity interest in the Target Company was acquired by and transferred to Jiayuan (Shenzhen).

The Board is pleased to announce that on 29 December 2017 (after trading hours), Jiayuan (Shenzhen) entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which, Jiayuan (Shenzhen) agreed to acquire the remaining 51% equity interest in the Target Company (i.e. the Sale Interest) at the consideration of RMB320,000,000 (equivalent to approximately HK\$382,880,000) subject to the terms and conditions of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

Date

29 December 2017

Parties

- (a) Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company, being the purchaser
- (b) Ms. Yuan Aiqing, being one of the Vendors
- (c) Mr. Xu Yanfeng, being one of the Vendors
- (d) the Target Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Ms. Yuan Aiqing and Mr. Xu Yanfeng is a third party independent of the Company and its connected persons.

Subject matter

The Sale Interest represents 51% equity interest in the Target Company, of which 20.4% is owned by Ms. Yuan Aiqing and 30.6% is owned by Mr. Xu Yanfeng. Upon completion of the Further Acquisition, the Company will hold the entire equity interest in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company.

The Target Company holds the Bao'an Land and the Bao'an Project. Details of the Bao'an Land and the Bao'an Project are set out in the paragraph headed "General Information of the Parties to and Subject Matter of the Transaction — The Bao'an Land and the Bao'an Project" below.

Undertakings of the Vendors

The Vendors undertake that they shall:

- (a) obtain the government planning approval on the existing plot ratio of 7.7 in respect of the Bao'an Land (the "**Plot Ratio Approval**") within one month from the date of the Equity Transfer Agreement; and
- (b) pay the Target Company all land premium and related taxes and obtain the land use rights certificate in respect of the Bao'an Land (the "**Land Use Rights Approval**") within two months from the date of the Equity Transfer Agreement.

If the Vendors fail to obtain the Plot Ratio Approval within the stipulated timeframe or the final approved plot ratio is lower than 7.7, Jiayuan (Shenzhen) shall have the right to either (i) downward adjust the Total Consideration (as defined below) for the Acquisitions in the manner set out in the paragraph headed "The Equity Transfer Agreement — Downward Adjustment to the Consideration" below; or (ii) seek compensation from the Vendors in respect of the breach of undertaking.

If the Vendors fail to obtain the Land Use Rights Approval within the stipulated timeframe, Jiayuan (Shenzhen) shall have the right to request the Vendors to buy back the entire equity interest in the Target Company for an amount equivalent to the total transaction costs paid by Jiayuan (Shenzhen) in connection with the Acquisitions, including but not limited to the Total Consideration, plus interests accrued thereon.

If the Vendors fail to pay the Target Company all land premium and related taxes in respect of the Bao'an Land, Jiayuan (Shenzhen) shall have the right to deduct such amount from the consideration payable to the Vendors in respect of the Further Acquisition.

Consideration

Update on the estimated value of the Bao'an Land

The initial consideration for the Acquisitions contemplated under the Framework Agreement was determined by reference to the estimated maximum value of the Bao'an Land, on the basis of (a) an unit land price of RMB32,674 per square meter; and (b) the maximum GFA to be approved by the relevant government authorities (i.e. up to a maximum of 38,100 square meters if the Vendors can successfully obtain the government approval for an increase of plot ratio to 8.9 in respect of the Bao'an Land), subject to proportionate downward adjustment by reference to the final approved GFA.

Subsequent to the due diligence investigation in respect of the Target Company, Jiayuan (Shenzhen) and the Vendors agreed to adjust the target plot ratio to 7.7 and lower the unit land price. As a result, the estimated maximum value of the Bao'an Land is reduced to approximately RMB930,000,000 (equivalent to approximately HK\$1,112,745,000), on the basis of a GFA of 32,966 square meters (as derived from the plot ratio of 7.7) at a reduced unit land price of RMB28,000 per square meter.

Consideration for the Sale Interest

The initial consideration for the Sale Interest is RMB320,000,000 (equivalent to approximately HK\$382,880,000) subject to downward adjustment as set out in the paragraph headed "The Equity Transfer Agreement — Downward Adjustment to the Consideration" below, which shall be settled by Jiayuan (Shenzhen) after the Vendors having obtained the Plot Ratio Approval and the Land Use Rights Approvals.

The consideration for the Sale Interest has been arrived at after arm's length negotiations between the parties with reference to (a) the new estimated maximum value of the Bao'an Land in the amount of approximately RMB930,000,000 (equivalent to approximately HK\$1,112,745,000), on the basis of a GFA of 32,966 square meters (as derived from the plot ratio of 7.7) at a reduced unit land price of RMB28,000 per square meter; and (b) a consideration of RMB610,000,000 paid to the Vendors for the First Acquisition. In assessing and adjusting the estimated value of the Bao'an Land, the Group has taken into account of (i) the limited land supply in Bao'an, Shenzhen; (ii) the central location of the Bao'an Land and potential value for development; (iii) the prevailing market value of completed properties in nearby locations; and (iv) the final approved GFA.

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

Downward Adjustment to the Consideration

The total consideration for the Acquisitions (i.e. RMB930,000,000 in total) (the "**Total Consideration**") is subject to downward adjustment if the final plot ratio approved by the relevant government authorities is lower than 7.7.

In such event, the Total Consideration shall be reduced to an amount equivalent to the multiple of the final approved GFA (as derived from the final approved plot ratio) and the unit land price of RMB28,000 per square meter.

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.

Jiayuan (Shenzhen)

Jiayuan (Shenzhen) is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property development.

The Target Company

The Target Company is a company established under the laws of the PRC with limited liability. 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\$119,650,000) was fully paid up. The principal assets of the Target Company are the Bao'an Land and the Bao'an Project.

The following table sets out the financial information of the Target Company as extracted from its unaudited financial statements for the years ended 31 December 2015 and 31 December 2016, respectively:

	Year ended 31 December	
	2015	2016
	<i>RMB</i>	<i>RMB</i>
Net (loss)/profit before taxation and extraordinary items	(39,000)	663,808
Net (loss)/profit after taxation and extraordinary items	(39,000)	643,901

As at 31 December 2016, the unaudited net liability value of the Target Company was approximately RMB890,641 (equivalent to approximately HK\$1,065,652).

The Bao'an Land and the Bao'an Project

The Bao'an Land (Lot No: A006-0201) is a parcel of land of an aggregate site area of approximately 4,281.3 square meters located at the intersection of Bao'an Fanshen Avenue and Jia'an Road, Bao'an District, Shenzhen, Guangdong Province of the PRC. The Bao'an Land is planned for residential and commercial use with a plot ratio of 7.7 (the "**Bao'an Project**").

The Bao'an Land is situated at a central location with Longgang District to the east, Nanshan District and Futian District to the south, Ling Ding Yang to the west and Dongguan City to the north. The Bao'an Land enjoys convenient transportation and is well connected to an established transportation network. It is adjacent to three main Shenzhen Metro Lines, namely Lines No. 1, No. 5 and No. 11 and of close proximity to the local airport with only a 15-minute drive from Shenzhen Bao'an International Airport. The Bao'an Land is adjacent to parks and golf court and has an exquisite environment. There is also well developed and supported neighbourhood and community surrounding the Bao'an Land with readily available infrastructure and facilities. The Group considers the Bao'an Land has vast potential for the development of residential and commercial properties.

REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION

The Board is of the view that the Further Acquisition can consolidate the Group's ownership in the entire Bao'an Land and Bao'an Project, thereby expanding the Group's land bank. The Bao'an Land is in line with the Group's strategy and commercial criteria for developing residential or commercial properties in first-tier cities of China.

The Group believes that the Further Acquisition can effectively expand the Group's development scale in the core region of Pearl River Delta Region and enhance its presence and influence in Guangdong Province and the Pearl River Delta Region. It is conducive for the Company to better build on and utilise its brand advantage in the region and bring synergy to the Group's existing property development projects in the region.

On the basis of the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement (a) have been negotiated on an arm's length basis; and (b) 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 in respect of the First Acquisition and the Further Acquisition (i.e. the Acquisitions) on an aggregated basis exceed 5% but are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the First Acquisition, there is no other transaction entered into between any members of the Group and the Vendors within a 12-month period prior to the date of this announcement or otherwise related, which would be, together with the Acquisitions, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the First Acquisition and Further Acquisition
“Bao’an Land”	a parcel of land located at Bao’an District, Shenzhen, Guangdong Province of the PRC, as further described in the paragraph headed “General Information of the Parties to and Subject Matter of the Transaction — the Bao’an Land and the Bao’an Project” in this announcement
“Bao’an Project”	has the meaning ascribed to it under the paragraph headed “General Information of the Parties to and Subject Matter of the Transaction — The Bao’an Land and the Bao’an Project” in this announcement
“Board”	the board of Directors
“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”	have the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 29 December 2017 and entered into among Jiayuan (Shenzhen), the Vendors and the Target Company in respect of the Further Acquisition
“First Acquisition”	the acquisition of 49% equity interest in the Target Company by Jiayuan (Shenzhen) from the Vendors pursuant to the Framework Agreement

“Framework Agreement”	a legally binding equity transfer framework agreement dated 30 December 2016 and entered into among Jiayuan (Shenzhen), the Vendors and the Target Company in respect of the First Acquisition
“Further Acquisition”	the acquisition of 51% equity interest in the Target Company by Jiayuan (Shenzhen) from the Vendors pursuant to the Equity Transfer Agreement
“GFA”	gross floor area
“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
“Jiayuan (Shenzhen)”	佳源(深圳)投資諮詢有限公司 (Jiayuan (Shenzhen) Investment Consulting Co., Ltd.*), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Land Use Rights Approval”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Undertakings of the Vendors” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed thereto under the Listing Rules
“Plot Ratio Approval”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Undertakings of the Vendors” in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	51% equity interest in the Target Company
“Shareholders”	the holders of the ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	深圳市松齡實業有限公司 (Shenzhen Songling Industrial Co., Ltd.*), a company established under the laws of the PRC with limited liability
“Total Consideration”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Agreement — Downward Adjustment to the Consideration” in this announcement
“Vendors”	Ms. Yuan Aiqing and Mr. Xu Yanfeng
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1:HK\$1.1965. 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, 29 December 2017

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*