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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **RENEWAL OF ARCHITECTURE DESIGN SERVICE FRAMEWORK AGREEMENT AND INTELLIGENT SYSTEM EQUIPMENT PROCUREMENT FRAMEWORK AGREEMENT**

As disclosed in the Prospectus, the Company entered into the following continuing connected transaction agreements for a term up to 31 December 2018:

- (1) the 2016 Architecture Design Service Framework Agreement with Jiaying Boyuan, whereby, Jiaying Boyuan agreed to provide members of the Group with the Architecture Design Service from time to time; and
- (2) the 2016 Intelligent System Equipment Procurement Framework Agreement with Zhejiang Xigu and Jiaying Deyu (i.e. the ISE Suppliers), whereby, members of the Group agreed to procure the Intelligent System Equipment from the ISE Suppliers from time to time.

The 2016 Architecture Design Service Framework Agreement and the 2016 Intelligent System Equipment Procurement Framework Agreement expired on 31 December 2018. On 31 December 2018, the Company entered into the following continuing connected transaction agreements for a term of three years from 1 January 2019 to 31 December 2021 to renew the transactions:

- (1) the 2019 Architecture Design Service Framework Agreement with Jiaying Boyuan in relation to the provision of the Architecture Design Service by Jiaying Boyuan to members of the Group from time to time; and
- (2) the 2019 Intelligent System Equipment Procurement Framework Agreement with the ISE Suppliers in relation to the procurement of the Intelligent System Equipment by members of the Group from the ISE Suppliers from time to time.

Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum, the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Each of Zhejiang Xigu and Jiaxing Deyu is a company indirectly majority-owned by Mr. Shum, the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement each constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the New Service Annual Cap and the New Procurement Annual Cap for the transactions contemplated under the respective 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement for the three years ending 31 December 2019, 2020 and 2021, respectively, exceed 0.1% but are less than 5%, such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

As disclosed in the Prospectus, the Company entered into the following continuing connected transaction agreements for a term up to 31 December 2018:

- (1) the 2016 Architecture Design Service Framework Agreement with Jiaxing Boyuan, whereby, Jiaxing Boyuan agreed to provide members of the Group with the Architecture Design Service from time to time; and
- (2) the 2016 Intelligent System Equipment Procurement Framework Agreement with Zhejiang Xigu and Jiaxing Deyu (i.e. the ISE Suppliers), whereby, members of the Group agreed to procure the Intelligent System Equipment from the ISE Suppliers from time to time.

The Company was granted, at the time of its listing, waivers by the Stock Exchange from strict compliance with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under each of the 2016 Architecture Design Service Framework Agreement and the 2016 Intelligent System Equipment Procurement Framework Agreement.

The 2016 Architecture Design Service Framework Agreement and the 2016 Intelligent System Equipment Procurement Framework Agreement expired on 31 December 2018. On 31 December 2018, the Company entered into the following continuing connected transaction agreements for a term of three years from 1 January 2019 to 31 December 2021 to renew the transactions:

- (1) the 2019 Architecture Design Service Framework Agreement with Jiaxing Boyuan in relation to the provision of the Architecture Design Service by Jiaxing Boyuan to members of the Group from time to time; and
- (2) the 2019 Intelligent System Equipment Procurement Framework Agreement with the ISE Suppliers in relation to the procurement of the Intelligent System Equipment by members of the Group from the ISE Suppliers from time to time.

Details of the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement are as follows:

**(1) 2019 ARCHITECTURE DESIGN SERVICE FRAMEWORK AGREEMENT**

**Date**

31 December 2018

**Parties**

- (a) the Company
- (b) Jiaxing Boyuan

**Term**

The 2019 Architecture Design Service Framework Agreement is for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

**Subject matter**

The Company entered into the 2019 Architecture Design Service Framework Agreement with Jiaxing Boyuan to govern the provision of the Architecture Design Service by Jiaxing Boyuan to members of the Group for its property development projects in the PRC from time to time.

Members of the Group and Jiaxing Boyuan will enter into, from time to time and as necessary, specific implementation agreements in connection with the provision of the Architecture Design Service in accordance with the 2019 Architecture Design Service Framework Agreement after arm's length negotiations, which will set out specific terms, such as the unit service fee, the size of the project, the design requirement, standard and specification, provided that, the service fees for the provision of the Architecture Design Service for each year shall not exceed the New Service Annual Cap set out in the paragraph headed "Annual cap – New Service Annual Cap" below.

As the implementation agreements provide for the Architecture Design Service as contemplated under the 2019 Architecture Design Service Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2019 Architecture Design Service Framework Agreement and the 2019 Service Annual Cap, and if exceed, the Company will comply with the relevant Listing Rules accordingly.

**Pricing Policy**

The service fees will be determined by reference to the prevailing market prices of similar Architecture Design Service taking into consideration of the qualification, experience, expected quality and services rendered by Jiaxing Boyuan. To ascertain the

prevailing market service fee and ensure that the terms of service offered by Jiaying Boyuan are no less favourable to the Group than those available from independent third parties, the Group will obtain quotations for comparable services from other independent service providers shortlisted and approved by it, in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner.

## **Annual cap**

### ***Actual Transaction Value***

The actual transaction value of the transactions contemplated under the 2016 Architecture Design Service Framework Agreement for each of the two years ended 31 December 2016 and 2017, respectively, and the estimated transaction value of such transactions for the year ending 31 December 2018, is set out below:

<b>Year ended 31 December 2016 (RMB '000)</b>	<b>Year ended 31 December 2017 (RMB '000)</b>	<b>Year ending 31 December 2018 (RMB '000)</b>
12,279	14,429	15,000 (estimated)

### ***Historical Annual Cap***

The historical annual cap for the transactions contemplated under the 2016 Architecture Design Service Framework Agreement for each of the two years ended 31 December 2016 and 2017, respectively, and the annual cap for such transactions for the year ending 31 December 2018, is set out below:

<b>Year ended 31 December 2016 (RMB '000)</b>	<b>Year ended 31 December 2017 (RMB '000)</b>	<b>Year ending 31 December 2018 (RMB '000)</b>
59,100	39,700	31,400

### ***New Service Annual Cap***

The proposed New Service Annual Cap for the transactions contemplated under the 2019 Architecture Design Service Framework Agreement for each of the three years ending 31 December 2019, 2020 and 2021, respectively, is set out below:

<b>Year ending 31 December 2019 (RMB '000)</b>	<b>Year ending 31 December 2020 (RMB '000)</b>	<b>Year ending 31 December 2021 (RMB '000)</b>
40,000	65,000	90,000

### ***Basis of New Service Annual Cap***

The New Service Annual Cap is arrived by reference to the following factors:

- (a) the outstanding contract fees for the unrendered services under the existing service agreements for the years ending 31 December 2019, 2020 and 2021, respectively;
- (b) the Group's estimation on the demand for the uncontracted Architecture Design Service, projected with reference to (i) the aggregate planned GFA for future development for its existing property development projects, which the Group may engage Jiaxing Boyuan to provide the Architecture Design Service during 2019 to 2021 according to its development schedules; and (ii) the historical service fees paid to Jiaxing Boyuan;
- (c) the estimated average unit service fee by reference to (i) the historical unit service fee; and (ii) the types of property and the Architecture Design Service required for future projects;
- (d) a reasonable increment of the service fees payable to Jiaxing Boyuan taking into account the expected inflation rate and increases in costs for the three years ending 31 December 2021; and
- (e) the anticipated increase of the Architecture Design Service that the Group may require from Jiaxing Boyuan in light of the Group's organic growth and expansion in the scope and scale of the Group's property projects.

## **(2) 2019 INTELLIGENT SYSTEM EQUIPMENT PROCUREMENT FRAMEWORK AGREEMENT**

### **Date**

31 December 2018

### **Parties**

- (a) the Company
- (b) Zhejiang Xigu, one of the ISE Suppliers
- (c) Jiaxing Deyu, one of the ISE Suppliers

### **Term**

The 2019 Intelligent System Equipment Procurement Framework Agreement is for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

### **Subject matter**

The Company entered into the 2019 Intelligent System Equipment Procurement Framework Agreement with the ISE Suppliers to govern the procurement of the Intelligent System Equipment by members of the Group from the ISE Suppliers for its property development projects in the PRC from time to time.

Members of the Group and the ISE Suppliers will enter into, from time to time and as necessary, specific implementation agreements in connection with the procurement of the Intelligent System Equipment in accordance with the 2019 Intelligent System Equipment Procurement Framework Agreement after arm's length negotiations, which will set out specific terms, such as the product price, quantity, standard, specifications and delivery time of the Intelligent System Equipment, provided that, the aggregate transaction value in connection with the procurement of the Intelligent System Equipment for each year shall not exceed the New Procurement Annual Cap set out in the paragraph headed "Annual cap – New Procurement Annual Cap" below.

As the implementation agreements provide for the procurement of the Intelligent System Equipment as contemplated under the 2019 Intelligent System Equipment Procurement Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2019 Intelligent System Equipment Procurement Framework Agreement and the 2019 Procurement Annual Cap, and if exceed, the Company will comply with the relevant Listing Rules accordingly.

### **Pricing Policy**

The procurement fee will be determined by reference to the prevailing market prices of similar Intelligent System Equipment taking into consideration of the expected quality and services rendered by the ISE Suppliers, and on similar terms of payment and delivery offered to the Group. To ascertain the prevailing market price and ensure that the terms of purchase offered by the ISE Suppliers are no less favourable to the Group than those available from independent third parties, the Group will obtain quotations for comparable products from other independent suppliers shortlisted and approved by it, in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner.

### **Annual Cap**

#### ***Actual Transaction Value***

The actual transaction value of the transactions contemplated under the 2016 Intelligent System Equipment Procurement Framework Agreement for each of the two years ended 31 December 2016 and 31 December 2017, respectively, and the estimated transaction value of such transactions for the year ending 31 December 2018, is set out below:

<b>Year ended 31 December 2016 (RMB '000)</b>	<b>Year ended 31 December 2017 (RMB '000)</b>	<b>Year ending 31 December 2018 (RMB '000)</b>
9,979	14,653	11,000 (estimated)

### ***Historical Annual Cap***

The historical annual cap for the transactions contemplated under the 2016 Intelligent System Equipment Procurement Framework Agreement for each of the two years ended 31 December 2016 and 31 December 2017 and for the year ending 31 December 2018, respectively, is set out below:

<b>Year ended 31 December 2016 (RMB '000)</b>	<b>Year ended 31 December 2017 (RMB '000)</b>	<b>Year ending 31 December 2018 (RMB '000)</b>
26,300	26,200	13,300

### ***New Procurement Annual Cap***

The proposed New Procurement Annual Cap for the transactions contemplated under the 2019 Intelligent System Equipment Procurement Framework Agreement for each of the three years ending 31 December 2019, 2020 and 2021, respectively, is set out below:

<b>Year ending 31 December 2019 (RMB '000)</b>	<b>Year ending 31 December 2020 (RMB '000)</b>	<b>Year ending 31 December 2021 (RMB '000)</b>
60,000	75,000	90,000

### **Basis of New Procurement Annual Cap**

The New Procurement Annual Cap is arrived by reference to the following factors:

- (a) the outstanding contract fees for the unrendered services under the existing procurement agreements for the year ending 31 December 2019;
- (b) the Group's estimation on the demand for the uncontracted Intelligent System Equipment, projected with reference to (i) the aggregate GFA under development and planned GFA for future development for its property development projects, which the Group may procure the Intelligent System Equipment from the ISE Suppliers during 2019 to 2021 according to its development schedules; and (ii) the historical procurement fees paid to the ISE Suppliers;
- (c) the estimated average unit procurement fee by reference to (i) the historical unit procurement fee; and (ii) the types of property and the Intelligent System Equipment required in future projects;
- (d) a reasonable increment of the procurement fees payable to the ISE Suppliers taking into account the expected inflation rate and increases in costs for the three years ending 31 December 2021; and
- (e) the anticipated increase in the procurement of the Intelligent System Equipment in light of the Group's organic growth and expansion in the scope and scale of the Group's property projects.



## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group is principally engaged in the development of large-scale residential complex projects and integrated commercial complex projects. The Company is of the view that the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement enable (a) the Group to secure a stable source of the relevant equipment and services; and (b) the Group to have Jiaxing Boyuan, Zhejiang Xigu and/or Jiaxing Deyu as stable suppliers of the relevant equipment and services in its ordinary course of business on market prices.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under each of the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement are entered into in the ordinary and usual course of business of the Group, and each of the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement has been entered into on normal commercial terms after arm's length negotiations, and the terms thereof (including the respective New Service Annual Cap and the New Procurement Annual Cap) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum, the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Each of Zhejiang Xigu and Jiaxing Deyu is a company indirectly majority-owned by Mr. Shum, the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement each constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Shum, the chairman of the Board, the non-executive Director of the Company and the ultimate controlling shareholder of the Company, is also the ultimate beneficial owner of Jiaxing Boyuan, Zhejiang Xigu and Jiaxing Deyu. Mr. Shum has abstained from voting on the Board resolutions approving, among other things, the 2019 Architecture Design Service Framework Agreement, the 2019 Intelligent System Equipment Procurement Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Directors has a material interest in the 2019 Architecture Design Service Framework Agreement, the 2019 Intelligent System Equipment Procurement Framework Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters.



As one or more of the applicable percentage ratios calculated with reference to the New Service Annual Cap and the New Procurement Annual Cap for the transactions contemplated under the respective 2019 Architecture Design Service Framework Agreement and the 2019 Intelligent System Equipment Procurement Framework Agreement for the three years ending 31 December 2019, 2020 and 2021, respectively, exceed 0.1% but are less than 5%, such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION OF THE PARTIES TO THE TRANSACTIONS**

### **The Group**

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in the PRC. The principal activities of the Group include (a) the development and sale of residential and commercial properties; (b) 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 (c) the leasing of commercial properties owned or developed by the Group.

### **Jiaxing Boyuan**

Jiaxing Boyuan is a company established under the laws of the PRC with limited liability on 29 January 2010. It is principally engaged in project design and decoration. Jiaxing Boyuan is a company indirectly wholly-owned by Mr. Shum.

### **Zhejiang Xigu**

Zhejiang Xigu is a company established under the laws of the PRC with limited liability on 15 August 2006. It is principally engaged in the manufacture, installation and sale of software and system equipment. Zhejiang Xigu is a company indirectly majority-owned by Mr. Shum.

### **Jiaxing Deyu**

Jiaxing Deyu is a company established under the laws of the PRC with limited liability on 1 September 2005. It is principally engaged in the manufacture, installation and sale of software and system equipment. Jiaxing Deyu is a company indirectly majority-owned by Mr. Shum.

## DEFINITIONS

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

“2016 Architecture Design Service Framework Agreement”	the architecture design service framework agreement entered into between the Company and Jiaxing Boyuan and dated 12 February 2016, to govern the provision of the Architecture Design Service by Jiaxing Boyuan to the Group for its property development projects for a term up to 31 December 2018
“2019 Architecture Design Service Framework Agreement”	the architecture design service framework agreement entered into between the Company and Jiaxing Boyuan and dated 31 December 2018, to govern the provision of the Architecture Design Service by Jiaxing Boyuan to the Group for its property development projects for a term of three years from 1 January 2019 to 31 December 2021
“2016 Intelligent System Equipment Procurement Framework Agreement”	the intelligent system equipment procurement framework agreement entered into among the Company and the ISE Suppliers and dated 12 February 2016, to govern the procurement of the Intelligent System Equipment by members of the Group from the ISE Suppliers for its property development projects in the PRC for a term up to 31 December 2018
“2019 Intelligent System Equipment Procurement Framework Agreement”	the intelligent system equipment procurement framework agreement entered into among the Company and the ISE Suppliers and dated 31 December 2018, to govern the procurement of the Intelligent System Equipment by members of the Group from the ISE Suppliers for its property development projects in the PRC for a term of three years from 1 January 2019 to 31 December 2021
“Architecture Design Service”	various architecture design services including formulating the proposal, the preliminary design plan and the construction plan, and supervising the implementation of relevant design plan and construction plan for projects under construction
“Board”	the board of the 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 Main Board of the Stock Exchange (Stock Code: 2768)

“connected person(s)”; “continuing connected transaction”; “controlling shareholder(s)”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intelligent System Equipment”	various intelligent system equipment including security monitoring equipment, video intercom system, access control equipment and alarm system
“ISE Suppliers”	collectively, Zhejiang Xigu and Jiaxing Deyu
“Jiaxing Boyuan”	Jiaxing City Boyuan Architecture Design Co., Ltd.* (嘉興市博源建築設計有限公司), a company established under the laws of the PRC with limited liability
“Jiaxing Deyu”	Jiaxing City Deyu Electronics Technology Co., Ltd.* (嘉興市德宇電子科技有限公司), a company established under the laws of the PRC with limited liability
“New Procurement Annual Cap”	the maximum procurement fees payable by the Group to the ISE Suppliers in respect of the procurement of the Intelligent System Equipment for the term of the 2019 Intelligent System Equipment Procurement Framework Agreement
“New Service Annual Cap”	the maximum service fees payable by the Group to Jiaxing Boyuan in respect of the provision of the Architecture Design Service for the term of the 2019 Architecture Design Service Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Shum”	Mr. Shum Tin Ching, the chairman, the non-executive Director, the ultimate controlling shareholder of the Company
“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

“Prospectus”	the prospectus of the Company dated 26 February 2016
“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
“Zhejiang Xigu”	Zhejiang Xigu Digital Technology Co., Ltd.* (浙江西谷數字技術有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent.

By order of the Board  
**Jiayuan International Group Limited**  
**Cheuk Hiu Nam**  
*Executive Director*

Hong Kong, 31 December 2018

*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