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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)

**(I) MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF THE
TARGET GROUP HOLDING PROPERTY
MANAGEMENT BUSINESS IN THE PRC
INVOLVING THE ISSUE OF CONSIDERATION
SHARES UNDER SPECIFIC MANDATE
AND**

**(II) CONTINUING CONNECTED TRANSACTIONS:
PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT**

The Board is pleased to announce that:

(i) The Sale and Purchase Agreement

On 19 September 2018 (after trading hours), the Company entered into the Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$688,974,000 which will be fully settled by the allotment and issue of the 50,180,189 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK\$13.73 per Consideration Share.

Upon Completion, each of the Target Group companies will become a wholly-owned subsidiary of the Group. The Target Group is principally engaged in the property management business in the PRC.

The 50,180,189 Consideration Shares represent approximately 2.02% of the issued share capital of the Company as at the date of this announcement and approximately 1.98% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares).

The Directors will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Consideration Shares to Mr. Shum or his nominee(s). An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

(ii) The Property Management Services Framework Agreement

Upon Completion, the Private Group is expected to continue to engage members of the Target Group to provide the Property Management Services to the Private Group's property development projects as property managers. On 19 September 2018, Chuangsheng Holdings, Zhejiang Jiayuan Property and the Company entered into the Property Management Services Framework Agreement, pursuant to which the parties agreed and confirmed that provision of the Property Management Services by the Group to the Private Group have been and will continue to be conducted on terms set out therein, from the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied to 31 December 2020 (both days inclusive) subject to the Annual Caps.

LISTING RULES IMPLICATIONS

(i) The Sale and Purchase Agreement

Major Transaction

The Acquisition and the Shanghai Acquisition constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with the Shanghai Acquisition, is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Connected Transaction

As at the date of this announcement, Mr. Shum, being the non-executive Director and the ultimate controlling shareholder of the Company, is interested in approximately 55.20% of the issued share capital of the Company, and thus, Mr. Shum is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

(ii) The Property Management Services Framework Agreement

Chuangsheng Holdings is a company beneficially wholly-owned by Mr. Shum. Members of the Private Group are associates of Mr. Shum, thus they are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the Annual Caps contemplated under the Property Management Services Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Property Management Services Framework Agreement are subject to the annual review, reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders by 31 October 2018, as additional time is required to prepare the aforesaid information for inclusion in the circular.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 19 September 2018 (after trading hours), the Company entered into (i) the Sale and Purchase Agreement with Mr. Shum, pursuant to which, the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$688,974,000, which will be fully settled by the allotment and issue of the 50,180,189 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK\$13.73 per Consideration Share; and (ii) the Property Management Services Framework Agreement subject to Completion.

Principal terms of the Sale and Purchase Agreement and the Property Management Services Framework Agreement are set out as follows:

(I) THE SALE AND PURCHASE AGREEMENT

Date

19 September 2018

Parties

- (a) the Company, as purchaser; and
- (b) Mr. Shum, as vendor.

Subject matter to be acquired

The Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company. The Company has the right to nominate and designate a wholly-owned subsidiary to take up the Sale Share upon Completion.

Pursuant to the Sale and Purchase Agreement, Mr. Shum agreed to procure the implementation of the Reorganisation, and completion of which is a condition precedent to Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and PRC operating companies conducting property management business. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed “Reorganisation” and “Information of the Target Group and its business”, respectively, in this announcement.

Consideration

The Consideration of HK\$688,974,000 will be fully settled by the allotment and issue of the 50,180,189 Consideration Shares by the Company to Mr. Shum or his nominee(s) at the Issue Price of HK\$13.73 per Consideration Share upon Completion.

The Consideration was arrived at after arm's length negotiations between the parties by reference to the preliminary business valuation of the Target Group in the amount of HK\$688,974,000 as at 30 June 2018 prepared by an independent valuer based on market approach.

Consideration Shares

The 50,180,189 Consideration Shares represent approximately 2.02% of the issued share capital of the Company as at the date of this announcement and approximately 1.98% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares).

The Issue Price of HK\$13.73 per Consideration Share represents:

- (a) a discount of approximately 5.31% to the closing price per Share of HK\$14.50 as quoted on the Stock Exchange on 19 September 2018, being the date of the Sale and Purchase Agreement;
- (b) a discount of approximately 4.25% to the average closing price per Share of HK\$14.34 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement; and
- (c) a discount of approximately 5.31% to the average closing price per Share of HK\$14.50 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The Issue Price was determined on an arm's length basis between the Company and Mr. Shum and was arrived at an approximately 7% discount to the average closing price of approximately HK\$14.76 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement. The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of an independent financial adviser) consider that the Issue Price is fair and reasonable.

Conditions precedent

Completion is conditional upon fulfilment or, where applicable, waiver of the following conditions:

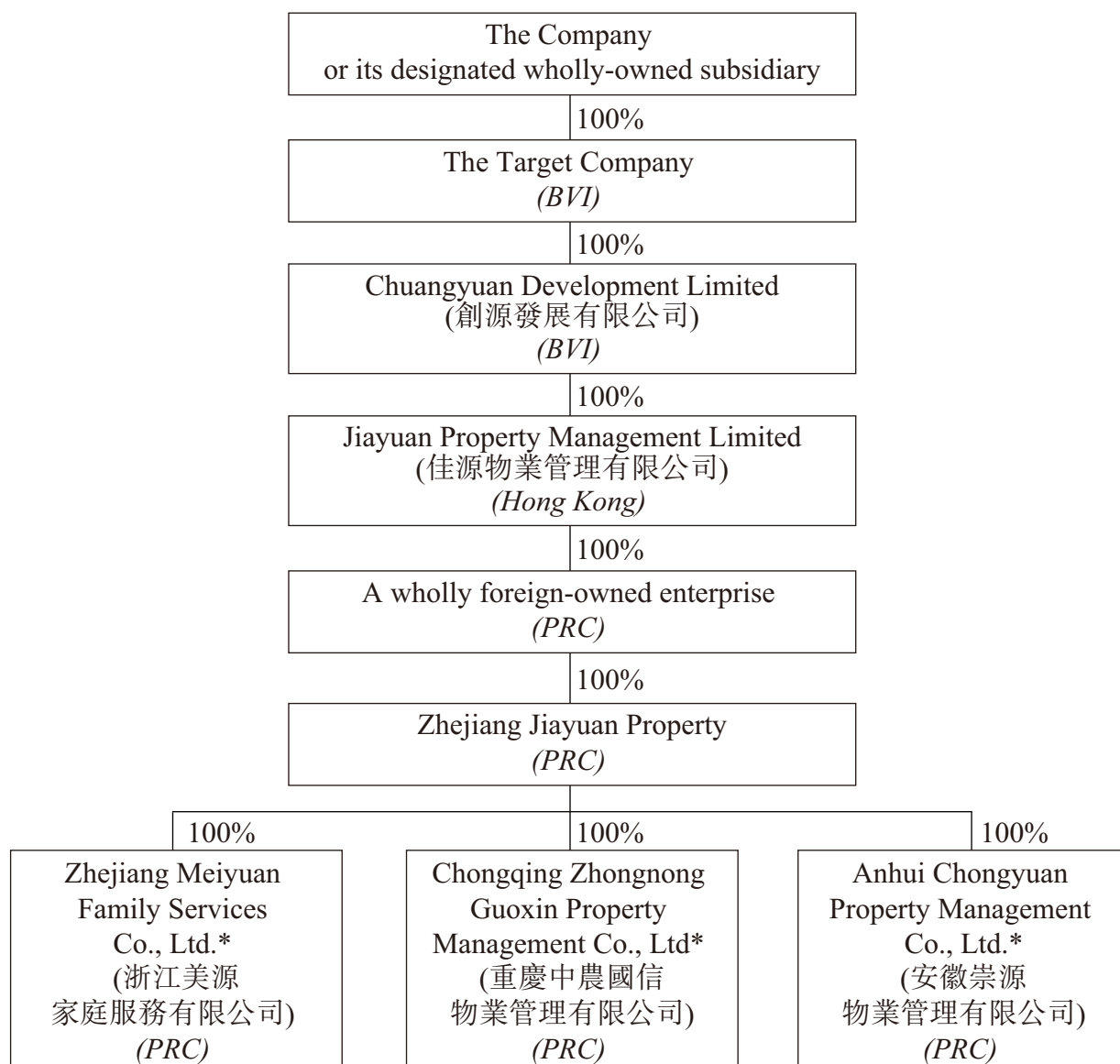
- (a) the Reorganisation having been completed pursuant to the Sale and Purchase Agreement;
- (b) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules;
- (c) the approval for the listing of, and permission to deal in, the Consideration Shares by the Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (d) all necessary consents, if any, from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (e) the Company having satisfied with the due diligence results of the Target Group in all respects; and
- (f) Mr. Shum having procured the transfer of the Retained Property Management Business to the Target Group or the taking up of the such business by the Target Group.

If any of the conditions set out above has not been satisfied or waived by the Company (other than conditions (a), (b) and (c) which may not be waived) on or before 31 December 2018 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

Reorganisation

Pursuant to the Reorganisation, Mr. Shum shall procure the transfer of the entire equity interest in the PRC operating companies into a PRC limited liability company, the entire equity interest of which will be wholly and ultimately owned by the Target Company. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and the PRC operating companies conducting the property management business. Upon Completion, each of the Target Group companies will become a wholly-owned subsidiary of the Group.

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



Completion

Completion shall take place on the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree. It is currently expected that the Completion will take place by the end of December 2018.

Non-competition Undertaking

Mr. Shum, through the Private Group, has interests in other property management business in the PRC other than those conducted by the Target Group (the “**Retained Property Management Business**”).

* for identification purposes only

Pursuant to the Sale and Purchase Agreement, Mr. Shum has agreed and undertaken in favour of the Company that starting from the date of Completion, he shall and shall procure companies controlled by him (other than members of the Group) not to, directly or indirectly, engage in, invest in or participate in any property management services in the PRC.

EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (a) as at the date of this announcement and (b) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition:

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares in full ⁽²⁾	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Shum and his associate(s) ⁽³⁾	1,368,152,863 ⁽¹⁾	55.20	1,418,333,052	56.09
Public Shareholders	1,110,187,679	44.80	1,110,187,679	43.91
Total	<u>2,478,340,542</u>	<u>100.00</u>	<u>2,528,520,731</u>	<u>100.00</u>

Notes:

- (1) The 1,368,152,863 Shares are held by Mingyuan Investment, which is 100% owned by Mr. Shum.
- (2) The figures above assume that other than the Consideration Shares, no further Shares are issued or repurchased by the Company, and no Shares are sold or purchased by Mr. Shum or his associate(s), in each case on or after the date of this announcement and up to the date the allotment and issue of the Consideration Shares.
- (3) On 5 June 2018, the Company entered into a sale and purchase agreement with Mr. Shum, pursuant to which the Company has conditionally agreed to acquire and Mr. Shum has conditionally agreed to sell the entire issued share capital of Huyuan Holdings Limited, at a consideration of HK\$693,628,828, which will be settled (a) as to HK\$277,451,552 by the allotment and issue of the 19,566,400 consideration shares by the Company to Mr. Shum or his nominee(s); and (b) as to HK\$416,177,276 in cash, upon completion. Completion of the Shanghai Acquisition is conditional upon the fulfilment of certain conditions precedent. As at the date of this announcement, the Shanghai Acquisition is not completed and the 19,566,400 consideration shares has not been allotted and issued. For further details of the Shanghai Acquisition, please refer to the announcement of the Company dated 5 June 2018.
- (4) The percentage figures included in this table are subject to rounding adjustment.

INFORMATION OF THE TARGET GROUP AND ITS BUSINESSES

The following table sets out the unaudited combined pro forma financial information of the Target Group for the two years ended 31 December 2016 and 2017, respectively, based on their respective unaudited management accounts prepared in accordance with the Hong Kong Financial Reporting Standards:

	Year ended 31 December	
	2016	2017
	<i>(rounded to nearest hundred)</i>	<i>(rounded to nearest hundred)</i>
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation and extraordinary items	1,085,800 (equivalent to approximately HK\$1,236,500)	23,924,700 (equivalent to approximately HK\$27,245,400)
Net profit after taxation and extraordinary items	848,400 (equivalent to approximately HK\$966,200)	20,936,500 (equivalent to approximately HK\$23,842,500)

As at 30 June 2018, the unaudited combined pro forma net asset value of the Target Group was approximately RMB99,334,200 (equivalent to approximately HK\$113,121,800).

To the best of the Company's knowledge, information and belief having made all reasonable enquiry, as the Target Group companies were established by Mr. Shum, and were not acquired from a third party, there is no original acquisition cost for the Target Group.

The Target Group and its business

The Target Company is a company incorporated in the BVI, which is wholly owned by Mr. Shum and will be the holding company of the Target Group upon completion of the Reorganisation.

The Target Group is principally engaged in the property management business, which primarily include (a) property management services such as security, repair and maintenance, cleaning and garden landscape maintenance provided to property owners of residential communities and commercial properties; and (b) pre-delivery property management services including on-site security, cleaning, greening and gardening as well as customer service and other ancillary services provided to property developers prior to the establishment of an owners' committee. The properties that the Target Group managed were located in the PRC. As at 30 June 2018, the properties under management by the Target Group mainly consisted of residential communities and commercial properties with an aggregate contracted GFA under management of over 25,000,000 square meters.

(II) THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Background

From time to time, the Target Group has in its ordinary and usual course of business provided to the Private Group property management services, including but not limited to (i) the provision of on-site security, cleaning, greening and gardening as well as customer service to the property sales centre of the Private Group at the pre-delivery stage; and (ii) the provision of property management services for the unsold portion of the property units, in respect of certain properties developed or owned by it (the “**Property Management Services**”).

Upon Completion, the Private Group is expected to continue to engage members of the Target Group to provide the Property Management Services to the Private Group’s property development projects as property managers. On 19 September 2018, Chuangsheng Holdings, Zhejiang Jiayuan Property and the Company entered into the Property Management Services Framework Agreement, pursuant to which the parties agreed and confirmed that provision of the Property Management Services by the Group to the Private Group have been and will continue to be conducted on terms set out therein, from the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied to 31 December 2020 (both days inclusive) subject to the Annual Caps.

Condition Precedent

The transactions contemplated under the Property Management Services Framework Agreement (together with the Annual Caps) are conditional upon the completion of the Acquisition.

Term

Subject to the fulfilment of the conditions precedent to the Property Management Services Framework Agreement on or before 31 December 2018 (or such other date as the parties may agree in writing), the Property Management Services Framework Agreement will commence on the day on which the condition precedent of the Property Management Services Framework Agreement having been satisfied and end on 31 December 2020 (both days inclusive).

Subject matter

Under the Property Management Services Framework Agreement, subject to the tender process as required under the relevant PRC property management laws and regulations for certain property management services, members of the Target Group shall provide the Property Management Services to members of the Private Group from time to time, provided that the aggregate management fees for the provision of the Property Management Services for the relevant year shall not exceed the corresponding Annual Caps set out in the paragraph headed “Annual Caps and basis” below. The parties will enter into specific implementation agreements in connection with the provision of the Property Management Services in accordance with the Property Management Services Framework Agreement, which will set out specific terms such as the unit management fees, GFA of the relevant properties and the scope of service.

Pricing basis

As a general principle, the price and terms of contracts with the Private Group shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm’s length basis and at prices and on terms no more favourable than those provided to the independent third party customers of the Group.

The management fees to be charged for the Property Management Services shall be determined after arm’s length negotiations taking into account the total GFA of the property development projects of which such Property Management Services is required, the anticipated operational costs (including labour costs, material costs and administrative costs) and the guidance rate set by the relevant government authorities (if any) or the prevailing market price for similar services and similar type of projects.

In accordance with the relevant PRC property management laws and regulations, the Group shall participate in and go through a tender process before being selected and appointed as a property manager for certain property management services. The price and terms of tenders submitted by the Group are subject to the standard tender submission procedures maintained by the Group, which apply to tenders submitted to both the Private Group and the independent third party customers.

For those property management services which are not subject to aforementioned tender process according to the prevailing PRC property management laws and regulations, the Group will compare the price quotes and terms of the property management services with those offered to the independent third party customers from time to time, so as to ensure that the offer price to the Private Group is no more favourable than those offered to the independent third party customers.

Historical transaction amounts

For each of the three financial years ended 31 December 2015, 2016 and 2017, the aggregate management fees paid by the Private Group to the Target Group in respect of the Property Management Services amounted to approximately RMB33,000,000 (equivalent to approximately HK\$37,580,400), RMB22,000,000 (equivalent to approximately HK\$25,053,600) and RMB40,000,000 (equivalent to approximately HK\$45,552,000), respectively.

Annual Caps and basis

The Annual Caps under the Property Management Services Framework Agreement for the financial years ending 31 December 2018, 2019 and 2020 shall be RMB52,000,000 (equivalent to approximately HK\$59,217,600), RMB66,000,000 (equivalent to approximately HK\$75,160,800) and RMB91,000,000 (equivalent to approximately HK\$103,630,800), respectively.

The Annual Caps are determined with reference to the following factors:

- (a) the historical amounts paid to the Target Group by the Private Group for the three financial years ended 31 December 2017;
- (b) the estimated revenue to be recognized in relation to the Property Management Services provided by the Target Group pursuant to subsisting service contracts;
- (c) the estimated GFA of the properties expected to be sold and delivered by the Private Group in the relevant years, projected with reference to the development plans of the Private Group, and an estimated portion of which will procure property management services from the Group; and
- (d) the estimated GFA of the potential unsold portion of the property units, estimated with reference to the total GFA of the unsold property units under management during the historical period, which is expected to remain relatively stable for the three financial years ending 31 December 2020.

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 (a) the development and sale of residential and commercial properties; (b) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (c) the leasing of commercial properties owned or developed by the Group.

Information of the vendor

Mr. Shum, is the chairman of the Board, the non-executive Director and the ultimate controlling shareholder of the Company.

Information of Chuangsheng Holdings

Chuangsheng Holdings is a company established under the laws of the PRC with limited liability. It is beneficially wholly-owned by Mr. Shum and principally engaged in property development, equity investment, enterprise investment and enterprise management consulting services.

REASONS FOR THE TRANSACTIONS

(i) The Sale and Purchase Agreement

The Group believes that the Acquisition is in line with the development strategy of the Company, and that the expansion into the property management business will lead to a more comprehensive coverage of the Group's business value chain. The Acquisition will further diversify the source of income of the Group, from which the Group could generate a stable source of management fees. Coupling with the synergy effect between the two businesses, the Group expects that the provision of the property management service could enhance property owner's adherence to the Group's property development business. The Group believes that the Acquisition would continue to expand the business scale and market share of the Group in the property market, and bring forth long-term stable and sustainable investment returns to the investors.

The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of an independent financial adviser) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable and are on normal commercial terms and the entering into the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

(ii) The Property Management Services Framework Agreement

It is considered that the provision of the Property Management Services is consistent with the commercial objectives of the Group and fall within the ordinary and usual course of business of the Group upon Completion. The Directors consider that the provision of the Property Management Services to the Private Group under the Property Management Services Framework Agreement will provide the Company with stable rental income and allow it to maximise the profits.

The Directors (including the independent non-executive Directors) consider that the terms of the Property Management Services Framework Agreement (including the Annual Caps) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank pari passu in all respects with the existing Shares in issue.

LISTING RULES IMPLICATIONS

(i) The Sale and Purchase Agreement

Major Transaction

The Acquisition and the Shanghai Acquisition constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with the Shanghai Acquisition, is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Connected Transaction

As at the date of this announcement, Mr. Shum, being the non-executive Director and the ultimate controlling shareholder of the Company, is interested in approximately 55.20% of the issued share capital of the Company, and thus, Mr. Shum is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

(ii) The Property Management Services Framework Agreement

Chuangsheng Holdings is a company beneficially wholly-owned by Mr. Shum. Members of the Private Group are associates of Mr. Shum, thus they are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to the Annual Caps contemplated under the Property Management Services Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Property Management Services Framework Agreement are subject to the annual review, reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Voting at the EGM will be conducted by poll and Mr. Shum and his associates shall abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Mr. Shum, the chairman of the Board and the non-executive Director of the Company, is the vendor of the Acquisition and the ultimate beneficial owner of the Private Group. Mr. Shum has abstained from voting on the Board resolutions approving the Sale and Purchase Agreement, the Property Management Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, (a) no other Director has a material interest in the Sale and Purchase Agreement, the Property Management Services Framework Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; and (b) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the aforesaid matters.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, *JP* and Mr. Gu Yunchang, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched by the Company to the Shareholders by 31 October 2018, as additional time is required to prepare the aforesaid information for inclusion in the circular.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share by the Company from Mr. Shum pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“Annual Caps”	the maximum management fees payable by the Private Group to the Group in respect of the Property Management Services for the term of the Property Management Services Framework Agreement
“associates”; “connected person(s)”; “continuing connected transaction”; “controlling shareholder(s)”; and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	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
“Chuangsheng Holdings”	佳源創盛控股集團有限公司 (Jiayuan Chuangsheng Holdings Group Co., Ltd.*), a company established under the laws of the PRC 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”	the completion of the Acquisition
“Consideration”	the total consideration of HK\$688,974,000 for the Acquisition
“Consideration Shares”	50,180,189 new Shares to be allotted and issued by the Company to Mr. Shum or his nominee(s)
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, <i>JP</i> and Mr. Gu Yunchang, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Issue Price”	HK\$13.73 per Consideration Share
“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 BVI with limited liability, which is interested in approximately 55.20% of the issued share capital of the Company as at the date of this announcement
“Mr. Shum”	Mr. Shum Tin Ching, the chairman, the non-executive Director, the ultimate controlling shareholder of the Company and the ultimate beneficial owner of the Private Group
“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
“Private Group”	Chuangsheng Holdings and its subsidiaries from time to time

“Property Management Services”	has the meaning ascribed to it under the paragraph headed “(II) The Property Management Services Framework Agreement – Background” in this announcement
“Property Management Services Framework Agreement”	the framework agreement entered into between Chuangsheng Holdings, Zhejiang Jiayuan Property and the Company on 19 September 2018 in respect of the engagement of members of the Group by members of the Private Group for the provision of the Property Management Services
“Reorganisation”	such arrangement and restructuring of companies comprising the Target Group to be taken and/or procured by Mr. Shum pursuant to the terms of the Sale and Purchase Agreement, further details of which are set out in the paragraph headed “Reorganisation” in this announcement
“Retained Property Management Business”	has the meaning ascribed to it under the paragraph headed “(I) The Sale and Purchase Agreement – Non-competition Undertaking” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 September 2018 and entered into between the Company and Mr. Shum in relation to the Acquisition
“Sale Share”	one (1) share of the Target Company, representing 100% of the issued share capital of the Target Company
“Shanghai Acquisition”	the acquisition of the entire issued share capital of Huyuan Holdings Limited (滙源控股有限公司) by the Company from Mr. Shum pursuant to a sale and purchase agreement dated 5 June 2018, the details of which are set out in the announcement of the Company dated 5 June 2018
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Chuangyuan Holdings Limited (創源控股有限公司), a company incorporated under the laws of the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries upon completion of the Reorganisation
“Zhejiang Jiayuan Property”	Zhejiang Jia Yuan Property Management Co., Ltd.* (浙江佳源物業管理有限公司), a company established under the laws of the PRC with limited liability, and a Target Group company
“%”	per cent.

* *for identification purposes only*

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.1388. 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
Cheuk Hiu Nam
Executive Director

Hong Kong, 19 September 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.