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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)

**PROPOSED PLACING OF EXISTING SHARES,
TOP-UP SUBSCRIPTION FOR NEW SHARES,
AND
RESUMPTION OF TRADING OF SHARES**

Joint Placing Agents

Morgan Stanley



PROPOSED PLACING AND TOP-UP SUBSCRIPTION

On 10 July 2009, the Company, the Vendor, Morgan Stanley and ABN AMRO entered into the Placing Agreement pursuant to which Morgan Stanley and ABN AMRO have agreed to procure purchasers on behalf of the Vendor to purchase, or failing which, to purchase 360,000,000 existing Shares, at the Placing Price of HK\$1.73 per Share. The Sale Shares represent approximately 15.98% of the issued share capital of the Company as at the date of this announcement and approximately 13.78% of the issued share capital of the Company as enlarged by the top-up Subscription.

The Sale Shares will be placed by Morgan Stanley and ABN AMRO to not less than six independent professional, institutional and/or individual investors, who are not connected persons of the Company. Pursuant to the Placing Agreement, the Vendor has conditionally agreed to subscribe 360,000,000 new Shares at the Placing Price. Each of the Vendor and the Company has furnished lock-up undertakings to Morgan Stanley and ABN AMRO for a period of 90 days from the completion date of the Placing.

The shareholding of the Vendor in the issued share capital of the Company will be reduced from approximately 51.25% to approximately 35.26% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 35.26% to approximately 44.18% upon completion of the Placing and the Subscription. Completion of the Subscription is conditional on completion of the Placing.

The Placing and the Subscription are not subject to the approval of the Shareholders.

USE OF PROCEEDS

The proceeds from the Subscription, after deduction of the commissions and the estimated expenses relating to the Placing and Subscription, are expected to amount to approximately HK\$600 million which will be used for the Century Profit Acquisition and the Group's general working capital requirement. The Subscription Shares will be issued and allotted by the Company pursuant to the General Mandate.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares

TRADING RESUMPTION

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 10 July 2009 pending the release of this announcement. The Company has applied for the resumption of trading in its Shares with effect from 9:30 a.m. on 13 July 2009.

PROPOSED PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION FOR NEW SHARES

Placing Agreement

Date: 10 July 2009

Parties: (i) the Vendor;
(ii) the Company;
(iii) Morgan Stanley; and
(iv) ABN AMRO.

Sale Shares

Morgan Stanley and ABN AMRO have agreed to procure purchasers on behalf of the Vendor to purchase, or failing which, to purchase the Sale Shares, at the Placing Price of HK\$1.73 per Share. The Sale Shares represent approximately 15.98% of the issued share capital of the Company as at the date of this announcement and approximately 13.78% of the issued share capital as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$1.73 per Share represents (i) a discount of approximately 12.2% to the closing price of HK\$1.97 per Share as quoted on the Stock Exchange on 9 July 2009 (being the last full trading day prior to the suspension in trading of Shares on the Stock Exchange pending the release of this announcement); (ii) a discount of approximately 13.9% to the average closing price of approximately HK\$2.01 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 9 July 2009; (iii) a discount of approximately 12.1% to the average closing price of approximately HK\$1.97 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 9 July 2009; and (iv) a discount of approximately 15.7% to the average closing price of approximately HK\$2.05 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 9 July 2009. The Placing Price was determined after arm's length negotiation between the Company, Morgan Stanley and ABN AMRO with reference to the market price of the Shares.

The Directors (including the independent non-executive Directors) consider the Placing Price to be fair and reasonable.

Rights

The Sale Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the Trade Date (as defined in the Placing Agreement), including the right to receive all dividends or other distributions declared, made or paid on or after the Trade Date (as defined in the Placing Agreement).

Independence of Morgan Stanley, ABN AMRO and the Placees

The Sale Shares will be placed to not less than six independent professional, institutional and/or individual investors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Morgan Stanley and ABN AMRO is not a connected person of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the placees (and their ultimate beneficial owners) procured by Morgan Stanley and ABN AMRO as agents of the Vendor are independent of the Company and its connected persons. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

Other Interests of Morgan Stanley and ABN AMRO in the Group

Each of Morgan Stanley and ABN AMRO and their respective affiliates may engage in transactions with, and perform services for, the Company and its group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Company, for which they have received, and may in the future receive, compensation. Pursuant to a loan agreement dated 18 June 2009, Magic Falcon Development Limited, an entity which the Group intends to indirectly acquire through the acquisition of the shares of Earning Ever (the "**Earning Ever Acquisition**"), has entered into a HK\$669,093,548 credit facility with The Royal Bank of Scotland plc, Hong Kong Branch (the "**RBSHK Loan**"). ABN AMRO Bank N.V. is a subsidiary undertaking of The Royal Bank of Scotland Group plc. Further details of the RBSHK Loan can be found in the announcement of the Company dated 19 June 2009.

Termination

If at any time prior to 4:00 p.m. (Hong Kong time) on the completion date of the Placing:

- (a) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any relevant jurisdiction which in the reasonable opinion of any of Morgan Stanley and ABN AMRO has or is likely to have a material adverse effect on the financial position of the Group as a whole; or
 - (ii) any significant change (whether or not permanent) in local, national or international monetary, economic, financial, political or military conditions which in the opinion of any of Morgan Stanley and ABN AMRO is or would be materially adverse to the success of the Placing; or

- (iii) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or foreign exchange controls which in the sole judgement of any of Morgan Stanley and ABN AMRO is or would be materially adverse to the success of the Placing; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
 - (iv) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, the United Kingdom or the United States; or
 - (v) a change or development involving a prospective change in Taxation which constitutes a material adverse effect on the Group as a whole or the Sale Shares or the transfer thereof; or
 - (vi) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, the United Kingdom or the United States or the declaration by Hong Kong, the PRC, the United Kingdom or the United States of a national emergency or war; or
 - (vii) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing); or
 - (viii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the London Stock Exchange, the New York Stock Exchange or Nasdaq due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
- (b) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendor set out in the Placing Agreement comes to the knowledge of any of Morgan Stanley and ABN AMRO or any event occurs or any matter arises on or after the date hereof and prior to the completion date of the Placing which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any respect or there has been a breach of, or failure to perform, any other provision of the Placing Agreement on the part of the Vendor and/or the Company; or
- (c) there is any such adverse change, or development involving a prospective adverse change, in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or of the Group as a whole which in the opinion of any of Morgan Stanley and ABN AMRO is materially adverse to the success of the Placing;

then and in any such case, any of Morgan Stanley and ABN AMRO may terminate the Placing Agreement without liability to each other, the Vendor and/or the Company by giving notice in writing to the Vendor and the Company, which notice may be given at any time prior to 4:00 p.m. (Hong Kong time) on the completion date of the Placing.

Completion of the Placing

Subject to the termination events of the Placing as set out in the above paragraph, the parties expect that the Placing will be completed on 15 July 2009 (or such other date as the Vendor and Morgan Stanley and ABN AMRO may agree in writing).

Lock-Up Undertakings

The Vendor has undertaken to each of Morgan Stanley and ABN AMRO that (except for the sale of the Sale Shares pursuant to the Placing Agreement or the transfer to an associate of Mr. Guo Zi Wen or any transfer by way of gift, provided and on condition that the transferee of any such transfer will prior to the transfer sign in favour of Morgan Stanley and ABN AMRO a lock-up undertaking substantially the same in scope and in form as the lock-up undertaking given by the Vendor to each of Morgan Stanley and ABN AMRO for a period of 90 days from the completion date of the Placing, it will not, and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shares,

whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the written consent of Morgan Stanley and ABN AMRO.

The Company has undertaken to each of Morgan Stanley and ABN AMRO, and the Vendor has undertaken to each of Morgan Stanley and ABN AMRO to procure, that for a period of 90 days from the completion date of the Placing, the Company will not (except for (a) the Subscription Shares to be issued to the Vendor pursuant to and in accordance with the terms and conditions of the Placing Agreement; (b) the Shares to be issued upon conversion of the 2012 Convertible Bonds; (c) the issue of Shares pursuant to the exercise of the options that have been granted under the Share Option Scheme and that are existing at the date of the Placing Agreement, the grant of share options by the Company to the directors and employees of the Group pursuant to the Share Option Scheme and the issue of Shares pursuant to the exercise thereof; and (d) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its

articles of association or on the exercise of rights existing at the date of the Placing Agreement) provided the aggregate number of Shares in respect of such issues, grants, allotments shall in no event exceed 5% of the total number of Shares outstanding as at the date of this Agreement):

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or
 - (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
 - (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,
- unless with the prior written consent of Morgan Stanley and ABN AMRO.

Subscription Shares

360,000,000 new Shares to be subscribed by the Vendor, representing approximately 15.98% of the issued share capital of the Company as at the date of this announcement and approximately 13.78% of the issued share capital of the Company as enlarged by the Subscription. The Subscription Shares have a nominal value of HK\$3,600,000 and a market value of HK\$709,200,000 based on the closing price of the Shares as at 9 July 2009.

Subscription Price

The Subscription Price per new Share is the same as the Placing Price of HK\$1.73 per Share.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the completion date of the Subscription including the right to all dividends and other distributions declared, made or paid at any time after the date of allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon:

- (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (2) completion of the Placing having occurred pursuant to the terms of the Placing Agreement.

The Placing Agreement has not provided for the right of the parties to waive the above conditions. If such conditions are not fulfilled within 14 days after the date of the Placing Agreement, the Vendor may at its absolute discretion continue to take all necessary steps, subject to compliance with the Listing Rules, to proceed to complete the Subscription as soon as practicable thereafter. The Company will issue a further announcement in the event that the Subscription becomes a connected transaction for the Company under the Listing Rules. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Subject to the above, completion of the Subscription will take place on the second business day after the date upon which the last of the conditions stated above will have been satisfied, provided that it will take place on a date which is not later than 14 days after the date of the Placing Agreement. If completion of the Subscription takes place more than 14 days after the Placing Agreement, the Subscription would not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and would be subject to the relevant requirements of the Listing Rules regarding connected transactions.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company before and after the Placing and the Subscription are summarised as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
The Vendor and its associates (<i>Note</i>)	1,154,325,000	51.25%	794,325,000	35.26%	1,154,325,000	44.18%
Placées under the Placing	—	0.00%	360,000,000	15.98%	360,000,000	13.78%
Other Shareholders	<u>1,098,175,000</u>	<u>48.75%</u>	<u>1,098,175,000</u>	<u>48.76%</u>	<u>1,098,175,000</u>	<u>42.04%</u>
Total	<u>2,252,500,000</u>	<u>100.00%</u>	<u>2,252,500,000</u>	<u>100.00%</u>	<u>2,612,500,000</u>	<u>100.00%</u>

Note: The 1,154,325,000 shares are registered in the name of Ace Rise Profits Limited. Ace Rise Profits Limited is held by Sturgeon Limited, which is owned as to 50% by Seletar Limited and 50% by Serangoon Limited, as nominees and trustees for Credit Suisse Trust Limited as the trustee holding such interests on trust for the beneficiaries of The Golden Jade Trust. The Golden Jade Trust is a discretionary family trust established under the laws and regulations of Singapore. As at the date of this announcement, the beneficiaries of The Golden Jade Trust are the Mr Guo Zi Wen and Ms Jiang Miner.

Adjustments to the Conversion Price of the 2012 Convertible Bonds

As at the date of this announcement, the 2012 Convertible Bonds of an outstanding principal amount of US\$60 million entitle the holders to convert into 89,868,462 Shares. Adjustments to the conversion price of the 2012 Convertible Bonds may be required under the relevant terms of the 2012 Convertible Bonds as a result of the Subscription. An approved investment bank or the auditors of the Company will be appointed to certify the necessary adjustments, if any, to the conversion price of the 2012 Convertible Bonds. A further announcement will be made by the Company in this regard if any adjustments to the conversion price of the 2012 Convertible Bonds are required under its relevant terms as a result of the Subscription.

Save for (a) the 2012 Convertible Bonds; and (b) the share options in respect of 58,840,800 Shares which have been issued to certain directors and employees of the Group under the Share Option Scheme as at the date of this announcement, the Company does not have any outstanding options or convertible securities as at the date of this announcement. There will be no adjustments to the abovementioned share options as a result of the Subscription.

USE OF PROCEEDS

The proceeds from the Subscription, after deduction of the commissions and the estimated expenses relating to the Subscription, are expected to amount to approximately HK\$600 million, equivalent to approximately HK\$1.67 per Subscription Share, and will be used for the acquisition of 41.33% of the issued share capital of Century Profit Zone Investments Limited (the “**Century Profit Acquisition**”) and the Group’s general working capital requirement. Further details of the Century Profit Acquisition can be found in the announcement of the Company dated 7 July 2009.

The proceeds from the Subscription will not be used to repay the RBSHK Loan or to finance the Earning Ever Acquisition.

REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION

The Placing and the Subscription are being undertaken to supplement the Group’s funding of its expansion and growth plan as outlined above. The Directors consider the Placing and the Subscription will provide an opportunity to raise further capital for the Company whilst enlarging the shareholder base and the capital base of the Company. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Placing and the Subscription are fair and reasonable, on normal commercial terms and are in the interest of the Group and the Shareholders as a whole.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued under the General Mandate, under which the Directors have been authorised by the Shareholders to allot and issue up to 450,500,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the date of this announcement.

ISSUE OF SECURITIES AND CAPITAL RAISING ACTIVITIES IN THE PREVIOUS 12-MONTH PERIOD

The Company has not issued any securities in the previous 12-month period. The Company has not carried out any capital raising activities in the 12 months immediately preceding the date of this announcement.

GENERAL

The Group is principally engaged in property development and property investment in the PRC.

As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares

RESUMPTION OF TRADING

Trading in the Shares of the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 10 July 2009 pending the release of this announcement. The Company has applied for the resumption of trading in its Shares with effect from 9:30 a.m. on 13 July 2009.

TERMS USED IN THIS ANNOUNCEMENT

“2012 Convertible Bonds”	the senior secured convertible notes due 2012 issued by the Company pursuant to the amended and restated note purchase agreement dated 9 October 2007
“ABN AMRO”	ABN AMRO Bank N.V., Hong Kong Branch
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	China Aoyuan Property Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate that was granted by the Shareholders to the Directors at the annual general meeting of the Company held on 8 June 2009 to allot, issue and deal with 450,500,000 Shares, which represent 20% of the aggregate nominal amount of the Shares in issue as at the date of the passing of the resolution
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morgan Stanley”	Morgan Stanley & Co. International plc. In so far as Morgan Stanley is “dealing in securities”, as defined in Schedule 5 of the SFO. Morgan Stanley shall be doing so through its agent Morgan Stanley Asia Limited and only in circumstances such that none of the subprovisions (I), (II), (III), (IV) and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO are applicable
“Placing”	the placement of 360,000,000 existing Shares at the Placing Price
“Placing Agreement”	the agreement dated 10 July 2009 entered into between the Vendor, the Company, Morgan Stanley and ABN AMRO in respect of the Placing and the Subscription
“Placing Price”	the placing price of HK\$1.73 per Share
“Sale Shares”	360,000,000 existing Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 13 September 2007
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor
“Subscription Price”	the subscription price of HK\$1.73 per Share
“Subscription Shares”	360,000,000 new Shares to be subscribed by the Vendor pursuant to the Placing Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Taxation”	all forms of taxation whether of Hong Kong or elsewhere in the world whenever imposed and all statutory, governmental, state, provincial, local governmental or municipal impositions, duties and levies and all penalties, charges, costs and interests relating thereto
“US\$”	United States dollar, the lawful currency of the United States
“United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Vendor”	Ace Rise Profits Limited, a company incorporated in the British Virgin Islands and the controlling shareholder (as defined in the Listing Rules) of the Company
“%”	per cent.

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

Hong Kong, 12 July 2009

As at the date of this announcement, the Board comprises of (1) the executive directors of the Company, namely Mr Guo Zi Wen, Mr Wu Jie Si, Mr Guo Zi Ning (Mr Guo Zi Ning is also the alternate director of Mr He Jian Bing), Mr Zheng Jian Jun and Mr Hu Da Wei; (2) the non-executive directors of the Company, namely Mr Paul Steven Wolansky, Mr Leung Ping Chung, Hermann (Mr Leung Ping Chung, Hermann is also the alternate director of Mr Paul Steven Wolansky) and Mr He Jian Bing; and (3) the independent non-executive directors of the Company, namely Mr Ma Kwai Yuen, Mr Song Xian Zhong and Mr Tsui King Fai.