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JOVAN 佳源

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)

13.75% Senior Notes due 2023

(Stock Code: 40023)

12.5% Senior Notes due 2023

(Stock Code: 40406)

12.5% Senior Notes due 2023

(Stock Code: 40552)

11.0% Senior Notes due 2024

(Stock Code: 40684)

7.00% Green Convertible Bonds due 2025

(Stock Code: 40779)

**ANNOUNCEMENT ON
(1) MAJOR TRANSACTION –
DISPOSAL OF THE TARGET COMPANY;
(2) WINDING-UP PETITIONS AGAINST THE COMPANY;
AND
(3) RESUMPTION OF TRADING**

THE DISPOSAL

On 30 May 2022, Hong Kong Jia Yuan, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which, Hong Kong Jia Yuan has agreed to sell, and the Purchaser has agreed to purchase, the Sale Interest, representing the entire equity interest in the Target Company at the total consideration of RMB879 million.

The Target Company (through Yancheng Xingzhou) is the developer of the Property Development Project, being a property development project of a residential and commercial complex on a parcel of land located to the east of Renmin Road (人民路) and north of Nanhuan Road (南環路), Yancheng City, Jiangsu Province, the PRC, with a site area of approximately 130,827 sq.m. and an aggregate gross floor area of 469,279 sq.m. upon completion, which is currently under construction.

Upon Completion, each member of the Target Group will cease to be a subsidiary of the Company.

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 Disposal is more than 25% but less than 75%, the Disposal 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.

As at the date of this announcement, Mingyuan Investment and Mr. Shum together own 3,352,970,136 Shares in aggregate, representing approximately 68.29% of the issued share capital of the Company. As no Shareholder has any material interest in the Disposal and no Shareholder would be required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Disposal, the Company obtained a written shareholders' approval on 30 May 2022 from Mingyuan Investment and Mr. Shum, being a closely allied group of shareholders, approving the Disposal under Rule 14.44 of the Listing Rules. Mingyuan Investment and Mr. Shum confirmed that they had not dealt with the Shares after being informed of the Disposal. Accordingly, no extraordinary general meeting of the Company will be convened to approve the Equity Transfer Agreement and the Disposal contemplated thereunder.

GENERAL

A circular containing, among other things, (i) further details of the Disposal under the Equity Transfer Agreement; (ii) further information on the Target Group and the Property Development Project; (iii) a property valuation report of the property interests under the Property Development Project; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 23 June 2022. If additional time is required for preparing the information required to be disclosed in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

WINDING-UP PETITIONS AGAINST THE COMPANY

The Board would like to inform the Shareholders, the Noteholders and potential investors that the Company was served with two Winding-up Petitions.

On the limited information available at present, the Board does not consider that these claims will have a material or significant impact on the operation of the Company or its financial position. The Company intends to defend the Winding-up Petitions vigorously.

RESUMPTION OF TRADING

References are made to (i) the announcement of the Company dated 30 May 2022 in relation to the trading halt of the Shares and the Notes on the Stock Exchange; and (ii) the announcement of the Company dated 31 May 2022 in relation to certain inside information and continuation of trading halt of the Shares and the Notes.

At the request of the Company, trading in the Shares and the Notes on the Stock Exchange was halted with effect from 9:00 a.m. on Monday, 30 May 2022, pending release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in the Shares and the Notes on the Stock Exchange with effect from 9:00 a.m. on Thursday, 2 June 2022.

THE DISPOSAL

On 30 May 2022, Hong Kong Jia Yuan, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which, Hong Kong Jia Yuan has agreed to sell, and the Purchaser has agreed to purchase, the Sale Interest, representing the entire equity interest in the Target Company at the total consideration of RMB879 million.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

30 May 2022

Parties

- (a) Hong Kong Jia Yuan, as seller;
- (b) the Purchaser, as purchaser.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries,

- (i) the Purchaser is owned as to 51% by Zhejiang Taiding Investment Co., Ltd.* (浙江泰鼎投資有限公司) and 49% by Shaoxing Buheng Property Development Co., Ltd.* (紹興步恆置業發展有限公司), respectively;
- (ii) Zhejiang Taiding Investment Co., Ltd.* is owned as to 65% by Sun Lian Qing (孫連清) and 35% by Xu Li Li (徐麗麗), respectively;
- (iii) Shaoxing Buheng Property Development Co., Ltd.* is indirectly wholly-owned by Chu Gen Shui (褚根水); and
- (iv) each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject Matter

Pursuant to the Equity Transfer Agreement, Hong Kong Jia Yuan has agreed to sell and the Purchaser has agreed to purchase the Sale Interest, representing the entire equity interest in the Target Company, which is the holder of 65% equity interest in Yancheng Xingzhou, the developer of the Property Development Project.

Consideration

The total consideration for the Disposal is RMB879 million, which shall be settled by the Purchaser in cash upon Completion.

The consideration for the Disposal was determined after arm's length negotiations between the parties after taking into account, among other factors, (i) the cost of acquisition of the Land of approximately RMB1,041,538,600 under a public bidding process in 2019 and the development cost of the Property Development Project of approximately RMB524,573,500 incurred prior to the date of the Equity Transfer Agreement; (ii) the expected market value of the Property Development Project upon completion; and (iii) the current market sentiment of the real estate sector in the PRC.

Completion

The Completion shall take place upon the completion of all the registration procedures with the relevant local branch of the State Administration for Market Regulation in relation to the transfer of the Sale Interest from Hong Kong Jia Yuan to the Purchaser and the settlement of the consideration by the Purchaser.

Upon Completion, each member of the Target Group will cease to be a subsidiary of the Company and the financial results of the Target Group will not be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET GROUP

The Target Group comprises the Target Company and Yancheng Xingzhou, which is owned as to 65%, 20% and 15% by the Target Company, Urban Economics and Chengnan Real Estate, respectively, immediately prior to Completion. The Target Group is principally engaged in real estate development and management.

The Target Group (through Yancheng Xingzhou) is the developer of a property development project (the "**Property Development Project**") of a residential and commercial complex on a parcel of land located to the east of Renmin Road (人民路) and north of Nanhuan Road (南环路), Yancheng City, Jiangsu Province, the PRC (the "**Land**"). The site area of the Land is approximately 130,827 sq.m. with an aggregate gross floor area of 469,279 sq.m. upon completion. As at the date of this announcement, the Property Development Project is still under construction.

A summary of the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2020 and 2021, respectively, are set out below:

	For the year ended 31 December	
	2020	2021
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation and extraordinary items	2,061,000	4,963,000
Net loss after taxation and extraordinary items	1,921,000	3,982,000

The consolidated net asset value of the Target Group was approximately RMB417,162,000 and RMB706,521,000 as at 31 December 2020 and 31 December 2021, respectively.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Group will cease to be consolidated in the financial statements of the Group. With reference to the consideration in the amount of RMB879 million of the Disposal and the carrying value of the Target Group of approximately RMB457,384,000 as at 31 December 2021 and without taking into account the expenses in connection with the Disposal, the estimated gain before taxation from the Disposal is approximately RMB421,616,000. The actual gain or loss on the Disposal may be different from the above estimate and is subject to review and final audit by the Company's auditors.

It is expected that the net proceeds from the Disposal will be used for general working capital and repayment of liabilities of the Group.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

In view of the current liquidity crisis of the real estate sector in the PRC, the Directors consider the Disposal provides a good opportunity for the Group to cash out its initial investment amount in the Property Development Project by way of the Disposal in a much shorter period of time as compared to the normal development and sale cycle of a property development project in order to provide additional liquidity to the Group.

On the above premises, the Directors are of the view that the Equity Transfer Agreement and the Disposal contemplated thereunder are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 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 Hong Kong Jia Yuan

Hong Kong Jia Yuan is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Information of the Purchaser

The Purchaser is a company established under the laws of the PRC with limited liability.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) the Purchaser is owned as to 51% by Zhejiang Taiding Investment Co., Ltd.* (浙江泰鼎投資有限公司) and 49% by Shaoxing Buheng Property Development Co., Ltd.* (紹興步恆置業發展有限公司), respectively; (ii) Zhejiang Taiding Investment Co., Ltd.* is owned as to 65% by Sun Lian Qing (孫連清) and 35% by Xu Li Li (徐麗麗), respectively; and (iii) Shaoxing Buheng Property Development Co., Ltd.* is indirectly wholly-owned by Chu Gen Shui (褚根水). Each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Purchaser is principally engaged in real estate consulting, brokerage and management.

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 Disposal is more than 25% but less than 75%, the Disposal 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.

As at the date of this announcement, Mingyuan Investment and Mr. Shum together own 3,352,970,136 Shares in aggregate, representing approximately 68.29% of the issued share capital of the Company. As no Shareholder has any material interest in the Disposal and no Shareholder would be required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Disposal, the Company obtained a written shareholders' approval on 30 May 2022 from Mingyuan Investment and Mr. Shum, being a closely allied group of shareholders, approving the Disposal under Rule 14.44 of the Listing Rules. Mingyuan Investment and Mr. Shum confirmed that they had not dealt with the Shares after being informed of the Disposal. Accordingly, no extraordinary general meeting of the Company will be convened to approve the Equity Transfer Agreement and the Disposal contemplated thereunder.

GENERAL

A circular containing, among other things, (i) further details of the Disposal under the Equity Transfer Agreement; (ii) further information on the Target Group and the Property Development Project; (iii) a property valuation report of the property interests under the Property Development Project; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 23 June 2022. If additional time is required for preparing the information required to be disclosed in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

WINDING-UP PETITIONS AGAINST THE COMPANY

The Board would like to inform the Shareholders, the Noteholders and potential investors that the Company was served with two winding-up petitions filed with the Court of First Instance of the High Court of the Hong Kong against the Company in respect of an indebtedness allegedly due and payable by the Company in an aggregate amount of approximately HK\$15,000,000 (the “Winding-up Petitions”).

On the limited information available at present, the Board does not consider that these claims will have a material or significant impact on the operation of the Company or its financial position. The Company intends to defend the Winding-up Petitions vigorously.

RESUMPTION OF TRADING

References are made to (i) the announcement of the Company dated 30 May 2022 in relation to the trading halt of the Shares and the Notes on the Stock Exchange; and (ii) the announcement of the Company dated 31 May 2022 in relation to certain inside information and continuation of trading halt of the Shares and the Notes.

At the request of the Company, trading in the Shares and the Notes on the Stock Exchange was halted with effect from 9:00 a.m. on Monday, 30 May 2022, pending release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in the Shares and the Notes on the Stock Exchange with effect from 9 a.m. on Thursday, 2 June 2022.

DEFINITIONS

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

“Board”	the board of Directors
“Chengnan Real Estate”	Yancheng Chengnan Real Estate Development Co., Ltd.* (鹽城市城南房地產開發有限責任公司), 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”	completion of the Disposal, meaning the completion of all the registration procedures with the relevant local branch of the State Administration for Market Regulation in relation to the transfer of the Sale Interest from Hong Kong Jia Yuan to the Purchaser and the settlement of the consideration by the Purchaser
“connected person(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules

“Directors”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 30 May 2022 and entered into between Hong Kong Jia Yuan and the Purchaser in relation to the sale and purchase of the Sale Interest
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Jia Yuan”	Hong Kong Jia Yuan Holdings Limited (香港佳源集團有限公司), a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Land”	a parcel of land, the details of which are set out under the section headed “Information of the Target Group” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mingyuan Investment”	Mingyuan Group Investment Limited (明源集團投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability, which is indirectly ultimately controlled by Mr. Shum
“Mr. Shum”	Mr. Shum Tin Ching, the chairman of the Company and a non-executive Director
“Note(s)”	the debt securities of the Company listed and traded on the Stock Exchange (Stock Codes: 40023, 40406, 40552, 40684 and 40779)
“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
“Property Development Project”	a project development property, the details of which are set out under the section headed “Information of the Target Group” of this announcement
“Purchaser”	Jiaxing Yuetai Property Co., Ltd.* (嘉興越泰置業有限公司), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in the Target Company

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Yancheng Xiangyuan Property Co., Ltd.* (鹽城祥源房地產有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company immediately prior to Completion
“Target Group”	the Target Company and Yancheng Xingzhou
“Urban Economics”	Urban Economics Pte. Ltd.(新加坡城市經濟發展有限公司), a company established under the laws of Singapore with limited liability
“Yancheng Xingzhou”	Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd.* (鹽城星洲佳源房地產開發有限公司), a company established under the laws of the PRC with limited liability and owned as to 65%, 20% and 15% by the Target Company, Urban Economics and Chengnan Real Estate, respectively
“%”	per cent.

* *for identification purposes only*

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

Hong Kong, 1 June 2022

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