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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF A SUBSIDIARY

The Board wishes to announce that on 31 January 2013, Aoyuan Group (a wholly-owned subsidiary of the Company), Li's and the Target Company entered into the Agreement pursuant to which the Target Company agreed to a capital increase and Aoyuan Group agreed to make a capital contribution of RMB76,500,000 for 51% of the enlarged issued share capital of the Target Company immediately following Completion and Li's agreed to make a further capital contribution of RMB4,620,000 to the Target Company. As at Completion, the issued share capital of the Target Company will increase from RMB68,800,000 to RMB150,000,000 in which Aoyuan Group will have 51% shareholding and Li's will jointly have 49% shareholding in the Target Company.

Subject to Li's agreeing to pledge their 49% shareholding in the Target Company to Aoyuan Group and the personal guarantee to be provided by Li Wei Quan, Aoyuan Group agreed to facilitate the Loan of RMB173,500,000 to the Target Company upon and subject to the terms and conditions set out in the Agreement.

Aoyuan Group further agreed to provide the Target Company the Shareholder's Loan provided that the total investment amount of Aoyuan Group in the transaction contemplated under the Agreement taking into account the capital contribution of RMB76,500,000, the Loan and the Shareholder's Loan together will not exceed RMB525,000,000.

As the transaction contemplated under the Agreement exceed 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules.

THE TRANSACTION

The Board wishes to announce that on 31 January 2013, Aoyuan Group (a wholly-owned subsidiary of the Company), Li's and the Target Company entered into the Agreement pursuant to which the Target Company agreed to a capital increase and Aoyuan Group agreed to make a capital contribution of RMB76,500,000 for 51% of the enlarged issued share capital of the Target Company immediately following Completion and Li's agreed to make a capital contribution of RMB4,620,000 to the Target Company. As at Completion, the issued share capital of the Target Company will increase from RMB68,800,000 to RMB150,000,000 in which Aoyuan Group will have 51% shareholding and Li's will jointly have 49% shareholding in the Target Company.

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Aoyuan Group further agreed to provide the Target Company the Shareholder's Loan provided that the total investment amount of Aoyuan Group in the transaction contemplated under the Agreement taking into account the capital contribution of RMB76,500,000, the Loan and the Shareholder's Loan together will not exceed RMB525,000,000.

BACKGROUND OF THE TRANSACTION

As at the date of this announcement, the Target Company has obtained the National Land Use Permit no. B0401602 with the total area of approximately 220,968.7 sq.m. while Kangwei Sports has been holding the National Land Use Permit no. B0401601, Property Rights Permit no. C6237283 and Property Rights Permit no. C6237284 with a total area of approximately 8,000.17 sq.m, 1,948.95 sq.m and 1,946.24 sq.m respectively. The Project Land is subject to a mortgage with ICBC XT branch as at the date of this announcement.

Li's intended to redevelop the Project Land and applied for the Change of Land Use Rights. Li's and Aoyuan agreed to jointly redevelop the Project Land through the Target Company upon and subject to the terms and conditions set out in the Agreement.

AGREEMENT

Summarised below are the principal terms of Agreement:

Date

31 January 2013

Parties

- (1) Aoyuan Group;
- (2) Li's; and
- (3) Target Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Li's, the Target Company and its ultimate beneficial owner(s) are Independent Third Parties.

Shareholding and issued share capital of the Target Company upon Completion

Pursuant to the Agreement:

- (a) Aoyuan Group has agreed to inject a sum of RMB76,500,000 for 51% of the enlarged issued share capital of the Target Company immediately following Completion;
- (b) Li's have agreed to further inject RMB4,620,000 and shall jointly hold 49% of the enlarged issued share capital of the Target Company; and
- (c) Upon Completion, the Target Company shall adopt a capital increase and the enlarged issued share capital of the Target Company shall be RMB150,000,000.

For further information on the Target Company, please refer to the paragraph headed "Information on the Target Company" below.

Investment amount

The capital contribution of RMB76,500,000 of Aoyuan Group to the Target Company was arrived at after arm's length negotiations between the Company and the other parties to Agreement and was determined with reference to the unaudited consolidated net asset value of the Target Company as at 31 December 2012 of RMB51,062,706.

The total capital contribution of RMB76,500,000, the Loan and the Shareholder's Loan will be provided by the Aoyuan Group in the following manner:

- (a) RMB50,000,000 being part of the Loan will be paid to the Target Company within five (5) days from the date of Agreement for the settlement of removal compensation, relocation of staffs and rental compensation;
- (b) RMB76,500,000 the capital contribution will be paid to the Target Company within ten (10) days from the date of Agreement;

- (c) RMB70,000,000 being part of the Loan will be paid by Aoyuan Group within five (5) days after the Completion and Aoyuan becomes a duly registered shareholder of 51% of the entire share capital of Target Company and all removal compensation to existing tenants and removal process have been completed;
- (d) RMB53,500,000 being the remaining part of the Loan will be paid by Aoyuan Group within five (5) days after obtaining the relevant approval from the PRC authorities for the redevelopment and Change of Land Use Rights by the Target Company; and
- (e) The Shareholder's Loan will be provided by Aoyuan Group to the Target Company upon the Target Company receiving the payment notice from the relevant government authorities in respect of the Change of Land Use Rights.

The transaction contemplated under Agreement will be funded by the Group's internal resources.

Other major terms of the Agreement

Pursuant to the Agreement:

- (a) Li's warrant that before 31 August 2013, (i) the Project Land shall be duly discharged from the mortgage with ICBC XT branch; (ii) National Land Use Permit no. B0401601, Property Rights Permit no. C6237283 and Property Rights Permit no. C6237284 will be duly transferred to the Target Company and all necessary approvals for the Change of Land Use Rights will be obtained by the Target Company; (iii) the Target Company will have duly settled all removal compensation to existing tenants and removal process will have been completed; (iv) all demolishing works on the Project Land will have been duly completed for the redevelopment purpose; and (v) the Target Company will have duly relocated all existing staff and paid all relevant compensation.
- (b) in the consideration of the provision of the Loan to the Target Company by Aoyuan, Li's agreed to pledge the entire 49% shareholding in the Target Company to Aoyuan Group (the "**Shares Pledge**"), Li Wei Quan agreed to provide a personal guarantee ("**PG**") as security to the Loan and the Project Land shall be pledged to Aoyuan Group after the relevant mortgage with ICBC XT branch is duly discharged (the "**Land Pledge**"). Aoyuan Group has agreed to release the Shares Pledge, PG and Land Pledge upon becoming a duly registered shareholder of 51% of the entire share capital of the Target Company and the Target Company has obtained all necessary approvals for the Change of Land Use Rights.
- (c) In the event the Target Company fails to obtain all necessary approvals for the Change of Land Use Rights before 31 August 2013, then (i) the Target Company shall repay the Loan with an adjusted annual interest of 25% to Aoyuan Group by 1 November 2013 failing which the Target Company shall be liable for an additional sum of RMD30,000,000; (ii) Aoyuan Group shall have a right to cancel the Agreement and Li's shall acquire the 51% shareholding of Aoyuan Group in the Target Company at a consideration equivalent to the capital contribution of RMB76,500,000 made by Aoyuan Group plus an annual interest of 25%.

- (d) In the event that the Target Company has obtained all necessary approvals for the Change of Land Use Rights but for the defaults of Li's and Aoyuan Group is unable to participate in the redevelopment of the Project Land pursuant to the Agreement, Li's shall be liable to pay Aoyuan Group a sum of RMB100,000,000.
- (e) Li's warrants that the floor area price for the Change of Land Use Rights shall not exceed RMB1,000 per sq.m. and Li's shall be responsible for the excess shall the floor area price is more than RMB1,000 per sq.m.
- (f) Upon Completion, a board of directors of the Target Company comprising of five (5) directors of whom three (3) shall be appointed by Aoyuan Group and two (2) shall be appointed by Li's will be set up. Legal representative and chairman of the Target Company shall be appointed by Aoyuan Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in premises rental (restricted to 增城市新塘鎮唐美村黃泥車 (in English, for identification purpose only, Zeng Cheng City Xin Tang Town Tang Mei Village Wang Ni Che), estate development, properties investment and estate management and was incorporated under the PRC laws. As at the date of this announcement, the Target Company duly holds the National Land Use Permit no. B0401602.

Further information on the Target Company as at the date of this announcement:

(a) Corporate information

Name	:	廣州康威集團有限公司 (in English, for identification purpose only, Guangzhou Kang Wei Group Company Limited)
Date of incorporation	:	8 July 1999
Place of incorporation	:	the PRC
Registered Address	:	廣州市增城新塘鎮康威工業區 (in English, for identification purpose only, Guangzhou City Zeng Cheng Xin Tang Town Kang Wei Industrial District)
Scope of business	:	premises rental (restricted to 增城市新塘鎮唐美村黃泥車 (in English, for identification purpose only, Zeng Cheng City Xin Tang Town Tang Mei Village Wang Ni Che), estate development, properties investment and estate management
Legal representative	:	Li Wei Quan

Authorized share capital : RMB68,880,000

Issued share capital : RMB68,880,000

Shareholders

Percentage held

Li Wei Quan 78.0052%

Li Wei Qiu 20.0058%

Li Xiao Ping 1.989%

(b) Financial information

Unaudited consolidated net asset value as at 31 December 2012 : RMB51,062,706

Unaudited consolidated net loss for the period ended 31 December 2012 : RMB6,035,686

REASONS FOR THE TRANSACTION

The principal activities of the Group comprise property development and property investment in the PRC. Despite the recent downturn of the global financial conditions, the Board is optimistic about the economy of the PRC, including the prospect of the PRC property market. The transaction contemplated under the Agreement is conducted in the ordinary and usual course of business of the Group and will be funded by the Group's internal resources. The Directors believe that the transaction is in line with the business plan of the Company and the transaction is in the best interest of the Company and the terms of the Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

The principal activities of the Group comprise the property development and property investment in the PRC.

Li's, the Target Company and its ultimate beneficial owner(s) are Independent Third Parties.

As the transaction contemplated under the Agreement exceeds 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

“Agreement”	agreement dated 31 January 2013 made between the Aoyuan Group, Li’s and the Target Company in relation to the capital contribution by Aoyuan Group and capital increase of the Target Company
“Aoyuan Group”	奧園集團有限公司 (in English, for identification purpose only, Aoyuan Group Company Limited), a limited company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Days”	a day (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Change of Land Use Rights”	a change of land use rights from industrial to commercial purpose including but not limited to commercial, hotels, offices, entertainment and exhibitions in relation to the Project Land
“Company”	China Aoyuan Group Property Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	Completion of the capital increase of the Target Company pursuant to the Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“ICBC XT Branch”	Guangzhou Xin Tang branch of Industrial and Commercial Bank of China
“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
“Kangwei Sports”	廣州康威集團體育用品股份有限公司 (in English, for identification purpose only, Guangzhou Kang Wei Group Sports Goods Company Limited), a limited company incorporated under the laws of the PRC
“Land Use Rights”	the land use rights in relation to the Project Land

“Li Wei Quan”	黎偉權, a PRC citizen
“Li Wei Qiu”	黎偉秋, a PRC citizen
“Li Xiao Ping”	黎小平, a PRC citizen
“Li’s”	Li Wei Quan, Li Wei Qiu and Li Xiao Ping
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan of RMB173,500,000 to be provided by Aoyuan Group to the Target Company at an annual interest rate of 16%
“National Land Use Permit no. B0401601”	增國用(2008)第B0401601號國有土地使用證
“National Land Use Permit no. B0401602”	增國用(2008)第B0401602號國有土地使用證
“PRC”	People’s Republic of China
“Project Land”	Four parcels of land located at 增城市新塘鎮唐美村黃泥車 (in English, for identification purpose only, Zeng Cheng City Xin Tang Town Tang Mei Village Wang Ni Che) with the total site area of approximately 232,864 sq.m. under National Land Use Permit no. B0401601, National Land Use Permit no. B0401602, Property Rights Permit no. C6237283 and Property Rights Permit no. C6237284
“Property Rights Permit no. C6237283”	粵房地證字第C6237283號房地產權證
“Property Rights Permit no. C6237284”	粵房地證字第C6237284號房地產權證
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meter
“Shareholder’s Loan”	shareholder’s loan to be provided by Aoyuan Group to the Target Company for financing the Change of Land Use Rights at an annual interest of 16%
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”

廣州康威集團有限公司 (in English, for identification purpose only, Guangzhou Kang Wei Group Company Limited), a limited company incorporated under the laws of the PRC and 100% owned by Li's

The exchange rate adopted for the purpose of the Agreement is HK\$1.00 = RMB0.81, which was the closing middle point spot rate for HK\$ against RMB quoted by the People's Bank of China on 7 February 2013.

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

Hong Kong, 7 February 2013

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Yang Zhong and, Ms. Xin Zhu; the non-executive director of the Company are Mr. Wu Jie Si and Mr. Paul Steven Wolansky; and the independent non-executive directors of the Company are Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung.