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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION OF PROPERTY DEVELOPMENT PROJECTS LOCATED IN ANHUI PROVINCE

This announcement is made by Jiayuan International Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 19 March 2019 (after trading hours), the Company, as the potential purchaser, entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Mr. Shum Tin Ching (“**Mr. Shum**”), as the potential vendor. Pursuant to the MOU, the Company intends to acquire, and Mr. Shum intends to sell, the entire issued share capital in a company to be incorporated in the British Virgin Islands (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”), which will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Anhui Province, the People’s Republic of China (the “**PRC**”), owned by Mr. Shum and/or companies controlled by him after a corporate reorganization (the “**Proposed Acquisition**”).

Principal Terms of the MOU

Date

19 March 2019 (after trading hours).

Parties

- (i) the Company, as the purchaser; and
- (ii) Mr. Shum, as the vendor.

Mr. Shum is the chairman and non-executive Director and, together with Mingyuan Group Investment Limited (明源集團投資有限公司) (“**Mingyuan Investment**”), the controlling shareholders (as defined in the Listing Rules) of the Company, who are interested in approximately 52.86% of the issued share capital of the Company. Hence, Mr. Shum is a connected person (as defined in the Listing Rules) of the Company.

Subject matter

The subject matter of the Proposed Acquisition is the entire issued share capital of the Target Company, which will own, through its direct and/or indirect subsidiaries, equity interests in all the property development project companies in Anhui Province, the PRC, owned by Mr. Shum and/or companies controlled by him after a corporate reorganization.

Consideration

The consideration for the Proposed Acquisition will be determined by the parties after arm's length negotiations by reference to, among other matters, (i) a property valuation report of the property development projects to be included in the Target Group after the corporate reorganization; and (ii) the financial information of the Target Group after the corporate reorganization.

Pursuant to the MOU, it is the intention of the parties that the consideration for the Proposed Acquisition shall be settled wholly or substantially by way of new shares to be allotted and issued by the Company, subject to the 25% public float requirement. Further details of the consideration and the manner of payment will be further negotiated between the Company and Mr. Shum and will be set out in a formal sale and purchase agreement.

Due diligence review, valuation and auditing

The Company is currently conducting a due diligence review on the business, financial and legal affairs of the Target Group as well as conducting a property valuation and an audit procedure of the Target Group. Pursuant to the MOU, Mr. Shum shall use his best endeavours to procure the Target Group and its agents to provide such assistance and information as is necessary for the Company to complete its due diligence review, property valuation and audit procedure of the Target Group.

Binding effect

Save for the provisions relating to the cost and expense and confidentiality, the MOU does not constitute a legally binding agreement on the parties to the MOU.

INFORMATION OF THE TARGET GROUP AND ITS BUSINESS

The Target Company will be a company newly incorporated under the laws of the British Virgin Islands with limited liability and will be wholly-owned by Mr. Shum.

The Target Group will own equity interests in all the property development project companies in Anhui Province, the PRC, owned by Mr. Shum and/or companies controlled by him after a corporate reorganization.

After the corporate reorganization, the Target Group will include property development projects located in the municipalities of Hefei, Maanshan and Bengbu of Anhui Province, the PRC, mainly consisting of large-scale residential complex projects and integrated commercial complex projects, as well as apartments, offices, shopping arcades, hotels and other supporting facilities.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

Reference is made to the prospectus of the Company dated 26 February 2016. As stated in the prospectus, in order to achieve the geographical segregation between the property development projects of Mr. Shum and his associates (other than members of the Group) (the “**Private Group**”) and the Group and to ensure clear delineation, Mingyuan Investment and Mr. Shum entered into a deed of non-competition with and in favour of the Company, pursuant to which, the Private Group has agreed to conduct its property development business only in the Non-Target Cities while the Group shall conduct its property development business in the Target Cities exclusively.

In 2018, sales growth of the Group was stable, primarily attributable to the regional coordinated development strategy of China and the ability to precisely capture the home purchase demand in China’s second-tier and third-tier cities. In 2018, the GDP of Anhui Province exceeded RMB3,000 billion for the first time, representing an increase of approximately 8% from the previous year. The full-year property development investment amounted to RMB597.41 billion, representing an increase of 6.4% from the previous year. For commodity housings, sales area amounted to 100.384 million sq m, representing an increase of 9.1%, and sales value was RMB707.7 billion, representing an increase of 20.6%. As the property development projects of the Target Group are largely located in China’s second and third tier cities in Anhui Province, the Group expects that the property market of Anhui Province will continue to grow steadily in future, which will be a boost to the Group’s sales expectation.

The Group believes that by way of and upon completion of the Proposed Acquisition, cities located in the Anhui Province will be designated from non-Target Cities to Target Cities, laying a solid foundation for the Group to establish its presence in the property market of Anhui Province. On the other hand, the Group may swiftly expand the geographical coverage of its business by adding more provinces to its regional layout and further expand its land reserve and achieve economies of scale and in turn uplift the Group’s competitiveness.

Further, the Group considers that the Proposed Acquisition of property projects in Anhui by way of allotment and issue of new shares represents the performance of the commitment of Mr. Shum to continually inject non-listed businesses to the listed vehicle. Completion of such allotment and issue will further raise the shareholding percentage of Mr. Shum. Meanwhile, the increase in the Group's estimated net assets of the Group will continue to optimize the structure of assets and liabilities of the Group and enable a more healthy financial position of the Group.

The Group believes that establishing presence in Anhui Province will lay solid foundation for the future development of the Company and play a positive role in further boosting the influence of the "Jiayuan" brand in the Yangtze River Delta Economic Region, which encompasses Shanghai, Jiangsu Province, Anhui Province and Zhejiang Province. It will help in expanding the strategic layout of the Group in key regions nationwide. The Directors (including the independent non-executive Directors) are of the view that the Proposed Acquisition is aligned with the Group's strategic goal of "expansion and strengthening" and, taking the opportunities for project merger and acquisition, it will fully enhance its core competitiveness in each segment of the property value chain; and that the Proposed Acquisition is fair and reasonable and in line with the interests of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Acquisition are still being negotiated and no legally binding agreement has been entered into. The Proposed Acquisition, if materialized, will constitute a notifiable transaction and a connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

As the Proposed Acquisition may or may not proceed, shareholders and potential investors are reminded to exercise caution when dealing in the shares.

By Order of the Board
Jiayuan International Group Limited
Zhang Yi

Vice Chairman, President and Executive Director

Hong Kong, 19 March 2019

As at the date of this announcement, the Board of the Company comprises: (i) Mr. Shum Tin Ching, the Chairman and a Non-executive Director; (ii) Mr. Zhang Yi, a Vice Chairman and an Executive Director; (iii) Mr. Huang Fuqing, a Vice Chairman and an Executive Director; (iv) Ms. Cheuk Hiu Nam, an Executive Director; (v) Mr. Wang Jianfeng, an Executive Director; (vi) Mr. Tai Kwok Leung, Alexander, an Independent Non-executive Director; (vii) Dr. Cheung Wai Bun, Charles, JP, an Independent Non-executive Director; (viii) Mr. Gu Yunchang, an Independent Non-executive Director; and (ix) Mr. Shen Xiaodong, a Non-executive Director.