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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)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

**ACQUISITION OF THE ENTIRE EQUITY INTEREST
IN
HENGLI PROPERTY NANTONG CO., LIMITED ***

THE ACQUISITION

On 17 October 2016, Nanjing Gangyuan, an indirect wholly-owned subsidiary of the Company, Mr. Chen Jianhua and Zi Dian International entered into the Equity Transfer Agreement, pursuant to which, Mr. Chen Jianhua and Zi Dian International agreed to transfer the Equity Interest to Nanjing Gangyuan for a consideration of RMB416,732,200 (equivalent to approximately HK\$483,409,352).

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 Acquisition contemplated under the Equity Transfer Agreement exceed 5% but less than 25%, the Acquisition contemplated under the Equity Transfer 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.

* For identification purposes only

INTRODUCTION

On 17 October 2016, Nanjing Gangyuan, an indirect wholly-owned subsidiary of the Company, Mr. Chen Jianhua and Zi Dian International entered into the Equity Transfer Agreement, pursuant to which, Mr. Chen Jianhua and Zi Dian International agreed to transfer the Equity Interest to Nanjing Gangyuan.

EQUITY TRANSFER AGREEMENT

Date

17 October 2016

Parties

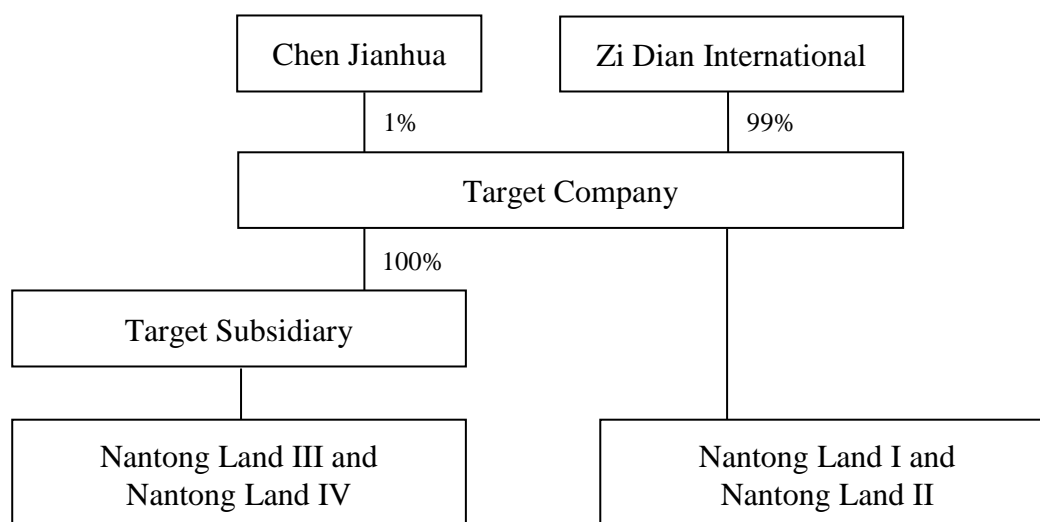
- (i) Nanjing Gangyuan, an indirect wholly-owned subsidiary of the Company, as the purchaser
- (ii) Mr. Chen Jianhua, as one of the vendors
- (iii) Zi Dian International, as one of the vendors

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Chen Jianhua and Zi Dian International (and its ultimate beneficial owner(s)) are third parties independent of the Company and its connected persons.

Subject matter

The Target Company is currently owned as to 1% and 99% by Mr. Chen Jianhua and Zi Dian International, respectively. The Target Company (together with the Target Subsidiary) holds the Nantong Lands. Details of the Nantong Lands are set out in the paragraph headed “General Information of the Parties to and Subject Matter of the Transaction – Nantong Lands” below.

Prior to the Completion, the corporate structure of the Target Group is set out below:



Consideration

The consideration for the Acquisition shall be RMB416,732,200 (equivalent to approximately HK\$483,409,352) (the “**Consideration**”), which shall be settled by Nanjing Gangyuan in cash in the following manner:

- (i) an amount of RMB30,000,000 (equivalent to approximately HK\$34,800,000) shall be paid within 20 days of the date of execution of the Equity Transfer Agreement; and
- (ii) the remaining balance of RMB386,732,200 (equivalent to approximately HK\$448,609,352) shall be paid within 90 days of the date of execution of the Equity Transfer Agreement.

The Consideration has been arrived at after arm’s length negotiations between the parties to the Equity Transfer Agreement with reference to (i) the estimated value of the Nantong Lands in the amount of approximately RMB386,946,300 (equivalent to approximately HK\$448,857,708), on the basis of a site area of 297.651 acre at a price of RMB1,300,000 per acre; and (ii) the cash deposit maintained by the Target Group with commercial banks in the amount of approximately RMB29,785,900 (equivalent to approximately HK\$34,551,644).

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

Completion

Upon settlement in full of the Consideration by Nanjing Gangyuan, the parties will lodge an application for registration of the transfer of the Equity Interest with the relevant government authority. It is expected that Completion shall take place no later than 31 October 2016.

Upon Completion, each of the Target Company and the Target Subsidiary will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company’s consolidated financial statements.

Termination

Under the Equity Transfer Agreement, the parties shall jointly apply to the local government authority for a time extension for the development of the Nantong Lands. Nanjing Gangyuan will be entitled to terminate the Equity Transfer Agreement if the application for time extension is rejected by the local government authority other than for any reason due to Nanjing Gangyuan. In such event, Mr. Chen Jianhua and Zi Dian International shall refund all payment made by Nanjing Gangyuan under the Equity Transfer Agreement together with bank interest accrued thereon.

FINANCIAL INFORMATION

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

	Year ended 31 December	
	2014	2015
	RMB	RMB
Consolidated net loss before and after taxation and extraordinary items	(6,457,168)	(638,413)

The consolidated net asset value of the Target Group as at 31 December 2015 as extracted from its unaudited consolidated financial statements for the year ended 31 December 2015 was approximately RMB553,756,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is of the view that the property development project on the Nantong Lands is in line with its group strategy and commercial criteria for land development. The Acquisition contemplated under the Equity Transfer Agreement will allow the Group to expand its land bank in Nantong and further strengthen the Group's established presence in the property market in Jiangsu Province of the PRC.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement (i) have been negotiated on an arm's length basis; and (ii) are 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 Acquisition contemplated under the Equity Transfer Agreement exceed 5% but less than 25%, the Acquisition contemplated under the Equity Transfer 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.

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 member of the Group and Mr. Chen Jianhua nor Zi Dian International (and its ultimate beneficial owner(s)) within a 12-month period prior to the date of this announcement or otherwise related, which would be, together with the Acquisition, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Listing Rules.

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.

Nanjing Gangyuan

Nanjing Gangyuan 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.

Zi Dian International

Zi Dian International is a company incorporated under the laws of Hong Kong with limited liability and is held as to 30% by Mr. Chen Jianhua and 70% by independent third parties. It is principally engaged in investment holding.

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, (i) the registered capital of the Target Company in the amount of US\$91,000,000 (equivalent to approximately HK\$706,160,000) was fully paid up and held as to 1% and 99% by Mr. Chen Jianhua and Zi Dian International, respectively; and (ii) Nantong Land I and Nantong Land II were owned by the Target Company.

The Target Subsidiary

The Target Subsidiary 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, (i) the registered capital of the Target Subsidiary in the amount of RMB20,000,000 (equivalent to approximately HK\$23,200,000) was fully paid up and held as to 100% by the Target Company; and (ii) Nantong Land III and Nantong Land IV were owned by the Target Subsidiary.

Nantong Lands

Nantong Land I (Lot No: 01-001-(100)-253) is a parcel of land of an aggregate site area of approximately 59,152 square meters located at the south of Yanshou Road and the west of Shushi Road, Jinsha Town, Tongzhou District, Nantong, Jiangsu Province of the PRC. Nantong Land I is planned for residential use.

Nantong Land II (Lot No: 01-001-(100)-229) is a parcel of land of an aggregate site area of approximately 57,346 square meters located at the south of Yanshou Road and the east of Binhe West Road, Jinsha Town, Tongzhou District, Nantong, Jiangsu Province of the PRC. Nantong Land II is planned for residential use.

Nantong Land III (Lot No: 01-001-(100)-245) is a parcel of land of an aggregate site area of approximately 35,302 square meters located at the north of New Jinxi Road and the east of Binhe West Road, Jinsha Town, Tongzhou District, Nantong, Jiangsu Province of the PRC. Nantong Land III is planned for residential and commercial uses.

Nantong Land IV (Lot No: 01-001-(100)-231) is a parcel of land of an aggregate site area of approximately 46,634 square meters located at the north of New Jinxi Road and the west of Shushi Road, Jinsha Town, Tongzhou District, Nantong, Jiangsu Province of the PRC. Nantong Land IV is planned for residential use.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Equity Interest by Nanjing Gangyuan from Mr. Chen Jianhua and Zi Dian International under the Equity Transfer Agreement
“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, the shares of which are listed and traded on the Stock Exchange (Stock Code: 2768)
“Completion”	completion of the Acquisition in accordance with the terms of the Equity Transfer Agreement
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed thereto under the section headed “Equity Transfer Agreement – Consideration”
“Directors”	the directors of the Company
“Equity Interest”	the entire equity interest in the Target Company

“Equity Transfer Agreement”	an equity transfer agreement dated 17 October 2016 and entered into among Nanjing Gangyuan, Mr. Chen Jianhua and Zi Dian International in relation to the Acquisition
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Gangyuan”	南京港源投資諮詢有限公司 (Nanjing Gangyuan Investment Consulting Co., Ltd.*), a company established under the laws of the PRC with limited liability on 27 May 2015 and an indirect wholly-owned subsidiary of the Company
“Nantong Land I”, “Nantong Land II”, “Nantong Land III” or “Nantong Land IV”	each being a parcel of land located at Jinsha Town, Tongzhou District, Nantong, Jiangsu Province of the PRC, as further described in the section headed “General Information of the Parties to and Subject Matter of the Transaction – Nantong Lands”
“Nantong Lands”	Nantong Land I, Nantong Land II, Nantong Land III and Nantong Land IV
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“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”	恒力房地產南通有限公司 (Hengli Property Nantong Co., Ltd.*), a company established under the laws of the PRC with limited liability on 5 September 2012
“Target Group”	Target Company and Target Subsidiary

“Target Subsidiary”	南通力順置業有限公司 (Nantong Lishun Property Co., Ltd.*), a company established under the laws of the PRC with limited liability on 14 December 2012
“US\$”	United States Dollars, the lawful currency of the United States of America
“Zi Dian International”	Zi Dian International Investment Limited (紫電國際投資有限公司), a company incorporated in Hong Kong with limited liability on 18 September 2006
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1.00 : HK\$1.16 and US\$ is converted into HK\$ at the rate of US\$1.00 : HK\$7.76. No representation is made that any amounts in RMB or US\$ 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, Monday, 17 October 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