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中國奧園地產集團股份有限公司
China Aoyuan Property Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

**ACQUISITION OF THE ENTIRE EQUITY INTEREST OF
FOSHAN NANHAI HENGDE SHENGJIA PROPERTIES CO., LTD.***

THE ACQUISITION

The Board wishes to announce that on 9 December 2016 (after trading hours), the Vendor, the Purchaser, the Guarantors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company from the Vendor at the Consideration of RMB460,000,000 in cash. Upon Completion, the Purchaser will own the entire equity interest in the Target Company, which enables the Purchaser to develop and engage in the Land.

The Purchaser has further agreed to provide a loan to the Target Company for the sole purpose of settling the outstanding balance of the 2015 Facility and its associated costs and expenses.

The Guarantors have agreed to provide joint guarantee to the due performance of the obligations of the Vendor under the Equity Transfer Agreement.

The Completion is subject to the terms and conditions under the Equity Transfer Agreement as more particularly set out in the section headed “Completion”.

Following Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated by the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As Completion is subject to the terms and conditions under the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board wishes to announce that on 9 December 2016 (after trading hours), the Purchaser, the Vendor and the Guarantors entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company from the Vendor at the Consideration of RMB460,000,000 in cash.

THE EQUITY TRANSFER AGREEMENT

Summarised below are the principal terms of the Equity Transfer Agreement:

Date: 9 December 2016 (after trading hours)

Parties: (a) the Purchaser;
(b) the Vendor;
(c) the Target Company; and
(d) the Guarantors.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Vendor, the Target Company, the Guarantors and their ultimate beneficial owners are Independent Third Parties.

Nature of the transaction and assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company. Upon Completion, (a) the Purchaser will own the entire equity interest in the Target Company, which enables the Purchaser to develop and engage in the Land; and (b) the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated by the Group.

The Purchaser has further agreed to provide a loan of RMB130,000,000 to the Target Company to settle the outstanding balance of the 2015 Facility (as defined below) and its associated costs and expenses. For details of the 2015 Facility, please refer to the section headed "Settlement of the bank loan of the Target Company" below.

Payments

The Consideration payable by the Company is RMB460,000,000 and the facility of RMB130,000,000 to be advanced to the Target Company which shall be satisfied in the following manners and conditions:

Deposits in escrow bank accounts

- (a) *Deposit:* within three working days after the date of the Equity Transfer Agreement, the Purchaser shall deposit a sum of RMB50,000,000 (the “**Deposit**”) into an escrow bank account jointly maintained by the Vendor and the Purchaser (“**Escrow Bank Account A**”).
- (b) *Balance of Consideration and facility amount:* within three working days after the end of the due diligence period (being the tenth working day after the date of the Equity Transfer Agreement), the Purchaser shall deposit (i) a sum of RMB410,000,000, being the remaining balance of the Consideration; and (ii) RMB130,000,000, being the amount to be lent to the Target Company for settlement of the 2015 Facility, into another escrow bank account jointly maintained by the Vendor and the Purchaser (“**Escrow Bank Account B**”).

Payment Arrangements

- (a) *The first payment:* the first payment of RMB250,000,000 shall be transferred from Escrow Bank Account B by the Purchaser to the designated bank account of the Vendor within three working days upon the date that the following conditions are fulfilled:
 - (i) filing procedures in respect of the registration of the transfer of 100% equity interest in the Target Company with the relevant industry and commerce administration bureau having been completed, and the relevant receipt of acceptance having been obtained;
 - (ii) the review and approval procedures in respect of taxation and payment of foreign exchange having been completed; and
 - (iii) company seals, company stamps, agreements, documents, licenses and permits of the Target Company having been under the joint control of the Vendor and the Purchaser.
- (b) *The second payment:* the second payment of RMB205,000,000 shall be transferred from Escrow Bank Account B by the Purchaser to the designated bank account of the Vendor within three working days upon the date that the following conditions are fulfilled:
 - (i) the originals of the following having been transferred to the Purchaser from the Vendor, *inter alia*:
 - (1) company seals, company stamps, books and records, and licenses and permits of the Target Company; and
 - (2) agreements, documents, licenses, permits and approvals in relation to the Land;

- (ii) handover of management and operation in relation to the Land, including transfer of the related builder and construction plan, from the Vendor to the Purchaser having been completed;
 - (iii) 100% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, and the update and registration with the industry and commerce administration bureau having been completed (subject to receipt of the new business license);
 - (iv) proof of full settlement of the 2014 Facility (as defined below) having been provided by the Vendor to the Purchaser;
 - (v) proof of full settlement of the 2015 Facility (as defined below) having been provided by the Vendor to the Purchaser; and
 - (vi) the Deposit having been transferred to Escrow Bank Account B from Escrow Bank Account A by the Vendor.
- (c) *The third payment:* within three working days after one year from the date that 100% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, and provided that pledge of equity interest in the Target Company having been released and that there is no emergence of debts (including contingent, hidden or guaranteed liability) which is incurred by the Target Company, the Purchaser shall transfer RMB5,000,000, being the remaining balance of the Consideration, from Escrow Bank Account B to the designated bank account of the Vendor.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement and was determined with reference to (a) the paid-up registered capital of the Target Company; (b) the net asset value of the Target Company as at 25 November 2016; (c) the land costs paid by the Target Company; (d) the costs, compensation, taxes paid or to be paid by the Target Company in respect of certain construction work of the Land; and (e) other factors as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" below.

Based on the foregoing, the Directors are of the view that the Consideration is fair and reasonable. The Consideration shall be funded by the Group's internal resources and/or financing through bank borrowing as the Directors may deem appropriate.

Release of the pledge of equity interest in the Target Company by the Vendor

On 22 December 2015, the Vendor entered into an equity pledge agreement in favour of Hang Seng Bank Limited, pursuant to which the Vendor agreed to pledge its 100% equity interest in the Target Company to Hang Seng Bank Limited as guarantee (the "**Equity Pledge**") for banking facilities for its holding company (the "**2014 Facility**"). Pursuant to the Equity Transfer Agreement, the Vendor shall, (i) within ten working days upon receipt of the first payment of the Consideration from the Purchaser,

provide the Purchaser with proof of full settlement of the 2014 Facility; and (ii) within thirty days upon receipt of the first payment of the Consideration from the Purchaser, arrange with Hang Seng Bank Limited to release the Equity Pledge and provide the Purchaser with proof of release.

Settlement of the bank loan of the Target Company

On 12 November 2015, the Target Company as borrower and Foshan branch of Hang Seng Bank (China) Limited as lender entered into a facility agreement for a principal amount of RMB130,000,000 (the “**2015 Facility**”), which was secured by a joint guarantee provided by among others, the Vendor and the Guarantors.

Pursuant to the Equity Transfer Agreement, the Purchaser shall provide an interest free loan of RMB130,000,000 to the Target Company to settle the 2015 Facility in full, so as to release the aforesaid guarantee. The Purchaser shall, at the time of making the first payment of the Consideration to the Vendor, enter into a loan agreement with and make the proceeds available to the Target Company for the sole purpose of settling the 2015 Facility and associated costs and expenses. The Target Company shall forthwith settle the 2015 Facility with Foshan branch of Hang Seng Bank (China) Limited and provide the Purchaser with the proof of full settlement of the 2015 Facility.

Guarantee

The Guarantors agreed to provide joint guarantee to the due performance of the obligations of the Vendor under the Equity Transfer Agreement. The Guarantors guarantee that the representation and warranties given by the Vendor are true and accurate, and save as disclosed, the Target Company does not have any hidden or contingent liabilities, or legal disputes which will cause adverse impact on its financial condition.

COMPLETION

Completion shall take place on the date which:

- (a) 100% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, and the update and registration with the industry and commerce administration bureau having been completed;
- (b) handover of management and operation of the Land and of all the documents of the Target Company from the Vendor to the Purchaser having been completed; and
- (c) the old company seals and company stamps of the Target Company having been cancelled and new ones having been engraved.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group and its financial results will be consolidated into the Group.

TERMINATION OF THE ACQUISITION

If (a) it is discovered in the course of due diligence that there is any undisclosed matter or misrepresentation on the part of the Vendor which will cause or has caused loss or damage of over RMB20,000,000 to the Purchaser or the Target Company; or (b) the Vendor fails to observe its obligations under the Equity Transfer Agreement for over 30 days, the Purchaser is entitled to terminate the Equity Transfer Agreement, have the refund of the Consideration together with the premium from the Vendor calculated based on the formula provided in the Equity Transfer Agreement and claim against the Vendor for any loss therefrom.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated under the laws of the PRC and is wholly owned by the Vendor as at the date of this announcement. Its principal business is property development, comprising the development and construction of a project on the Land known as Ma An Industrial Zone, Shishan Town, Nanhai District, Foshan, Guangdong Province, the PRC* (中國廣東省佛山市南海區獅山鎮馬鞍工業區地段) with State-owned Land Use Rights Certificate Number of Nan Fu Guo Yong (2016) 0603646* (國有土地使用證：南府國用(2016)第0603646號) for residential and commercial uses with communal facilities ancillary thereto.

Although the Target Company has not obtained the approval opinions of the environmental impact assessment report from the relevant environmental protection department (the “**Approval Opinions**”), it has commenced construction work on the Land. The Purchaser is aware of the risks that the Target Company may be subject to administrative sanctions for carrying out construction work without obtaining the Approval Opinions. Pursuant to the Equity Transfer Agreement, the Purchaser shall apply for the Approval Opinions and shall be responsible for the related costs and penalty, if any, imposed on the Target Company by the relevant environmental protection department.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the unaudited financial information on the Target Company for the two financial years ended 31 December 2014 and 2015:

	For the financial year ended 31 December 2015 (unaudited) RMB'000	For the financial year ended 31 December 2014 (unaudited) RMB'000
Net profit (losses) before taxation	(314)	(642)
Net profit (losses) after taxation	(313)	(642)
Total assets	327,653	293,954
Total liabilities	78,608	144,596
Net assets	249,045	149,358

The unaudited net assets of the Target Company as at 25 November 2016 is approximately RMB246,935,490.

INFORMATION ABOUT THE VENDOR

The Vendor is a limited liability company established under the laws of BVI and its principal business is investment holding. As at the date of this announcement, the Vendor beneficially owns 100% equity interest in the Target Company.

INFORMATION ABOUT THE GUARANTORS

Nanhai Hengsheng is a limited liability company established under the laws of the PRC and its principal business is investment holding. Nanhai Jiamei is a limited liability company established under the laws of the PRC and its principal business is investment holding. Both of Nanhai Hengsheng and Nanhai Jiamei are fellow subsidiaries of the Vendor.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group comprise property development and property investment in the PRC. The Target Company is a limited liability company established under the laws of the PRC, which involves in the development of the Land in Foshan, Guangdong Province, the PRC, with a maximum plot ratio-based gross floor area of approximately 157,940.7 square meters for residential and commercial uses with communal facilities ancillary thereto. Having considered that (a) the Target Company has already obtained the State-owned Land Use Rights Certificate, the Planning Permit for Construction Land (建設用地規劃許可證), the Planning Permit for Construction Works (建設工程規劃許可證) and the Construction Work Permit (建設工程施工許可證) in respect of the Land; and (b) the construction works of several residential and commercial buildings have already commenced and the

expected completion date of the construction work on the Land would be around early 2018, the Directors are of the view that it would be more time efficient and cost effective for the Company to complete the construction with the existing valid permits and certificates and launch the project on the Land to the market.

The Directors are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As Completion is subject to the terms and conditions under the Equity Transfer Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China Aoyuan Property Group Limited, a company incorporated under the laws of the Cayman Islands, shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Consideration”	RMB460,000,000, being the consideration of the Acquisition
“Equity Transfer Agreement”	the equity transfer agreement dated 9 December 2016 and entered into between the Vendor, the Purchaser, the Guarantors and the Target Company in relation to the Acquisition
“Group”	the Company and its subsidiaries

“Guarantors”	Nanhai Hengsheng and Nanhai Jiamei, being the Vendor’s guarantors under the Equity Transfer Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Land”	a parcel of land located in Ma An Industrial Zone, Shishan Town, Nanhai District, Foshan, Guangdong Province, the PRC* (中國廣東省佛山市南海區獅山鎮馬鞍工業區地段) with State-owned Land Use Rights Certificate Number of Nan Fu Guo Yong (2016) 0603646* (國有土地使用證：南府國用(2016)第0603646號) for residential and commercial uses with communal facilities ancillary thereto
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanhai Hengsheng”	Foshan Nanhai Hengsheng Properties Company Limited* (佛山市南海恒勝置業有限公司), a company incorporated under the laws of the PRC
“Nanhai Jiamei”	Foshan Nanhai Jiamei Properties Company Limited* (佛山市南海嘉美置業有限公司), a company incorporated under the laws of the PRC
“PRC”	the People’s Republic of China
“Purchaser”	Guangdong Aoyuan Commercial Property Group Limited* (廣東奧園商業地產集團有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Foshan Nanhai Hengde Shengjia Properties Co., Ltd.* (佛山市南海恒德勝嘉置業有限公司), a limited liability company incorporated under the laws of the PRC
“Vendor”	Amass Victory Limited (集勝有限公司), a limited liability company incorporated under the laws of BVI. As at the date of this announcement, it holds the entire equity interest in the Target Company

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

By the order of the Board
China Aoyuan Property Group Limited
Guo Zi Wen
Chairman

Hong Kong, 9 December 2016

* All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only. If there is any inconsistency, the Chinese titles or names shall prevail.

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Ms. Zhong Ping and Mr. Ma Jun; the non-executive director of the Company is Mr. Yang Zhong, and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.