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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 YANGZHOU JIALIAN

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The Board is pleased to announce that on 30 June 2017, Yangzhou Gangyuan, a 70%-owned indirect subsidiary of the Company, acquired the entire equity interest in Yangzhou Jialian pursuant to the Debt Restructuring Plan of Yangzhou Jialian.

As part of the Debt Restructuring Plan, Yangzhou Gangyuan shall invest and pay the Investment Amount of RMB890 million (equivalent to approximately HK\$1,023 million), which will be managed and distributed by the Administrator for, among other matters, settlement of the debts due to the creditors of Yangzhou Jialian in accordance with the terms therein.

Yangzhou Jialian is the project company of the Yangzhou Hanjiang Project, which is a mixed-use property development project under construction located at Yangzhou City, Jiangsu Province, the PRC.

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 Debt Restructuring Plan exceed 5% but less than 25%, the Acquisition contemplated under the Debt Restructuring Plan 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 Total Restructuring Amount payable by Yangzhou Gangyuan exceeds 25%, and thus, the Acquisition contemplated under the Debt Restructuring Plan 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 shareholder's approval in relation to the Acquisition contemplated under the Debt Restructuring Plan, and accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be required to be held to consider the Acquisition contemplated under the Debt Restructuring Plan in the event that the Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules.

BACKGROUND

Yangzhou Jialian, the project company of the Yangzhou Hanjiang Project located at Yangzhou City, Jiangsu Province, the PRC, was under financial distress and unable to repay its debts. In 2015, Yangzhou Jialian lodged an application for debt restructuring, which was approved by the Yangzhou Court, and pursuant to which, the Administrator was appointed to administer the debt restructuring of Yangzhou Jialian.

Yangzhou Gangyuan participated in the Debt Restructuring as a potential investor. In February 2017, the Debt Restructuring Plan prepared by Yangzhou Gangyuan and submitted by the Administrator on its behalf was approved by the Yangzhou Court. The Debt Restructuring Plan provided that, among other matters, (i) the Original Investors shall unconditionally transfer the entire equity interest in Yangzhou Jialian at nil consideration; and (ii) Yangzhou Gangyuan shall invest and pay an initial investment amount of RMB890 million (equivalent to approximately HK\$1,023 million) (the "**Investment Amount**"), which will be managed and distributed by the Administrator for, among other matters, settlement of the debts due to the creditors of Yangzhou Jialian in accordance with the terms therein.

Instead of transfer by the Original Investors of the entire equity interest in Yangzhou Jialian at nil consideration to Yangzhou Gangyuan by way of an equity transfer agreement as prescribed by the Debt Restructuring Plan, the Yangzhou Court granted a compulsory court order addressed to the AIC Yangzhou Branch on 28 June 2017 and instructed the AIC Yangzhou Branch to implement the transfer of the entire equity interest in Yangzhou Jialian from the Original Investors to Yangzhou Gangyuan.

On 30 June 2017, the AIC Yangzhou Branch, pursuant to the compulsory court order of the Yangzhou Court, completed the AIC registration procedures in respect of the transfer of the entire equity interest in Yangzhou Jialian to Yangzhou Gangyuan and issued a new business licence to Yangzhou Jialian. Upon completion of such equity transfer, Yangzhou Jialian becomes an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

DEBT RESTRUCTURING PLAN

Set out below are the principal terms of the Debt Restructuring Plan:

- Parties** :
- (i) Yangzhou Gangyuan, being a 70%-owned indirect subsidiary of the Company, as the new investor;
 - (ii) Yangzhou Jinyuan, being one of the Original Investors holding 50% equity interest in Yangzhou Jialian prior to completion of the Debt Restructuring;
 - (iii) Hong Kong Jialian, being one of the Original Investors holding 50% equity interest in Yangzhou Jialian prior to completion of the Debt Restructuring;
 - (iv) Yangzhou Jialian, being the target company subject to the Debt Restructuring; and
 - (v) the Administrator, being the administrator appointed by the Yangzhou Court to administer the Debt Restructuring.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Yangzhou Jinyuan, Hong Kong Jialian and Yangzhou Jialian and their respective ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

- Subject matter** :
- The purpose of the Debt Restructuring is to rescue Yangzhou Jialian from its financial distress, maintain its qualification as a legal entity, restore its liquidity and continue its business development and operation.

Pursuant to the Debt Restructuring Plan as approved by the Yangzhou Court:

- (i) the Original Investors shall unconditionally transfer the entire equity interest in Yangzhou Jialian to Yangzhou Gangyuan at nil consideration;

- (ii) Yangzhou Gangyuan shall invest and pay the Investment Amount of RMB890 million (equivalent to approximately HK\$1,023 million), which will be managed and distributed by the Administrator for (a) settlement of the verified debts due to the creditors of Yangzhou Jialian in such priority and repayment discount ratio as agreed under the Debt Restructuring Plan, which is in the amount of approximately RMB821 million (equivalent to approximately HK\$943 million); (b) discharging the expenses incurred for the Debt Restructuring, which is estimated to be approximately RMB20 million (equivalent to approximately HK\$23 million); and (c) providing for the contingent liabilities of Yangzhou Jialian pending verification, which is estimated to be approximately RMB149 million (equivalent to approximately HK\$172 million) (collectively, the “**Total Restructuring Amount**”).

If the Total Restructuring Amount, as finally determined after all contingent liabilities and expenses in respect of the Debt Restructuring having been verified and confirmed by the Administrator, (a) exceeds RMB890 million (equivalent to approximately HK\$1,023 million), Yangzhou Gangyuan shall further arrange to pay for the shortfall; or (b) is less than RMB890 million (equivalent to approximately HK\$1,023 million), the remaining balance will be credited as working capital of Yangzhou Jialian for the development of the Yangzhou Hanjiang Project.

As at the date of this announcement, the major asset owned by Yangzhou Jialian is the Yangzhou Hanjiang Project, which includes the land use rights and properties under development thereunder. Details of Yangzhou Jialian and the Yangzhou Hanjiang Project are set out in the paragraph headed “General Information of the Parties to and Subject Matter of the Acquisition” below.

Investment Amount payable by the Group : The initial consideration for the Acquisition as represented by the Investment Amount payable by Yangzhou Gangyuan under the Debt Restructuring Plan is RMB890 million (equivalent to approximately HK\$1,023 million), which shall be settled by Yangzhou Gangyuan in cash in the following manner:

- (i) RMB200 million (equivalent to approximately HK\$230 million) had been paid to the Administrator, which was held in escrow as a security deposit of the Debt Restructuring Plan;

- (ii) RMB450 million (equivalent to approximately HK\$517 million) shall be paid to the Administrator within 30 days from the date of completion of the AIC registration procedures in respect of the Acquisition; and
- (iii) RMB240 million (equivalent to approximately HK\$276 million) shall be paid to the Administrator within 180 days from the date of completion of AIC registration procedures in respect of the Acquisition.

The Company considers each of the Investment Amount and the Total Restructuring Amount is fair and reasonable by taking into account of, among other factors, (i) the appraised value of Yangzhou Jialian in the amount of approximately RMB893 million (equivalent to approximately HK\$1,027 million) as of August 2015 as set out under an asset appraisal report prepared by a qualified PRC appraiser; (ii) the estimated value of the Yangzhou Hanjiang Project upon completion and the investment returns to be derived therefrom; (iii) the estimated construction and development costs to be incurred by Yangzhou Jialian for completion of the Yangzhou Hanjiang Project; and (iv) the prevailing market price of the properties in nearby locations.

The Investment Amount and the Total Restructuring Amount will be funded by the internal resources of the Group and bank financing.

FINANCIAL INFORMATION

As Yangzhou Jialian has been under the Debt Restructuring since 2015, the following financial information were the latest available financial information of Yangzhou Jialian as extracted from its unaudited financial statements for the two financial years ended 31 December 2013 and 31 December 2014 and the eight months ended 31 August 2015, respectively:

	Year ended 31 December		Eight months ended 31 August
	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net loss (both before and after taxation and extraordinary items)	(3,009,667)	(2,122,652)	(77,179,881)

As at 31 August 2015, the unaudited net liability value of Yangzhou Jialian was approximately RMB287 million (equivalent to approximately HK\$330 million), as extracted from its unaudited financial statements for the eight months ended 31 August 2015.

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

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.

Yangzhou Gangyuan

Yangzhou Gangyuan is a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. Yangzhou Gangyuan is owned as to 70% and 30%, respectively, by Nanjing Gangyuan and an independent third party. It is principally engaged in property development of residential and commercial properties.

Yangzhou Jialian

Yangzhou Jialian is a company established under the laws of the PRC with limited liability. It is principally engaged in property development of residential and commercial properties and is the project company of the Yangzhou Hanjiang Project. Prior to completion of the Debt Restructuring, the registered capital of Yangzhou Jialian was in the amount of US\$10 million, which was fully paid up and held as to 50% and 50%, respectively, by Hong Kong Jialian and Yangzhou Jinyuan.

Original Investors

Hong Kong Jialian is a company incorporated under the laws of Hong Kong with limited liability.

Yangzhou Jinyuan is a company established under the laws of the PRC with limited liability.

Administrator

The Administrator is a PRC accounting firm appointed by the Yangzhou Court to administer the Debt Restructuring of Yangzhou Jialian.

Yangzhou Hanjiang Project

Yangzhou Hanjiang Project is a mixed-use property development project under construction located at the intersection of Hanjiangbei Road and Jingwei Road, Hanjiang District, Yangzhou City, Jiangsu Province, the PRC, which comprises low-rise residential buildings, townhouses, office buildings, underground car parks and ancillary facilities. It has an aggregate site area of approximately 143,822 square meters and gross floor area of approximately 228,884 square meters, and is for residential and commercial uses upon completion.

As at the date of this announcement, the Yangzhou Hanjiang Project has developed 55 townhouses with a saleable gross floor area of 22,194 square meters and certain ancillary underground facilities.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is of the view that the Yangzhou Hanjiang Project is in line with its group strategy and commercial criteria for land development. Adjacent to Slender West Lake scenic area in Yangzhou and Shugang Xifeng Park and couple with rich education resources, the Yangzhou Hanjiang Project has comprehensive facilities in the vicinity, and is easily accessible to Wenchang Court commercial cluster and Jinghuacheng commercial cluster. The Acquisition contemplated under the Debt Restructuring Plan will allow the Group to expand its land bank and coverage in Yangzhou City, Jiangsu Province of the PRC and further strengthen the Group's established presence in the property market in Jiangsu Province of the PRC. It is conducive for the Group 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.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition contemplated under the Debt Restructuring Plan (including the Investment Amount and the Total Restructuring Amount) 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 Debt Restructuring Plan exceed 5% but less than 25%, the Acquisition contemplated under the Debt Restructuring Plan 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 Total Restructuring Amount payable by Yangzhou Gangyuan exceeds 25%, and thus, the Acquisition contemplated under the Debt Restructuring Plan 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 shareholder's approval in relation to the Acquisition contemplated under the Debt Restructuring Plan, and accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be required to be held to consider the Acquisition contemplated under the Debt Restructuring Plan in the event that the 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 member of the Group and Hong Kong Jialian, Yangzhou Jinyuan and Yangzhou Jialian and their respective 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.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in Yangzhou Jialian by Yangzhou Gangyuan pursuant to the Debt Restructuring Plan
“Administrator”	a PRC accounting firm appointed by the Yangzhou Court as the administrator to administer the Debt Restructuring
“AIC Yangzhou Branch”	揚州市工商行政管理局 (Administration for Industry and Commerce of Yangzhou)
“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”	has the meaning ascribed thereto under the Listing Rules
“Debt Restructuring”	the debt restructuring of Yangzhou Jialian pursuant to the Debt Restructuring Plan, which is administered by the Yangzhou Court under the Enterprise Bankruptcy Law of the PRC (中華人民共和國企業破產法)
“Debt Restructuring Plan”	the debt restructuring plan in respect of the debts due to the creditors of Yangzhou Jialian prepared by Yangzhou Gangyuan and submitted by the Administrator on its behalf, which was approved by the Yangzhou Court
“Directors”	the directors of the Company
“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

“Hong Kong Jialian”	Hong Kong Jia Lian International Investment (Holding) Limited (香港嘉聯國際投資(集團)有限公司), a company incorporated under the laws of Hong Kong with limited liability and one of the Original Investors
“Investment Amount”	has the meaning ascribed thereto under the section headed “Background”
“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 and one of the controlling shareholders of the Company
“Nanjing Gangyuan”	南京港源投資諮詢有限公司 (Nanjing Gangyuan Investment Consulting Co., Limited*), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Original Investors”	Hong Kong Jialian and Yangzhou Jinyuan, being the two holders of the entire equity interest in Yangzhou Jialian prior to completion of the Debt Restructuring
“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 the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Total Restructuring Amount”	has the meaning ascribed thereto under the section headed “Debt Restructuring Plan”
“US\$”	United States dollars, the lawful currency of the United States
“Yangzhou Court”	揚州市中級人民法院 (Intermediate People’s Court of Yangzhou)

- “Yangzhou Gangyuan” 揚州港源置業管理有限公司 (Yangzhou Gangyuan Property Management Limited*), a company established under the laws of PRC with limited liability and an indirect non-wholly owned subsidiary of the Company. Yangzhou Gangyuan is owned as to 70% and 30%, respectively, by Nanjing Gangyuan and an independent third party
- “Yangzhou Hanjiang Project” a mixed-use property development project under construction located at Yangzhou City, Jiangsu Province of the PRC, details of which are set out in the paragraph headed “General Information of the Parties to and Subject Matter of the Acquisition”
- “Yangzhou Jialian” 揚州嘉聯置業發展有限公司 (Yangzhou Jialian Property Development Co., Limited*), a company established under the laws of PRC with limited liability, being the project company of the Yangzhou Hanjiang Project
- “Yangzhou Jinyuan” 揚州金源房地產開發有限公司 (Yangzhou Jinyuan Property Development Co., Limited*), a company established under the laws of PRC with limited liability and one of the Original Investors
- “%” per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.1493. 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, 30 June 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*