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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 TRANSACTIONS
ACQUISITION OF 50% OF THE ISSUED SHARE CAPITAL IN THE JV COMPANY
ACQUISITION OF 49% OF THE ENTIRE EQUITY INTEREST
IN THE PROJECT COMPANY
TERMINATION OF THE DEED AND DISSOLUTION OF JOINT VENTURE

THE ACQUISITION

On 9 October 2009, Add Lion, a wholly-owned subsidiary of the Company, and MGP Lotus, a wholly-owned subsidiary of MGP Asia III entered into the SPA, pursuant to which Add Lion agreed to purchase and MGP Lotus agreed to sell the Sale Shares which constitute 50% of the entire issued share capital of the JV Company at the consideration of USD5,001 and the Shareholder Loan at the consideration of HKD292,909,034. The Acquisition was completed on 9 October 2009. Detailed terms of the SPA are further described in the section headed “The SPA” in this announcement.

THE DEED OF TERMINATION

On 9 October 2009, the Company and MGP Asia III entered into the Deed of Termination, pursuant to which the Deed shall be terminated upon completion of the Acquisition.

THE EQUITY TRANSFER

On 9 October 2009, Aoyuan Group Limited, a wholly-owned subsidiary of the Company and East Harvest entered into the ETA, pursuant to which Aoyuan Group Limited agreed to purchase and East Harvest agreed to sell 49% of the entire equity interest in the Project Company at the consideration of HKD292,909,034. Detailed terms of the ETA are further described in the section headed “The ETA” in this announcement.

THE GUARANTEE

In consideration of MGP Lotus entering into the Definitive Agreements, the Company has unconditionally and irrevocably guaranteed to MGP Lotus the due and punctual performance and observance by Add Lion, the JV Company, Aoyuan Group Limited and Able Sharp of all their obligations under the Definitive Agreements.

IMPLICATION ON THE LISTING RULES

As the Acquisition and the Equity Transfer exceed 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition and the Equity Transfer constitute discloseable transactions for the Company under the Listing Rules.

BACKGROUND

Reference is made to the Company's announcement dated 9 April 2008 and the Company's circular dated 9 May 2008 in relation to the proposed formation of the Joint Venture.

Prior to the Acquisition, Able Sharp was the legal and beneficial owner of 5,000 ordinary shares of the JV Company (representing 50% of its entire issued share capital) and MGP Lotus was the legal and beneficial owner of the Sale Shares (representing the remaining 50% of the entire issued share capital of the JV Company). Each of Able Sharp and MGP Lotus had advanced a shareholder's loan in the amount of HKD375,000,000 to the JV Company. The structure of the JV Company and its subsidiaries immediately prior to the completion of the Acquisition is set out in the section headed "Information of the JV Company and its subsidiaries" below.

Although Able Sharp held 50% of the issued share capital of the JV Company, the JV Company was not treated as a subsidiary of the Company as the assets of the JV Company were not consolidated in the accounts of the Company.

Due to the reasons stated in the section headed "Reasons for the Dissolution" below, Able Sharp and MGP Lotus agreed that the Joint Venture be dissolved. For the purpose of the Dissolution, the following agreements were executed on 9 October 2009:

- (1) the SPA;
- (2) the Deed of Termination;
- (3) the ETA; and
- (4) the Deed of Amendment and Termination.

THE SPA

1. Date of the SPA

9 October 2009

2. Parties to the SPA

- (1) Purchaser: Add Lion, a wholly-owned subsidiary of the Company.
- (2) Vendor: MGP Lotus, a wholly-owned subsidiary of MGP Asia III. To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, MGP Lotus and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).
- (3) The Company.
- (4) Able Sharp, a wholly-owned subsidiary of the Company.
- (5) The JV Company.

3. Assets to be acquired

Under the SPA, Add Lion agreed to purchase and MGP Lotus agreed to sell the Sale Shares and the Shareholder Loan.

On completion of the Acquisition, the JV Company and its subsidiaries have become the subsidiaries of the Company.

4. Consideration

The Share Consideration is USD5,001 and is payable in HKD upon completion of the Acquisition.

The Loan Consideration is HKD292,909,034 and is payable in HKD in the following manner:

- (1) HKD190,390,872, being 65% of the Loan Consideration, payable by Add Lion to MGP Lotus on signing of the SPA; and
- (2) HKD102,518,162, being the remaining balance of 35% of the Loan Consideration, payable on the earlier of:
 - (i) 5 business days after the Company or Aoyuan Group Limited obtains the approvals from the PRC Authorities necessary for the remittance of the consideration for the Equity Transfer to East Harvest; and
 - (ii) three months from the date of signing of the SPA.

The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the parties to the SPA with reference to the original set up cost of the Joint Venture and the total amount contributed by the joint venture partners respectively. The Board considers that the Share Consideration and the Loan Consideration are normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5. Early Repayment

Add Lion may, subject to MGP Lotus' consent, pay the remaining 35% balance of the Loan Consideration prior to the day falling three months after the date of signing of the SPA. In case of early payment, Add Lion is entitled to a discount on the Loan Consideration.

Add Lion and MGP Lotus agreed that the Loan Consideration be paid in full upon signing of the SPA. Add Lion, therefore, was entitled to a discount in the sum of HKD2,044,746. The Loan Consideration after discount was HKD290,864,288.

6. Completion

Pursuant to the SPA, completion of the Acquisition takes place upon full payment of the Share Consideration and the Loan Consideration. Completion of the Acquisition is not conditional upon the completion of the Equity Transfer. As the Share Consideration and the Loan Consideration were satisfied fully upon signing of the SPA, the Acquisition was completed on 9 October 2009.

7. Source of funding for the Acquisition

The Share Consideration and the Loan Consideration were funded by way of financing from a bank in Hong Kong.

8. Other payments to be made under the SPA

Upon signing of the SPA, Add Lion paid to MGP Lotus a sum of HKD2,961,238, being the operating expenses previously paid by MGP Lotus (and its associates) on behalf of the JV Company and/or the Project Company.

Pursuant to the SPA, Add Lion would bear the legal costs and the expenses incurred by MGP Lotus on or after 16 June 2009 in connection with the negotiation, preparation and execution of the Definitive Agreements subject to a maximum amount of HKD500,000. The sum of HKD500,000 was paid by Add Lion upon signing of the SPA.

THE DEED OF TERMINATION

On 9 October 2009, the Company and MGP Asia III entered into the Deed of Termination, pursuant to which the Deed shall be terminated upon completion of the Acquisition.

THE ETA

1. Date of the ETA

9 October 2009

2. Parties to the ETA

(1) Purchaser: Aoyuan Group Limited, a company incorporated in the PRC and a wholly-owned subsidiary of the Company.

(2) Vendor: East Harvest.

3. Assets to be acquired

Under the ETA, Aoyuan Group Limited agreed to purchase and East Harvest agreed to sell 49% of the entire equity interest in the Project Company. On completion of the Equity Transfer, the Project Company will be held as to 49% by Aoyuan Group Limited, 49% by East Harvest and 2% by Guangdong Aoyuan.

4. Consideration

The consideration for the Equity Transfer is HKD292,909,034 and is payable after the PRC Authorities approved the Equity Transfer. The consideration for the Equity Transfer will be remitted to East Harvest in accordance with the conditions attached to the said approval (if any).

The consideration for the Equity Transfer was arrived at based on normal commercial terms after arm's length negotiations between the parties to the ETA with reference to the consideration for the Acquisition. As set out in the sub-paragraph headed "Reasons for entering into the ETA" below, the Group will use the consideration for the Equity Transfer to repay the bank loan for funding the consideration for the Acquisition. The Company estimated that the sum of HKD292,909,034 will be sufficient for the Group to repay the bank loan.

5. Condition precedent and termination

The Equity Transfer is subject to the approval of the PRC Authorities within 3 months and 25 days from the date of execution and the due payment of the balance of 35% of the Loan Consideration.

6. Source of Funding of Add Lion for the Equity Transfer

The consideration for the Equity Transfer will be paid in RMB which will be exchanged into HKD by available onshore funds of the Company.

7. Reasons for entering into the ETA

As disclosed, bank financing was used to fund the Share Consideration and the Loan Consideration. The proceeds from the Equity Transfer will be used to repay the bank facility.

THE DEED OF AMENDMENT AND TERMINATION

On 9 October 2009, the parties to the Shareholders' Agreement, namely, MGP Lotus, Able Sharp, the Company, the Project Company and the JV Company, entered into the Deed of Amendment and Termination in relation to the Shareholders' Agreement, pursuant to which:

- (1) from the date of execution of the Deed of Amendment and Termination, the Shareholders' Agreement would be amended and restated to reflect the managerial change that Able Sharp would nominate and appoint the chief executive officer and chief financial officer of the Project Company, who would be responsible for the day-to-day management of the Project Company in accordance with the amended and restated Shareholders' Agreement; and
- (2) the Shareholders' Agreement would be terminated on and from the date of completion of the Acquisition.

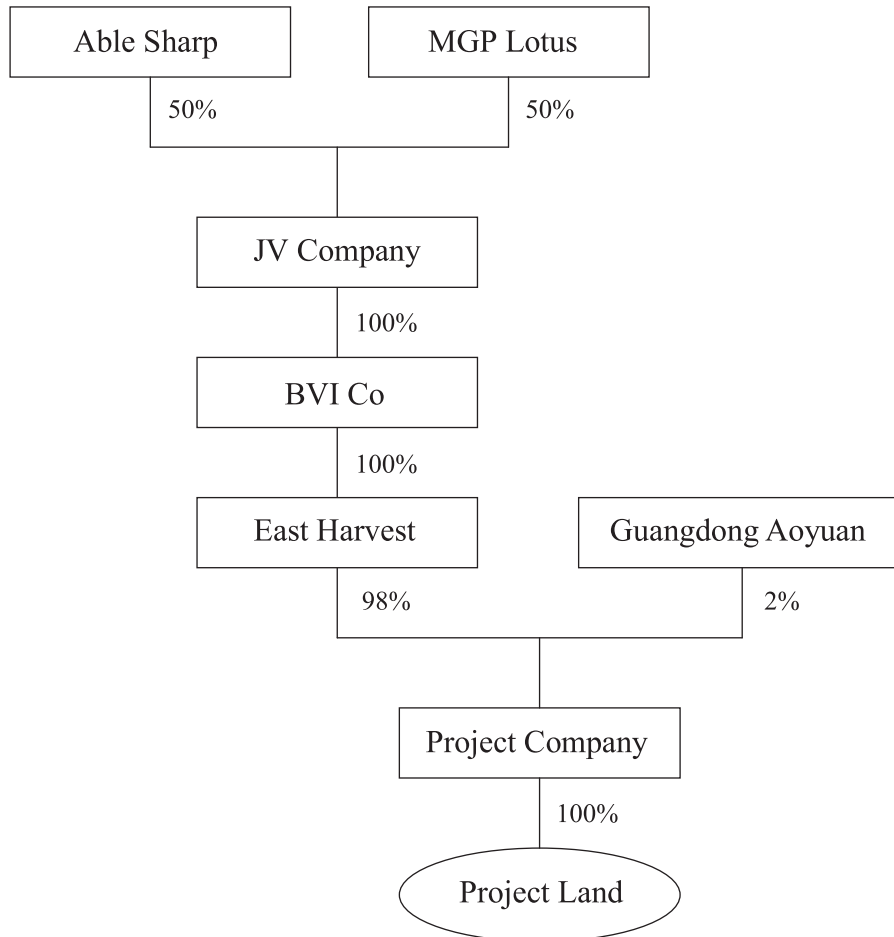
As completion of the Acquisition took place on 9 October 2009, the Shareholders' Agreement was terminated and ceased to have effect on the same day.

THE GUARANTEE

In consideration of MGP Lotus entering into the Definitive Agreements, the Company unconditionally and irrevocably guaranteed to MGP Lotus the due and punctual performance and observance by Add Lion, the JV Company and/or Able Sharp of all their obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Definitive Agreements and has agreed to indemnify MGP Lotus against all losses, damages, costs and expenses (including legal costs and expenses) which MGP Lotus may suffer through or arising from any breach by Add Lion, the JV Company and/or Able Sharp of such obligations, commitments, warranties, undertakings, indemnities or covenants. The Guarantee shall be released upon full discharge of Aoyuan Group Limited's obligations under the ETA and Add Lion's and the Company's obligations under the SPA.

INFORMATION ON THE JV COMPANY AND ITS SUBSIDIARIES

The corporate structure of the JV Company and its subsidiaries immediately prior to completion of the Acquisition and the Equity Transfer



1. The JV Company

The JV Company was incorporated under the laws of the British Virgin Islands on 19 March 2008 and is an investment holding company.

**For the period
commenced on
19 March 2008
and ended on
31 December 2008
(unaudited)**

Net loss before taxation	HKD(3,732,986)
Net loss after taxation	HKD(3,732,986)

**As at
31 December 2008**

Net asset	HKD761,344,822
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2. The BVI Co

The BVI Co was incorporated under the laws of the British Virgin Islands on 28 March 2008 and is an investment holding company.

**For the period
commenced on
28 March 2008
and ended on
31 December 2008
(unaudited)**

Net profit /(loss) before taxation	HKD0
Net profit/(loss) after taxation	HKD0

**As at
31 December 2008**

Net asset	HKD750,000,008
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3. East Harvest

East Harvest was incorporated under the laws of Hong Kong on 28 May 2007 and is an investment holding company.

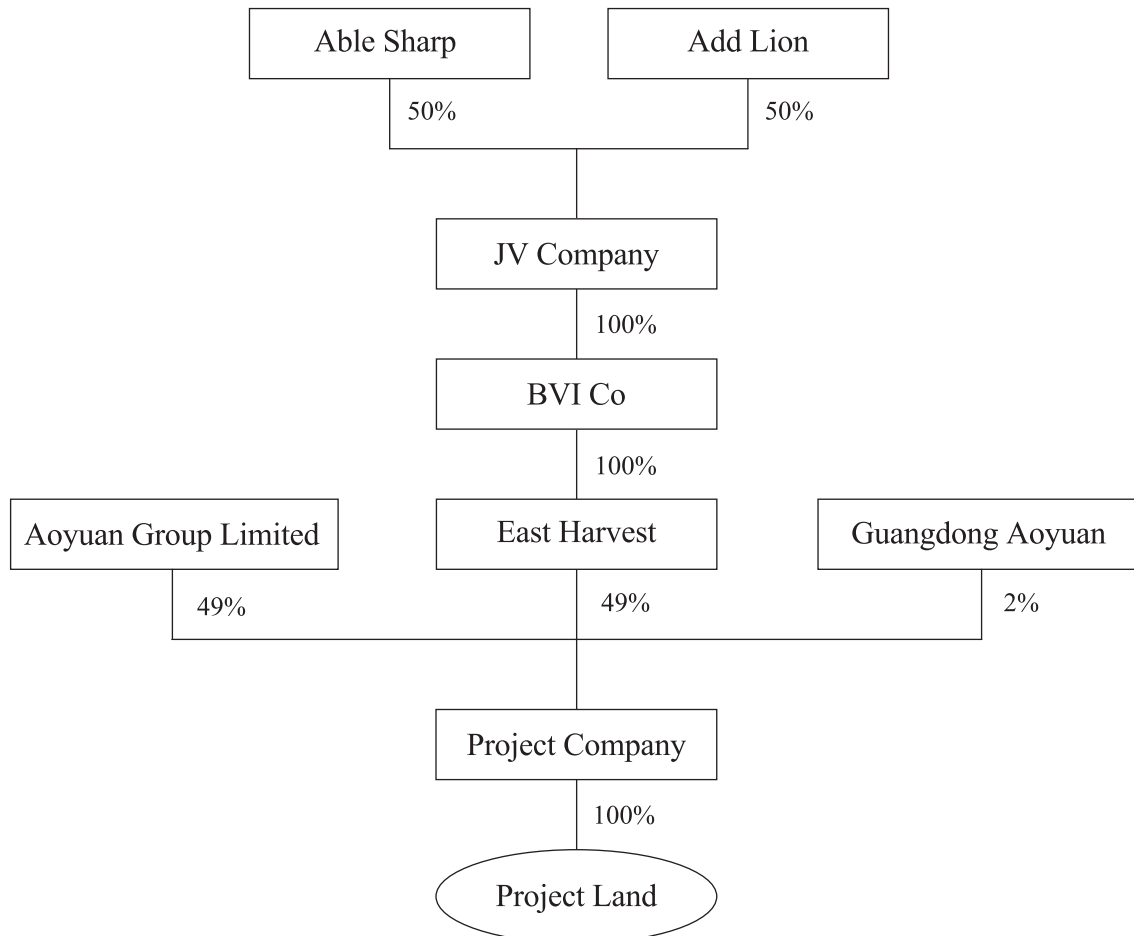
	For the year ended 31 December 2008 <i>(unaudited)</i>	For the year ended 30 June 2009 <i>(unaudited)</i>
Net profit before taxation	HKD4,649,769	HKD5,643
Net profit after taxation	HKD4,649,769	HKD5,643
	As at 31 December 2008	As at 30 June 2009
Net asset	HKD3,505,287	HKD3,510,760

4. The Project Company

The Project Company was incorporated under the laws of PRC on 28 February 2008. The principal business of the Project Company is the development and construction of the Project Land.

	For the period commenced on 28 February 2008 and ended on 31 December 2008 <i>(audited)</i>
Net loss before taxation	RMB(3,033,914)
Net loss after taxation	RMB(3,033,914)
	As at 31 December 2008
Net asset	RMB657,419,086

The corporate structure of the JV Company and its subsidiaries upon completion of the Acquisition and the Equity Transfer



REASONS FOR THE DISSOLUTION

The principal activities of the Group comprise of property development and property investment in the PRC. The principal business of the Project Company is the development and construction of the Project Land.

After the Joint Venture was formed, the development of the Project Land has not proceeded as planned. The Group plans to commence development on the Project Land forthwith after completion of the Acquisition. The Company was of the view that future sale of commercial properties to be developed on the Project Land will generate substantial revenue to the Group. The Company expects that in 2010, the Group will start to enjoy substantial cash inflow and profits from the said project. The development of the Project Land is also in line with the Group's business plan and its expertise in property development in Guangdong Province. As such, the Company and MGP Asia III resolved to dissolve the Joint Venture and agreed to the terms of the Dissolution.

The Directors believe that the Acquisition is in line with the business plan of the Company and the Dissolution will facilitate the development on the Project Land. The Directors are of the view that the Acquisition 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 as a whole.

IMPLICATION UNDER THE LISTING RULES

As the Acquisition and Equity Transfer exceed 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition and Equity Transfer constitute discloseable transactions for the Company under the Listing Rules.

DEFINITIONS

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

“Able Sharp”	Able Sharp Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Acquisition”	the acquisition of the Sale Shares and the Shareholder Loan pursuant to the terms of the SPA
“Add Lion”	Add Lion Profits Limited, a company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Aoyuan Group Limited”	奧園集團有限公司 (for identification purpose only, in English, Aoyuan Group Limited), a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI Co”	Kingmind Limited, a company incorporated under the laws of the British Virgin Islands, which is a direct wholly-owned subsidiary of the JV Company
“Company”	China Aoyuan Property Group Limited 中國奧園集團股份有限公司, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange
“Deed”	the deed dated 28 March 2008 entered into between the Company, detail terms of which are set out in the Company’s announcement dated 9 April 2008 and the Company’s circular dated 9 May 2008
“Deed of Amendment and Termination”	the Deed of Amendment and Termination dated 9 October 2009 entered into between MGP Lotus, Able Sharp, the Company, the Project Company and the JV Company in relation to the Shareholders’ Agreement

“Deed of Termination”	the Deed of Termination dated 9 October 2009 entered into between the Company and MGP Asia III in relation to the termination of the Deed
“Definitive Agreements”	the Deed of Termination, the SPA, the ETA and the Deed of Amendment and Termination
“Dissolution”	the proposed dissolution of the Joint Venture
“East Harvest”	East Harvest Investment Limited (耀發投資有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the JV Company
“Equity Transfer”	the transfer of 49% of the entire equity interest in the Project Company from East Harvest to Aoyuan Group Limited pursuant to the ETA
“ETA”	the equity transfer agreement dated 9 October 2009 entered into between Aoyuan Group Limited and East Harvest in respect of the Equity Transfer
“Group”	the Company and its subsidiaries
“Guangdong Aoyuan”	Guangdong Aoyuan Properties Co. Ltd. (廣東奧園置業有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Guarantee”	the guarantee provided by the Company under the SPA, details of which are disclosed in the section headed “The Guarantee”
“Hong Kong”	Hong Kong Special Administration Region of the PRC
“Joint Venture”	the joint venture formed pursuant to the Shareholders’ Agreement
“JV Company”	Head Win Limited, a company incorporated under the laws of the British Virgin Islands, which is held as to 50% by MGP Lotus and 50% by Able Sharp at the date of this Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	HKD292,909,034, being the consideration for the Shareholder Loan, subject to adjustment in the case of early payment
“MGP Asia III”	MGP Asia III Holdings (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of a real estate investment fund advised by MGPA (Bermuda) Limited
“MGP Lotus”	MGP Lotus (BVI) Limited, a wholly-owned subsidiary of MGP Asia III

“PRC”	The People’s Republic of China
“Project Company”	廣州奧譽置業有限公司 (for identification purpose only, in English, Guangzhou Aoyu Real Estate Development Co., Ltd.), a sino-foreign equity joint venture incorporated under the laws of the PRC and held as to 98% by East Harvest and 2% by Guangdong Aoyuan
“Project Land”	a parcel of land located at north to Fude Road, South downtown, Panyu District, PRC (中國番禺區中心城區南區福德路北側政府儲備用地南區地塊 2-1) with a land area of 89,475 square metres, in which 64,862 square metres is for construction and 24,614 square metres is for municipal roads. Its estimated construction area is around 179,977 square metres, in which 172,674 square meters is for commercial and financial use and 7,303 square metres is for public car parks
“PRC Authorities”	the relevant government authorities of the PRC including but not limited to the Ministry of Commerce, Administration for Industry and Commerce and State Administration for Foreign Exchange
“Sale Shares”	5,000 ordinary shares and 1 preference share in the issued share capital of the JV Company
“Share Consideration”	USD5,001, being the consideration for the Sale Shares
“Shareholder Loan”	all shareholder’s loan advanced by MGP Lotus to the JV Company in the amount of HKD375,000,000
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	a shareholders’ agreement dated 28 May 2008 entered into between MGP Lotus, Able Sharp, the Company, the Project Company and the JV Company in relation to the the JV Company and its subsidiaries
“SPA”	the sale and purchase agreement dated 9 October 2009 entered into between MGP Lotus as vendor and Add Lion as purchaser in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“USD” United States dollars, the lawful currency of the United State of America
“%” per cent.

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

Hong Kong, 12 October 2009

As at the date of this announcement, the directors comprising of (1) the executive directors namely Mr Guo Zi Wen, Mr Wu Jie Si, Mr Guo Zi Ning, Mr Hu Da Wei, Mr Lam Kam Tong and Ms Xin Zhu; (2) the non-executive directors namely Mr Paul Steven Wolansky and Mr Leung Ping Chung, Hermann (Mr Leung Ping Chung, Hermann is also the alternate director of Mr Paul Steven Wolansky); (3) the independent non-executive directors namely Mr Song Xian Zhong, Mr Ma Kwai Yuen and Mr Tsui King Fai.