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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 INTEREST IN A COMPANY HOLDING PROPERTIES IN HONG KONG

THE ACQUISITION

On 24 May 2018 (after morning session of trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 701 issued ordinary shares in the Target Company, representing 70.1% of the entire issued share capital of the Target Company, for the Consideration.

As at the date of the Sale and Purchase Agreement, the Vendor was the legal and beneficial owner of the entire issued share capital of (a) Top Galaxy, which indirectly holds San Hop Lane Properties; (b) Power Gain, which indirectly holds Success Centre Property; and (c) Sino Harbour, which has entered into the T-Plus Agreements to acquire the entire issued share capital of Strategic Champ and Excel Billion that indirectly hold T-Plus Property.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to implement the Restructuring so that, prior to the Completion, (a) the Target Company will become the legal and beneficial owner of the entire issued share capital of (i) Top Galaxy, (ii) Power Gain, and (iii) Sino Harbour; and (b)(i) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Included Portion shall be for the account of Pagson Development, and thus the Group, and (ii) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Retained Portion shall be for the account of the Vendor. In the event that certain condition precedent(s) for the Completion has/have not been satisfied on the Completion Date, the Purchaser and the Vendor shall proceed to the Completion despite the Target Company has not acquired the entire issued share capital of Top Galaxy and/or Power Gain. In such case, the Consideration will be reduced accordingly. If the Purchaser is unable or unwilling to proceed to the Completion in such case, a portion of the initial deposit period as part payment of the Consideration on or before the date of the Sale and Purchase Agreement shall be forfeited to the Vendor.

Upon the Completion, a shareholders' agreement will be entered into between the Vendor, the Purchaser and the Target Company to regulate the business, governance and other related matters concerning the Target Company, the business of which shall be, among others, (a) acquiring the T-Plus Included Portion; (b) carrying out, completing and rectifying defects in the renovation works in respect of the revitalisation of the San Hop Lane Properties and the Success Centre Included Portion, and the construction works in respect of the T-Plus Included Portion; and (c) holding, leasing, sales, marketing, management, operation, maintenance and disposal of the San Hop Lane Properties, the Success Centre Included Portion and T-Plus Included Portion, or any part(s) thereof.

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 exceed 5% but less than 25%, the Acquisition 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.

THE ACQUISITION

On 24 May 2018 (after morning session of trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 701 issued ordinary shares in the Target Company, representing 70.1% of the entire issued share capital of the Target Company, for the Consideration. Principal terms of the Sale and Purchase Agreement are set out as follows:

THE SALE AND PURCHASE AGREEMENT

Date

24 May 2018

Parties

- (i) Jiayuan (Hong Kong) Holdings Limited, as the purchaser; and
- (ii) Mr. Tang Shing Bor, as the vendor.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

Subject Matter

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 701 issued ordinary shares in the Target Company, representing 70.1% of the entire issued share capital of the Target Company.

As at the date of the Sale and Purchase Agreement, the Vendor was the legal and beneficial owner of the entire issued share capital of (a) Top Galaxy, which indirectly holds San Hop Lane Properties; (b) Power Gain, which indirectly holds Success Centre Property; and (c) Sino Harbour, which has entered into the T-Plus Agreements to purchase the entire issued share capital of Strategic Champ and Excel Billion that indirectly hold T-Plus Property.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to implement the Restructuring so that, prior to the Completion, (a) the Target Company will become the legal and beneficial owner of the entire issued share capital of (i) Top Galaxy, (ii) Power Gain, and (iii) Sino Harbour; and (b)(i) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Included Portion shall be for the account of Pagson Development, and thus the Group, and (ii) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Retained Portion shall be for the account of the Vendor.

Consideration

The consideration for the Acquisition (the “**Consideration**”) shall be an amount equal to:

- (i) HK\$1,752,500,000, representing 70.1% of the agreed value of the San Hop Lane Properties of HK\$2,500,000,000;
- (ii) plus HK\$595,850,000, representing 70.1% of the agreed value of the Success Centre Included Portion of HK\$850,000,000;

- (iii) plus HK\$14,819,140, representing 70.1% of the difference between the agreed value of the T-Plus Included Portion of HK\$938,000,000 and the aggregate amount of the purchase price (before any adjustment) payable under the T-Plus Agreements (to the extent attributable to the T-Plus Included Portion) of HK\$916,860,000;
- (iv) plus HK\$257,087,544, representing 70.1% of the aggregate amount of the deposits paid under the T-Plus Agreements (to the extent attributable to the T-Plus Included Portion) as at Completion;
- (v) plus the amount equivalent to 70.1% of the Net Asset Value as set out in the Pro Forma Completion Accounts (if it is a positive amount) or minus the amount equivalent to 70.1% of the absolute amount of the Net Asset Value as set out in the Pro Forma Completion Accounts (if it is a negative amount).

The Consideration shall be settled in the following manner:

- (a) the initial deposit in the aggregate amount of HK\$601,177,600 be paid by or on behalf of the Purchaser to the Vendor on or before the date of the Sale and Purchase Agreement, representing part payment of the Consideration upon the Completion;
- (b) an amount equal to the balance of the Consideration after deducting the initial deposit mentioned above (and, if applicable, additional deposit paid by the Purchaser in the event the Purchaser and the Vendor proceed to the Completion despite the Target Company has not acquired the entire issued share capital of Top Galaxy and/or Power Gain before Completion) be paid by the Purchaser at the Completion partly to the Vendor and partly to settle portion of the loan owed by the Target Company to the Vendor.

The Consideration shall be subject to adjustment based on the difference between the Net Asset Value as set out in the Completion Accounts and Net Asset Value as set out in the Pro Forma Completion Accounts.

The Consideration has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, having taken into account (i) the offer price of comparable properties in nearby locations; and (ii) the development and prospects of the Target Group and the Properties. The Consideration will be funded by the internal resources and bank borrowings of the Group.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied (or, in the case of conditions (a) to (g) below, waived by the Purchaser) on or before the Completion Date:

- (a) each of the registered and beneficial owners of (i) the San Hop Lane Properties, (ii) the Success Centre Property and (iii) the T-Plus Property being able to show and give good title, respectively, in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

- (b) the Purchaser having undertaken a due diligence review of the Target Group, the Properties and the Retained Properties, and being satisfied with such review in all aspects;
- (c) (i) Top Galaxy and/or its subsidiaries having drawn-down an amount of not less than HK\$1,265,000,000 from the new financing in relation to the San Hop Lane Properties; and
 - (ii) in relation to the San Hop Lane Properties, the deed of mutual covenant dated 6 October 1978 and registered in the Land Registry by Memorial No.TM191269 and the management agreement dated 6 October 1978 and registered in the Land Registry by Memorial No.TM191270 shall be terminated, and the new deed(s) of covenant, deed(s) of mutual covenants and/or management agreement(s) shall be executed and having become effective;
- (d) (i) Pagson Development and/or its subsidiary having drawn-down an amount of not less than HK\$622,800,000 from the new financing in relation to the Success Centre Property; and
 - (ii) the Lands Department having approved in writing the application on behalf of Wall Street for an extension of the deadline for completion of building works under condition (3)(c) of the waiver letter dated 27 August 2015 and registered in the Land Registry by Memorial No.15091100670015 in respect of the Success Centre Property to a date not earlier than 26 August 2019;
- (c) no material adverse change in, among others, the business, operations, assets, position, profits or prospects of any company in the Target Group and/or any of the Properties or any matter, event or circumstance that may result in such a material adverse change having occurred before or on the Completion Date;
- (d) the representations, warranties and undertakings set out in the Sale and Purchase Agreement remaining true, accurate and not misleading in all respects before and on the date on the Completion Date;
- (e) subject to the Target Company not becoming the legal and beneficial owner of the entire issued share capital of Top Galaxy and/or Pagson Development due to non-fulfilment of certain conditions precedent for the Completion, the Restructuring having been completed to the reasonable satisfaction of the Purchaser; and
- (f) the transaction contemplated under the Sale and Purchase Agreement shall be transacted in accordance with the requirements under the Listing Rules.

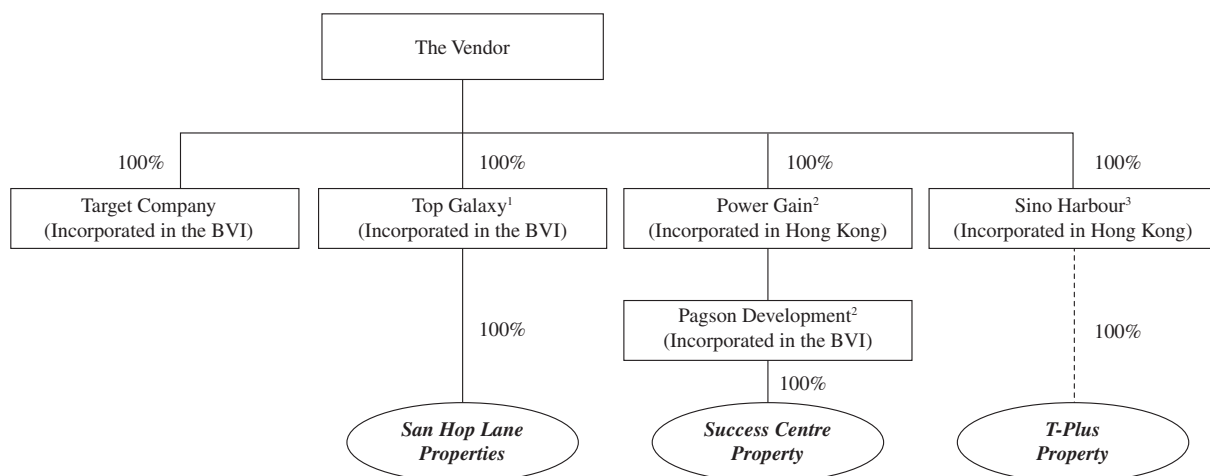
If any of the conditions (which has not previously been waived by the Purchaser) has not been duly fulfilled to the satisfaction of the Purchaser on or before the Completion Date:

- (A) if condition(s) (c)(i), (c)(ii), (d)(i) and/or (d)(ii) above is/are the only condition(s) which has/have not been satisfied on the Completion Date, then the Vendor and the Purchase shall proceed to Completion on the Completion Date as far as practicable, provided that:
- (i) the Vendor shall not transfer and assign the entire issued share capital of, and all shareholder loan(s) owing by, Top Galaxy to the Target Company and/or shall not procure that the entire issued share capital of, and all shareholder loan(s) owing by, Pagson Development (or such other company of which Pagson Development is its direct or indirect wholly-owned subsidiary) shall be transferred and assigned to the Target Company and shall not be procure that Wall Street reorganises its share capital as contemplated under the Restructuring;
 - (ii) the Consideration shall be reduced to exclude the portions representing 70.1% of the agreed value of San Hop Lane Properties and/or Success Centre Included Portion;
 - (iii) Top Galaxy and its subsidiaries and/or Pagson Development and its subsidiary shall not be considered to be part of the Target Group for the purpose of the preparation, audit, agreement and/or determination of the Pro Forma Completion Accounts and the Completion Accounts and the determination of the Net Asset Value for the purpose of adjustment of the Consideration; and
 - (iv) at Completion, the Purchaser shall pay to the Vendor an amount of HK\$78,512,000 in addition to the balance of the Consideration to cover the wasted professional fees and other resources incurred or spent by the Vendor as a result of not including Top Galaxy and its subsidiaries and the San Hop Lane Properties in the sale and purchase under the Sale and Purchase Agreement; and
 - (v) the respective portions of the initial deposit paid as part payment of the Consideration attributable to Top Galaxy and its subsidiaries and/or Pagson Development and its subsidiary shall on the Completion Date constitute the Purchaser's contribution towards the deposits payable by the Target Company to the Vendor for the acquisition of Top Galaxy and its subsidiaries and/or Pagson Development and its subsidiary in accordance with the terms of the Shareholders' Agreement.
- (B) if there are other condition(s) (other than condition(s) (c)(i), (c)(ii), (d)(i) and/or (d)(ii) above) which has/have not been satisfied on the Completion Date, then the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor:
- (i) in the case of conditions (a) to (g) above, waive the conditions which have not been satisfied;
 - (ii) postpone the Completion Date to a date (being a Business Day) falling not more than 30 days after the date set for Completion; or
 - (iii) terminate the Sale and Purchase Agreement.

If the Purchaser and the Vendor proceed to the Completion despite the Target Company has not acquired the entire issued share capital of Top Galaxy and/or Power Gain on the Completion Date, the Purchaser shall, on the Completion Date, pay to the Vendor an additional amount of HK\$558,573,610 constituting the Purchaser's contribution towards the deposits payable by the Target Company to the Vendor for the acquisition of Top Galaxy and its subsidiaries and/or Pagson Development and its subsidiary in accordance with the terms of the Shareholders' Agreement.

Restructuring

The diagram below illustrates the shareholding structure of the Target Group before the Restructuring:



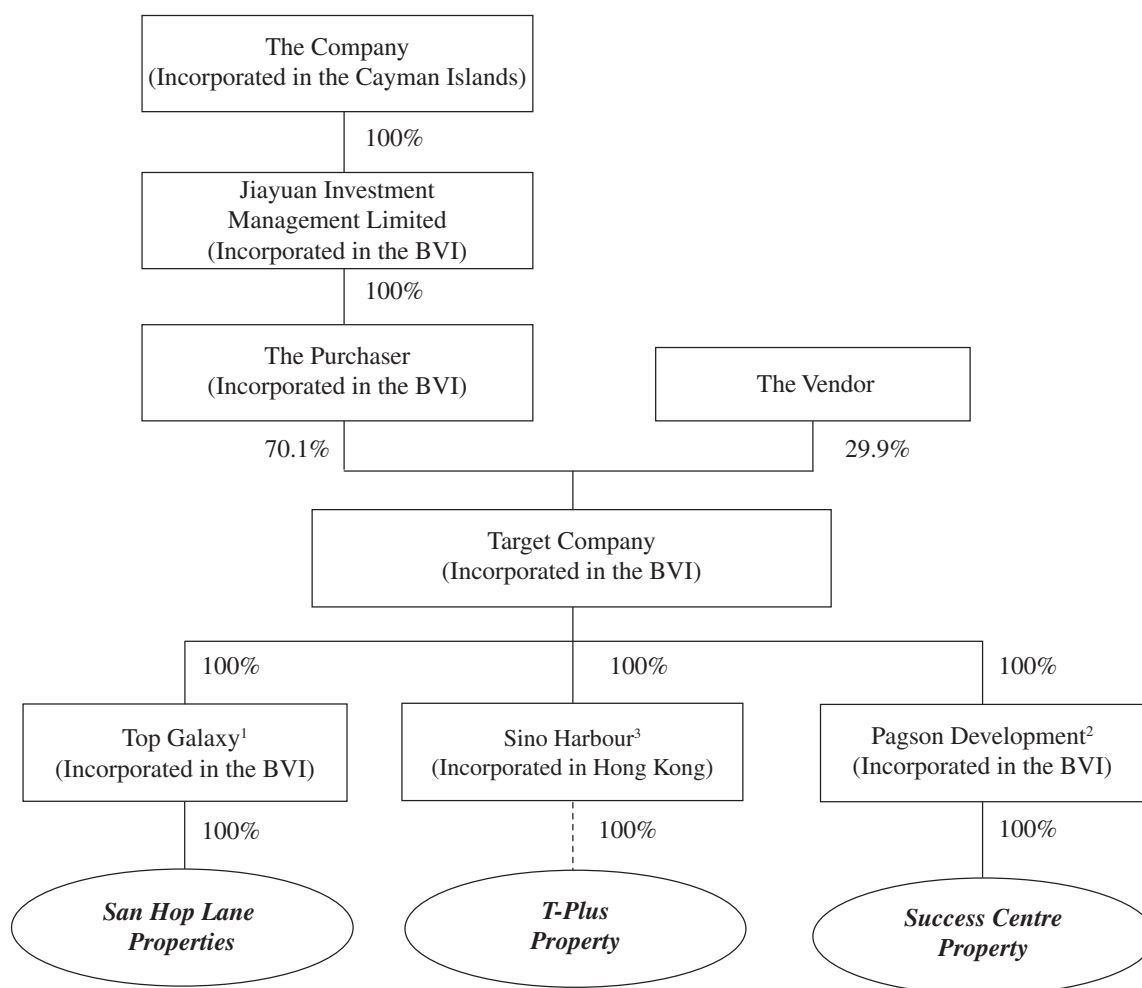
Notes:

1. Top Galaxy Limited holds the entire issued share capital of East Concept and West Dynasty. East Concept holds the entire issued share capital of Easytex Enterprises, Great Time, Healthy Longevity, Mega East, Star Happy and Dawin Investment, and West Dynasty holds the entire issued share capital of Queenston Investment. Easytex Enterprises, Great Time, Healthy Longevity, Mega East, Star Happy, Dawin Investment and Queenston Investment are the only registered and beneficial owners of the San Hop Lane Properties.
2. Power Gain holds the entire issued share capital of Pagson Development. Pagson Development holds the entire issued share capital of Wall Street, which is the only registered and beneficial owner of the Success Centre Property.
3. Sino Harbour entered into the Strategic Champ Agreement and the Excel Billion Agreement on 19 June 2017 in respect of the acquisition of the entire issued share capital of and the shareholder loan owing by each of Strategic Champ and Excel Billion. Strategic Champ and Excel Billion in aggregate hold the entire issued share capital of Champ Success, which is the only registered and beneficial owner of the T-Plus Property. As at the date of this announcement, Sino Harbour has not completed the acquisition of the entire issued share capital of and the shareholder loan owing by each of Strategic Champ and Excel Billion.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to implement the Restructuring by:

- (i) transferring and assigning the entire issued share capital of, and all shareholder loan(s) owing by, Top Galaxy to the Target Company;
- (ii) procuring the entire issued share capital of, and all shareholder loan(s) owing by, Pagson Development to be transferred and assigned to the Target Company;
- (iii) procuring Wall Street being the registered and beneficial owner of the Success Centre Property to reorganise its share capital such that (and amends its articles of associations to reflect that) the existing issued ordinary share(s) shall be reclassified as Class A Share(s), and a new class of shares known as Class B Shares shall be created and 1 of which shall be issued to the Vendor, with the effect that (i) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Included Portion shall be for the account of Pagson Development, and thus the Group, and (ii) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Retained Portion shall be for the account of the Vendor; and
- (iv) transferring and assigning the entire issued share capital of, and all shareholder loan(s) owing by, Sino Harbour to the Target Company.

Set out below is a simplified structure chart showing the shareholding structure of the Target Group immediately after the Restructuring and the Completion:



Notes:

1. Top Galaxy Limited holds the entire issued share capital of East Concept and West Dynasty. East Concept holds the entire issued share capital of Easytex Enterprises, Great Time, Healthy Longevity, Mega East, Star Happy and Dawin Investment, and West Dynasty holds the entire issued share capital of Queenston Investment. Easytex Enterprises, Great Time, Healthy Longevity, Mega East, Star Happy, Dawin Investment and Queenston Investment are the only registered and beneficial owners of the San Hop Lane Properties.
2. Power Gain holds the entire issued share capital of Pagson Development. Pagson Development holds the entire issued share capital of Wall Street, which is the only registered and beneficial owner of the Success Centre Property.
3. Sino Harbour entered into the Strategic Champ Agreement and the Excel Billion Agreement on 19 June 2017 in respect of the acquisition of the entire issued share capital of and the shareholder loan owing by each of Strategic Champ and Excel Billion. Strategic Champ and Excel Billion in aggregate hold the entire issued share capital of Champ Success, which is the only registered and beneficial owner of the T-Plus Property. As at the date of this announcement, Sino Harbour has not completed the acquisition of the entire issued share capital of and the shareholder loan owing by each of Strategic Champ and Excel Billion.

Completion

Completion shall take place on the Completion Date, or on such other date as the Vendor and the Purchaser may agree in writing.

If the Purchaser is unable or unwilling to proceed to Completion with condition(s) (c)(i), (c)(ii), (d)(i) and/or (d)(ii) as set out in the section headed “**Conditions Precedent**” above being the only condition(s) not satisfied on the Completion Date:

- (A) an amount of HK\$65,753,800 out of the initial deposit paid as part payment of the Consideration shall be forfeited to the Vendor without any interest or cost as liquidated damages on the date scheduled for Completion and the remainder of the initial deposit paid attributable to Sino Harbour, Strategic Champ, Excel Billion and Champ Success shall be immediately upon demand by the Purchaser returned to the Purchaser without any interest or cost, whereupon neither party shall have any further claim or cause of action the other party under or in respect of the Purchaser’s failure to comply with its obligations for Completion;
- (B) conditional upon: (i) conditions (c)(i) and (c)(ii) and/or conditions (d)(i) and (d)(ii); and (ii) the other conditions as set out in the section headed “**Conditions Precedent**” above being satisfied (or waived by the Purchaser) on or before 9 November 2018, then Completion shall take place in accordance on the date falling 15 Business Days following the date on which the last relevant condition being satisfied or waived (“**Satisfaction Date**”), provided that the Vendor and the Purchase shall proceed to Completion on the Completion Date as far as practicable as if the condition(s) set out in (c)(i), (c)(ii), (d)(i) and/or (d)(ii) is/are the only condition(s) which has/have not been unsatisfied on the Satisfaction Date;
- (C) the Vendor shall not transfer and assign the entire issued share capital of, and all shareholder loan(s) owing by, Sino Harbour to the Company;
- (D) the Consideration shall be reduced to exclude the portions representing (i) 70.1% of the difference between the agreed value of the T-Plus Included Portion of HK\$938,000,000 and the aggregate amount of the purchase price (before any adjustment) payable under the T-Plus Agreements (to the extent attributable to the T-Plus Included Portion) of HK\$916,860,000; and (ii) the aggregate amount of the deposits paid under the T-Plus Agreements (to the extent attributable to the T-Plus Included Portion) as at Completion; and
- (E) Sino Harbour shall not be considered to be part of the Group for the purpose of the preparation, audit, agreement and/or determination of the Pro Forma Completion Accounts and the Completion Accounts and the determination of the Net Asset Value.

THE SHAREHOLDERS' AGREEMENT

Upon the Completion, a shareholders' agreement will be entered into between the Vendor, the Purchaser and the Target Company to regulate the business, governance and other related matters concerning the Target Company.

Parties

- (i) the Purchaser, as a shareholder of the Target Company
- (ii) the Vendor, as a shareholder of the Target Company
- (iii) the Target Company

Business

Unless otherwise approved unanimously by the Vendor and the Purchaser, the business of the Target Group includes, among others, (a) acquiring the T-Plus Included Portion; (b) carrying out, completing and rectifying defects in the renovation works in respect of the revitalisation of the San Hop Lane Properties and the Success Centre Included Portion, and the construction works in respect of the T-Plus Included Portion; and (c) holding, leasing, sales, marketing, management, operation, maintenance and disposal of the San Hop Lane Properties, the Success Centre Included Portion and T-Plus Included Portion, or any part(s) thereof.

Management

Neither the Purchaser nor the Vendor shall have the right to remove the directors so appointed and/or nominated by the other party. The power to manage the affairs, operation and the business of the Target Group shall be vested with the management team comprising members jointly nominated by the Purchaser and the Vendor subject to the supervision of the board of directors.

Funding

The working capital requirements of the Target Group shall be met initially by the existing contribution of the Purchaser and the Vendor to the share capital of the Target Company and by shareholder loans from the Purchaser and the Vendor. The Target Group may also raise capital and obtaining financing or other forms of financial support from financial institutions or other third party sources to, among others, provide financing for Sino Harbour to complete the acquisition of the entire issued share capital of Strategic Champ and Excel Billion that indirectly hold T-Plus Property.

Restriction on Transfer

Neither the Purchaser nor the Vendor shall be entitled to sell its/his shares in the Target Company without the prior written consent of the other party. The Vendor shall grant to the Purchaser a right of first refusal as and when he proposes to sell all (but not some only) of his shares in the Company. There shall be a drag-along right in favour of the Purchaser and a tag-

along right in favour of the Vendor, in the event that the Purchaser proposes to sell more than 50% of the entire issued share capital of the Target Company.

Unsold Properties

In the event that any unit of the Properties shall remain unsold after the expiration of 2 years (or such other period as the Purchaser and the Vendor may agree) (“Disposal Period”) from the date of the issuance of the relevant occupation permit, certificate of compliance or certificate of completion of the relevant works in accordance with the relevant approved alteration and addition works plans (as the case may be), then the Purchaser and the Vendor shall use their best endeavours to agree on the distribution of the unsold units in a cost-effective manner and to reflect their respective shareholding in the Target Company.

T-Plus Property

The Purchaser and the Vendor shall procure that, following the completion of the acquisition of the entire issued share capital of Strategic Champ and Excel Billion, Champ Success reorganises its share capital such that the existing issued ordinary shares shall be reclassified as Class A Shares, and a new class of shares known as Class B Shares shall be created and 1 of which shall be issued to the Vendor with the effect that (i) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the T-Plus Included Portion shall be for the account of Sino Harbour, and thus the Group, and (ii) all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the T-Plus Retained Portion shall be for the account of the Vendor.

Vendor’s call opinion

The Target Company shall, and the Purchaser and Vendor shall procure that the Company shall, grant to the Vendor an option for the Vendor to require that the Target Company sells to it:

- (a) (i) in the event that 90% of the units constituting the Success Centre Included Portion have been sold or (ii) within a period of 12 months following the expiry of the Disposal Period (whichever is the earlier), the entire issued share capital of and the shareholder loan(s) owing by Pagson Development; and/or
- (b) (i) in the event that 90% of the units constituting the T-Plus Included Portion have been sold or (ii) within a period of 12 months following the expiry of the Disposal Period (whichever is the earlier), the entire issued share capital of and the shareholder loan(s) owing by Sino Harbour.

Acquisition of Top Galaxy

In the event that the transfer and assignment of the entire issued share capital of, and all shareholder loan(s) owing by, Top Galaxy to the Target Company has not been carried out as part of the Restructuring due to non-fulfilment of certain conditions precedent(s) for the Completion, the Vendor shall sell and the Target Company shall purchase the entire issued

share capital and the shareholder loan(s) owing by Top Galaxy at the consideration of HK\$2,500,000,000 less the amount of HK\$112,000,000, subject to adjustment with reference to the Net Asset Value of Top Galaxy and its subsidiaries.

Acquisition of Success Centre Group

In the event that the transfer and assignment of the entire issued share capital of, and all shareholder loan(s) owing by, Pagson Development to the Target Company has not been carried out as part of the Restructuring due to non-fulfilment of certain conditions precedent(s) for the Completion, the Vendor shall sell and the Target Company shall purchase the entire issued share capital and the shareholder loan(s) owing by Pagson Development at the consideration of HK\$850,000,000, subject to adjustment with reference to the Net Asset Value of Pagson Development and its subsidiaries.

GENERAL INFORMATION OF THE PARTIES

Information of 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.

Information of the Vendor

Mr. Tang Shing Bor, a highly regarded property investor in Hong Kong, has over 40 years of experience in property investment and is known for his deep knowledge of the market and keen insights into commercial property value creation in Hong Kong.

Mr. Tang focuses on value-added to opportunistic investing across property classes ranging retail, industrial, office, residential and hotel. He specialises in reconfiguring and repositioning under-performing or under-utilized properties.

INFORMATION OF THE TARGET GROUP AND THE PROPERTIES

The following table sets out the financial information of the Target Group as extracted from its pro forma unaudited consolidated management accounts for the two years ended 31 December 2016 and 2017, respectively.

	Year ended 31 December	
	2016	2017
	<i>HK\$</i>	<i>HK\$</i>
Net loss before and after taxation and extraordinary items	10,906,568	15,793,427

As at 31 December 2017, the unaudited pro forma net liabilities value of the Target Group was approximately HK\$26,118,546.

Upon Completion, assuming the Restructuring has been fully completed and the Target Company has acquired the entire issued share capital of Top Galaxy Pagson Development and Sino Harbour prior to the Completion, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Properties

Assuming the Restructuring has been fully completed and the Target Company has acquired the entire issued share capital of Top Galaxy, Pagson Development and Sino Harbour, the Purchaser will, upon Completion, hold 70.1% of the entire issued share capital of the Target Company, which indirectly holds San Hop Lane Properties and Success Centre Property. The Target Company will also indirectly holds T-Plus Property after completion of the acquisition of the entire issued share capital of Strategic Champ and Excel Billion by Sino Harbour.

Further details in relation to the Properties are set out below:

(i) *San Hop Lane Properties*

The San Hop Lane Properties are located at Nos.1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong.

(ii) *T-Plus Property*

The T-Plus Property comprises all that piece or parcel of land registered in the Land Registry as Tuen Mun Town Lot No.499 together with all the messuages erections and buildings thereon now known as “TSENG CHOI STREET, AREA 4, TUEN MUN, NEW TERRITORIES”.

Pursuant to the Shareholders’ Agreement, Champ Success, being the only registered and beneficial owner of the T-Plus Property, will reorganise its share capital such that the existing issued ordinary share(s) of Champ Success will be reclassified as Class A Share(s), and a new class of shares known as Class B Share(s) shall be created, and 1 of which will be issued to the Vendor to the effect that all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the T-Plus Included Portion shall be for the account of Sino Harbour, thus the Group, while all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the T-Plus Retained Portion shall be for the account of the Vendor.

T-Plus Included Portion includes (a) the residential portion (i.e. 7th to 12th Floors and 15th to 21st Floors) of the T-Plus Property; and (b) the clubhouse on the 3rd Floor of the T-Plus Property and the plant and machinery room on the 6th Floor that serves the residential portion of the T-Plus Property.

(iii) Success Centre Property

The Success Centre Property comprises all that piece or parcel of ground registered in the Land Registry as THE REMAINING PORTION OF LOT NO.303 in Demarcation District No.444 together with all the messuages erections and buildings thereon now known as “SUCCESS CENTRE (成功中心)”.

Pursuant to the Restructuring, Wall Street, being the only registered and beneficial owner of the Success Centre Property, will reorganise its share capital such that the existing issued ordinary share(s) of Wall Street will be reclassified as Class A Share(s), and a new class of shares known as Class B Share(s) shall be created, and 1 of which will be issued to the Vendor to the effect that all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Included Portion shall be for the account of Pagson Development, thus the Group, while all assets and liabilities (including tax and other costs and expenses) and profits and losses relating to the Success Centre Retained Portion shall be for the account of the Vendor.

Success Centre Included Portion includes the office portion (i.e. 10th to 28th Floors) of the Success Centre Property.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Tuen Mun T-Plus Project

Located in No. 2 Tsing Min Path, Tuen Mun, the T-Plus Property is adjacent to several highlighted properties, enjoying a quiet surrounding environment and a pleasant living atmosphere. The district enjoys comprehensive supporting facilities. Besides being located within the quality school network in Tuen Mun District, it is only 3 minutes' walk from the Light Rail station, making it seamlessly connected with the Tuen Mun MTR Station, and is equipped with several round way bus routes to the downtown. The T-Plus Property is only 2 kilometers away from downtown and large shopping malls, satisfying the daily needs of local residents on clothing, food, accommodation and transport. The T-Plus Property has a gross floor area of approximately 148,000 square feet, which has been built as residential properties, equipped with a shopping center, clubhouse facilities and carpark of approximately 38,000 square feet, providing quality leisure and shopping experiences to the residents.

Tuen Mun San Hop Lane Project

Adjacent to Tuen Mun Park, Nos.1 and 3 San Hop Lane is only 3 minutes' walk to Tuen Mun MTR Station. Consisting of two industrial buildings with a total gross floor area of approximately 290,000 square feet which have already completed the revitalization work at the beginning of 2018, the project will be converted to office building and commercial building proposed to be equipped with restaurants, retail shops, office space, private clubhouse and carparks respectively. The Group expects that, upon the completion of Hong Kong-Zhuhai-Macao Bridge in the third quarter of 2018 as well as the completion of Tuen Mun – Chek Lap Kok Link, Tuen Mun will be located at the heart of the Guangdong-Hong Kong-Macao Greater Bay Area, thereby stimulating the economic activities in the surrounding areas, which in turn fostering the transformation of the industrial buildings within the area.

Kwai Chung Success Centre Project

The project is located at Nos. 26-38 Ta Chuen Ping Street, Kwai Chung, New Territories, which is a long established industrial area. It has a comprehensive transportation network with several bus routes running through Hong Kong, Kowloon and the New Territories, providing the public with transportation convenience. The project has a gross floor area of approximately 240,000 square feet and is now converting into a commercial building complex which consists of restaurants, office space and retail shops. Benefitting from the policy of revitalizing industrial buildings in the recent years, the area has been gradually developed into a business area with more office buildings and hotel projects about to complete, further enhancing its business position.

Since its listing on the Main Board of the Stock Exchange in March 2016, the Group has been striving to identify strategic cooperation partner proactively and seeking opportunities to enter into the Hong Kong property market. The Group's view is in line with that of the Stan Group, an experienced real estate investment company, which considers Kwai Chung and Tuen Mun as a growth point of the Hong Kong property investment market. Leveraging on its first-mover advantage processed after deeply rooted in Hong Kong for years, as well as the Group's development strategy of expanding its presences in the Guangdong-Hong Kong-Macao Greater Bay Area, the collaboration of the three abovementioned projects represents an opportunity for the Group to enter into the Hong Kong real estate market. The Group believes that it will further develop Hong Kong market through the collaboration platform with the Stan Group, exploring prime land parcels with promising growth prospects. This also represents the Group's entrance into a new core city of the Greater Bay Area again after tapping into Shenzhen and Macao in 2017.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Acquisition 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 (as defined under Rule 14.07 of the Listing Rules) in relation to the Acquisition exceed 5% but less than 25%, the Acquisition 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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“Board”	the board of Directors

“Business Day(s)”	a day (other than a Saturday and a Sunday) on which banks in Hong Kong are normally open for banking business to the public
“BVI”	the British Virgin Islands
“Champ Success”	Champ Success Development Limited 隆成發展有限公司, a company incorporated under the laws of Hong Kong with limited liability
“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)
“Completion”	completion of the Acquisition
“Completion Accounts”	the audited consolidated statement of financial position of the Target Group as at Completion and the audited consolidated statement of comprehensive income of the Target Group from the date of incorporation of the Target Company to the Completion Date
“Completion Date”	(a) 24 July 2018; (b) such other date as postponed in accordance with certain terms of the Sale and Purchase Agreement; or (c) such other date as the Vendor and the Purchaser may agree in writing on which Completion takes place
“connected persons”; “percentage ratio”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Consideration”	has the meaning ascribed thereto under the section headed “Sale and Purchase Agreement – Consideration” in this announcement”
“Dawin Investment”	Dawin Investment Limited 大榮投資有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Director(s)”	the director(s) of the Company
“East Concept”	East Concept Group Limited 華僑集團有限公司, a company incorporated under the laws of British Virgin Islands with limited liability

“Easytex Enterprises”	Easytex Enterprises Limited 怡德企業有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Excel Billion”	Excel Billion Corporation Limited 益兆興業有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Excel Billion Agreement”	the provisional agreement for sale and purchase dated 19 June 2017 entered into between, amongst others, Lam Chun Sum and Tang Kwan Tang (as vendors) and Sino Harbour (as purchaser) in relation to the sale and purchase of the entire issued share capital of, and the shareholder loan owing by, Excel Billion, or (if and when a formal sale and purchase agreement between the same parties in respect of such sale and purchase is entered into) such formal sale and purchase agreement
“Great Time”	Great Time International Limited 啟泰國際有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“Healthy Longevity”	Healthy Longevity Limited 養和堂有限公司, a company incorporated under the laws of Hong Kong with limited liability
“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
“Mega East”	Mega East Development Limited 誠東發展有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Net Asset Value”	the aggregate value of all consolidated assets minus the aggregate value of all consolidated liabilities of the Target Group as at Completion
“Pagson Development”	Pagson Development Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Power Gain”	Power Gain Investment Limited 力潤投資有限公司, a company incorporated under the laws of Hong Kong with limited liability

“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
“Pro Forma Completion Accounts”	the pro forma consolidated statement of financial position of the Target Group as at Completion and the pro forma consolidated statement of comprehensive income of the Target Group from the date of incorporation of the Target Company to the Completion Date
“Properties”	collectively the San Hop Lane Properties, T-Plus Included Portion and Success Centre Included Portion
“Purchaser”	Jiayuan (Hong Kong) Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Queenston Investment”	Queenston Investment Limited 均德投資有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Restructuring”	the restructuring of the group of companies to be included in the Target Group, details of which are set out in the section headed “Sale and Purchase Agreement – Restructuring” in this announcement
“Retained Properties”	collectively, the Success Centre Retained Portion and the T-Plus Retained Portion
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 May 2018 entered into between the Purchaser and Vendor in relation to the Acquisition
“San Hop Lane Properties”	Nos.1 and 3 San Hop Lane, Tuen Mun, New Territories, Hong Kong, as further described in the paragraph headed “Information on the Target Group and the Sale Properties – The Properties” in this announcement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Shareholders’ Agreement”	the shareholders agreement to be entered into between the Company, the Vendor and the Target Company in relation to the Target Group upon Completion

“Sino Harbour”	Sino Harbour Holdings Limited 國海集團有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Star Happy”	Star Happy Limited 樂星有限公司, a company incorporated under the laws of Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Champ Agreement”	the provisional agreement for sale and purchase dated 19 June 2017 entered into between, amongst others, Chun Wo (BVI) Limited (as vendor) and Sino Harbour (as purchaser) in relation to the sale and purchase of the entire issued share capital of, and the shareholder loan owing by, Strategic Champ, or (if and when the formal sale and purchase agreement between the same parties in respect of such sale and purchase is entered into) such formal sale and purchase agreement
“Strategic Champ”	Strategic Champ Holdings Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Success Centre Included Portion”	the Success Centre Property other than the Success Centre Retained Portion, as further described in the paragraph headed “Information of the Target Group and the Properties – The Properties’ in this announcement
“Success Centre Retained Portion”	Ground Floor to the 9th Floor of the Success Centre Property
“Success Centre Property”	all that piece or parcel of ground registered in the Land Registry as “THE REMAINING PORTION OF LOT NO.303 in Demarcation District No.444” together with all the messuages erections and buildings thereon known as “SUCCESS CENTRE (成功中心)”
“Target Company”	Jiayuan StanGroup Development Company Limited 佳源陸域發展有限公司 (formerly known as Eastwick Development Limited), a company incorporated under the laws of British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries upon completion of the Restructuring, including Top Galaxy, East Concept, West Dynasty, Easytex Enterprises, Great Time, Healthy Longevity, Mega East, Star Happy, Dawin Investment, Queenston Investment, Pagson Development, Wall Street and Sino Harbour

“Top Galaxy”	Top Galaxy Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“T-Plus Agreements”	the Strategic Champ Agreement and the Excel Billion Agreement, and “T-Plus Agreement” means any of them as the context may require
“T-Plus Included Portion”	the T-Plus Property other than the T-Plus Retained Portion, as further described in the paragraph headed “Information of the Target Group and the Properties – The Properties” in this announcement
“T-Plus Property”	all that piece or parcel of land registered in the Land Registry as “Tuen Mun Town Lot No.499” together with all the messages erections and buildings thereon known as “TSENG CHOI STREET, AREA 4, TUEN MUN, NEW TERRITORIES”
“T-Plus Retained Portion”	the commercial portion including all car parking spaces and the residential care home for the elderly (RCHE) on the 5th Floor of the T-Plus Property
“Vendor”	Mr. Tang Shing Bor (鄧成波)
“Wall Street”	Wall Street 38 Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“West Dynasty”	West Dynasty Investments Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“%”	per cent.

By Order of the Board
Jiayuan International Group Limited
Shum Tin Ching
Chairman

Hong Kong, 24 May 2018

As at the date of this announcement, the non-executive Director of the Company is Mr. Shum Tin Ching; the executive Directors of the Company are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors of the Company are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang.