THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Aoyuan Property Group Limited, you should at once hand this circular, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF A JOINTLY CONTROLLED COMPANY

A letter from the Board is set out on pages 5 to 20 of this circular.

A notice convening an extraordinary general meeting of China Aoyuan Property Group Limited (the "Company") to be held at Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 10 May 2012 at 11 a.m. or any adjournment thereof is set out on pages 72 to 73 of this circular. A proxy form for use in the extraordinary general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

24 April 2012

CONTENTS

DEFINITIONS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"Agreement"	the sale and purchase agreement dated 27 March 2012 and entered into between the Vendor as vendor, the Company as Vendor's guarantor, the Purchaser as purchaser, the Purchaser's Guarantor as Purchaser's guarantor and the Disposal Company in relation to the Disposal
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which licensed banks in Hong Kong or the PRC are generally open for business during their normal business hours, save for a Saturday, a public holiday of Hong Kong or the PRC
"Company"	China Aoyuan Property Group Limited, a company incorporated under the laws of the Cayman Islands, the issued Shares of which are listed on the Stock Exchange
"Company Loans"	the loans and the respective accrued interests in a total amount of approximately HK$1,349,000,000 (equivalent to approximately RMB1,091,941,000) due by the Disposal Group to the Group
"Completion Date"	the fifth (5th) Business Day from the date on which the conditions precedent under the Agreement have been fulfilled or waived
"Directors"	directors of the Company
"Disposal"	the transfer of the Sale Shares by the Vendor to the Purchaser and the repayment of the Company Loans by the Disposal Group pursuant to the Agreement
"Disposal Company"	Century Profit Zone Investments Limited (世紀協潤投資有限公司), a company incorporated under the laws of Hong Kong and owned as to 52.69% by the Vendor and the remaining 47.31% by Hong Da and a jointly controlled company of the Company
"Disposal Group"	the Disposal Company and the Project Company

"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, among other things, the Agreement and the transactions contemplated thereunder
"Final Adjustment Schedule"	the schedule in relation to the final adjustment of the consideration for the Sale Shares to be delivered by the Vendor and reviewed by an independent auditor in accordance with the Agreement
"Group"	the Company and its subsidiaries
"Guarantee Period"	the guarantee period commencing from the date of the Agreement to 31 May 2014
"Hong Da"	Hong Da Development & Investment Holding Co. Limited (泓達投資有限公司), a company incorporated under the laws of Hong Kong and, as at the Latest Practicable Date, directly owns 47.31% of the entire issued share capital of the Disposal Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 to the Company and to the connected persons (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	23 April 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Project Company"	北京耀輝置業有限公司 (for identification purpose only, in English, Beijing Yaohui Real Estate Co. Ltd.), a limited company incorporated under the laws of the PRC and owned as to 96.8% by the Disposal Company and the remaining 3.2% by 北京王府世紀發展有限公司 (for identification purpose only, in English, Beijing Wangfu Century Development Co. Ltd.)

"Project Land"	a piece of land located at East South Section, intersection of Xi Da Wang Road and Jianguo Road, Chaoyang District, Beijing, PRC（中國北京市朝陽區西大望路與建國路交匯東南角）with a total gross floor area of approximately 247,646 square meters for a term of 70 years for residential use expiring on 30 August 2074 and 40 years for commercial use expiring on 30 August 2044
"Purchaser"	Logic Capital Limited, a limited liability company incorporated under the laws of the British Virgin Islands
"Purchaser's Guarantor"	Mrs. Chu Yuet Wah, the Purchaser's guarantor and an Independent Third Party
"Remaining Group"	the Group immediately after completion of the Disposal
"Retention Money"	a sum of HK$30,000,000 payable by the Vendor to the Purchaser as retention money to secure certain obligations of the Vendor under the Agreement
"Sale Shares"	5,269 ordinary shares of HK$1.00 each in the share capital of the Disposal Company, representing 52.69% of its entire issued share capital
"SFO"	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
"Shareholders"	shareholders of the Company
"Shareholders' Agreements"	a shareholders' agreement dated 28 July 2009 and the subsequent shareholders' agreements entered into by and between, inter alia, the Vendor, Hong Da and the Disposal Company in relation to the Disposal Company
"Shares"	ordinary shares of the Company of HK$0.01 each
"sq. m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor" or "Aoyuan International"	China Aoyuan International Development Limited（中國奧園國際發展有限公司）, a limited liability company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company

"HK$"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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)

Executive Directors:
Mr. Guo Zi Wen *(chairman)*
Mr. Guo Zi Ning *(vice chairman and chief executive officer)*
Mr. Yang Zhong
Mr. Lam Kam Tong
Ms. Xin Zhu
Mr. Hu Da Wei

Non-Executive Directors:
Mr. Wu Jie Si *(vice chairman)*
Mr. Paul Steven Wolansky

Independent Non-Executive Directors:
Mr. Ma Kwai Yuen
Mr. Song Xian Zhong
Mr. Tsui King Fai
Mr. Cheung Kwok Keung

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Place of Business in Hong Kong:
Room 5105, The Center
99 Queen's Road Central
Hong Kong

24 April 2012

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF A JOINTLY CONTROLLED COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 1 April 2012 announcing that on 27 March 2012, the Vendor as vendor, the Company as Vendor's guarantor, the Purchaser as purchaser, the Purchaser's Guarantor as Purchaser's guarantor, and the Disposal Company entered into the Agreement, pursuant to which:

(1) the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 52.69% of the entire issued share capital of the Disposal Company, which in turn 51% of the equity interest in the Project Company, for a consideration of approximately HK$1,829,000,000, which is the Hong Kong dollars equivalent of RMB1,480,000,000; and

(2) the Disposal Group would repay to the Group the Company Loans being the total amount of approximately HK$1,349,000,000 (equivalent to approximately RMB1,091,941,000) due to the Group on the Completion Date.

The Disposal Company is a jointly controlled entity of the Company, in which Hong Da owns 47.31% and the Vendor owns 52.69%. Upon completion of the Disposal, the Company will cease to have any interest in the Disposal Group.

The purpose of this circular is to provide you with, among other things, further information on the above issues as detailed below.

THE AGREEMENT

Date

27 March 2012

Parties

1. the Vendor

2. the Company

3. the Purchaser

4. the Purchaser's Guarantor

5. the Disposal Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and the Purchaser's Guarantor, (who is the ultimate beneficial owner of the Purchaser) are Independent Third Parties.

Assets to be disposed

The Disposal Company is a jointly controlled entity of the Company, in which the Vendor owns 52.69% interest of the Disposal Company.

Subject to the terms and conditions of the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 52.69% of the entire issued share capital of the Disposal Company, which in turn 51% of the equity interest in the Project Company. Upon completion of the Disposal, the Company will cease to have any interest in the Disposal Group.

Consideration

The consideration for the Sale Shares is approximately HK$1,829,000,000, which is the Hong Kong dollars equivalent of RMB1,480,000,000 and will be satisfied in the following manner:

(1) the Purchaser will pay HK$600,000,000, being a deposit to be held by an escrow agent, on the date of the Agreement; and

(2) upon Completion Date:

(a) the Purchaser and the Vendor will jointly instruct the escrow agent to release the deposit of HK$600,000,000 to the Vendor; and

(b) the Purchaser will pay the remaining balance of the consideration of approximately HK$1,199,000,000 (after deduction of the Retention Money as set out in the section headed "Completion" below and other payables as agreed by both Vendor and Purchaser) to the Vendor.

On the date of the Agreement, the Purchaser has paid the deposit of HK$600,000,000 to the escrow agent.

As part of the Disposal, the Disposal Group will repay to the Group the Company Loans being the total amount of approximately HK$1,349,000,000 (equivalent to approximately RMB1,091,941,000). The Company having taken into account the consideration of the Disposal and considered that the Disposal is in the interest of the Company and its shareholders as a whole, to facilitate this deal, the Company agreed to settle the remaining balance of the Company Loans due from the Disposal Group of approximately RMB1,128,581,000 being the balances outstanding after the settlement of approximately RMB285,291,000 in January 2012 by the Disposal Group as disclosed on page 43 to the Circular Appendix III at a concession amount. Upon the repayment of the Company Loans in full on Completion Date, the Disposal Group will be fully discharged its payment obligations to the Group.

The consideration for the Sale Shares was arrived at after arm's length negotiations between the Company and the other parties to the Agreement and was determined with reference to (i) the carrying value of the Company's interest in the net assets of the Disposal Group as of 31 December 2011 of approximately HK$744,000,000 (equivalent to RMB602,000,000); (ii) the expected costs and expenses (excluding the relevant tax of the Disposal) for the Disposal of approximately HK$4,000,000 while the expected tax for the Disposal shall be approximately RMB77,000,000; (iii) the estimated market value of the project under development in the Project Land, and properties in the nearby locality; and (iv) other factors set out in the paragraph headed "Reasons for and Benefits of the Disposal" below. In view of the original acquisition cost of the Disposal Group of approximately HK$823,240,000 (equivalent to RMB660,000,000) incurred in 2009 and the time and resources (including the costs expended and to be expended for completion of the development in the Project Land) spent by the Company on the Disposal Group in 2009, the consideration for the Sale Shares is considered by the Board as fair and reasonable and in the interests of the Group and of the Shareholders as a whole.

History and particulars of the Company Loans

As announced in the circular dated 14 September 2009, the Group advanced the principal amounts of RMB460,000,000 and RMB110,000,000 to the Disposed Group and the repayment of RMB460,000,000 and RMB110,000,000 had been received by the Group on 22 September 2010.

As announced on 11 April 2010, the Group advanced the principal amount of RMB283,000,000 to the Disposed Group and the amount is still outstanding up to date of this circular.

As announced on 1 August 2011, the Group advanced the principal amount of RMB542,000,000 (equivalent to HKD670,000,000) to the Disposed Group by way of acquisition of the ICBC loan. And the amount of RMB256,400,000 being part of the repayment was received on 18 January 2012.

Other than the above, the Group also advanced the aggregate principal amounts of approximately RMB172,000,000 to the Disposed Group during the period from October 2009 to January 2012 for the general working capital of the Disposed Group.

Up to the date of this circular, the above outstanding amount was RMB1,128,581,000 being the aggregate principal amounts of approximately RMB908,000,000 together with accrued interest therein of approximately RMB220,581,000. The Vendor agreed with the Purchaser to finally settle the amount of approximately RMB1,092,000,000 (equivalent to HK$1,349,000,000) upon the completion of the Disposal.

Post-completion adjustment to consideration for the Sale Shares

Pursuant to the Agreement, the consideration for the Disposal is subject to a post-completion adjustment to be determined by the Final Adjustment Schedule, which will be delivered by the Vendor and reviewed by an independent auditor. The Final Adjustment Schedule consists of statement of assets and liabilities as at the Completion Date prepared in a prescribed form under the Agreement. Based on the Final Adjustment Schedule, the consideration for the Sale Shares may be adjusted and the adjustment is expected to be in the region of HK$10,000,000 to HK$20,000,000.

Given that the Final Adjustment Schedule is reviewed by the independent auditor with the purpose of ascertaining the actual consideration for the Sale Shares, the Board is of the view that the above adjustment arrangement is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

In the event that (a) the consideration as shown in the Final Adjustment Schedule is more than the consideration as shown in the Agreement, the Purchaser shall pay the amount in excess of the consideration as shown in the Final Adjustment Schedule to the Vendor on a dollar-to-dollar basis within five Business Days from the date on which the Purchaser having confirmed the Final Adjustment Schedule; or (b) the consideration as shown in the Final Adjustment Schedule is less than that the consideration as shown in the Agreement, the Vendor shall pay the amount of shortfall to the Purchaser on a dollar-to-dollar basis within five Business Days from the date on which the Purchaser having confirmed the Final Adjustment Schedule.

Conditions Precedent

The Disposal is conditional upon:

(1) if applicable under the Listing Rules, the Company having published an announcement and despatched a circular and the Shareholders having duly passed the resolutions at the EGM to be convened or in other manner as permitted by the Listing Rules to approve, inter alia, the Agreement and the transactions contemplated thereunder;

(2) the Vendor having complied with the terms and conditions under the Agreement and the escrow agreement entered into between the Vendor, the Purchaser and the escrow agent in relation to the deposit of HK$600,000,000; and

(3) no government or regulatory authority having proposed or enacted any laws, regulations or decisions or adopt any measures or actions to prohibit, restrict or materially delay the transactions contemplated under the Agreement or the subsisting project development under the Project Land.

The Purchaser may waive in writing any of the conditions specified above (save as condition (1)) at any time. In the event that all the conditions precedent specified above have not been satisfied or waived within six months from the date of the Agreement, the Agreement will lapse and have no further effect, save and except any antecedent breach.

Completion

Completion of the Disposal shall take place on the fifth (5th) Business Day after the date on which the conditions precedent for completion under the Agreement are satisfied or waived.

As at the date of this circular, save that EGM will be convened on 10 May 2012 to approve the Agreement and the transactions contemplated thereunder as stated in (1) above, all other conditions precedent for completion under the Agreement are duly fulfilled.

On Completion Date, the Purchaser will withhold the Retention Money from the balance of the consideration for the Sale Shares to secure the payment and/or compensation obligations of the Vendor under the Agreement during the Guarantee Period and will return the remaining balance of the Retention Money to the Vendor within three Business Days following the end of the Guarantee Period.

If the Vendor fails to pay or compensate to the Purchaser following any breaches of its obligations under the Agreement during the Guarantee Period, the Purchaser will have the right to deduct the payment sum or the compensation sum from the Retention Money provided that (a) the Purchaser and the Vendor reach an agreement on the amount of payment or compensation; or (b) the Hong Kong court issues an order as to the compensation sum and such order is final and binding on the parties. Where the Retention Money is not sufficient to satisfy the full amount of the payment or compensation, or the balance of the Retention Money during the Guarantee Period is less than HK$30,000,000, the Vendor shall pay the amount of shortfall to the Purchaser. Given that (a) the Vendor's payment obligations under the Agreement i.e. any amount the Vendor shall pay or compensate to the Purchaser in the event there is any breach of its obligation under the Agreement during the Guarantee Period will be settled upon Completion; (b) the total payments for the Disposal will be paid by the Purchaser; (c) the Final Adjustment Schedule will be reviewed by the independent auditor; and (d) the compensation sum is subject to the mutual agreement or final court judgment; and (e) the total maximum indemnity obligation of the Vendor will not exceed RMB100,000,000, the Directors are of the view that the withholding of the Retention Money is fair and reasonable and in the interest of the Group and of the Shareholders as a whole.

Termination of the Agreement

Having considered the maintenance of the due performance of both Vendor and Purchaser and the opportunity costs of the failure of the Disposal, the parties to the Agreement have further agreed that:

(1) the Vendor is entitled to terminate the Agreement by a written notice if the completion of the Disposal is unable to take place on the Completion Date due to the following event:

(a) the Purchaser having failed to satisfy any payment in the manner specified in the Agreement (including any payment of the consideration for the Sale Shares or the Company Loans); or

(b) the Purchaser having failed to deliver any of the completion documents on the Completion Date,

immediately upon the Vendor having served the termination notice to the Purchaser, the Purchaser shall pay HK$600,000,000 to the Vendor as compensation by which the Purchaser will instruct the escrow agent to release the deposit of HK$600,000,000 in favour of the Vendor to settle the compensation.

(2) the Purchaser is entitled to terminate the Agreement by a written notice if:

(a) the Vendor having failed to deliver any of the documents as agreed to be delivered on the date of the Agreement or the completion documents on the Completion Date; or

(b) any of the following events occurs during the period commencing from the date of the Agreement and ending on the Completion Date:

(i) the Vendor having breached the Agreement and failed to rectify such breach adequately within seven Business Days from date of the written notice given by the Purchaser;

(ii) the Project Land or the relevant project on the Project Land having been impounded, forfeited or frozen by the relevant regulatory authority in the PRC due to the Vendor's deliberate act; or

(iii) any of the two largest Shareholders having failed to vote for the Disposal and the transactions contemplated thereunder at the EGM,

immediately following the Purchaser having served the termination notice to the Vendor, the Vendor will instruct the escrow agent to release the deposit of HK$600,000,000 together with its accrued interest to the Purchaser.

(3) If the Purchaser terminates the Agreement since (a) the event of item 2(b)(ii) or (iii) above occurs; (b) the Vendor fails to deliver any of the documents as agreed to be delivered on the date of the Agreement; or (c) the Vendor fails to deliver certain original completion documents as specified in the Agreement on the Completion Date, the Vendor shall pay to the Purchaser a sum of HK$600,000,000 as compensation.

On 27 March 2012, the Company has obtained the written consents from the two largest Shareholders that they agreed to vote for the Disposal at the EGM. Since the compensation of HK$600,000,000 is subject to the Vendor's deliberate act and the written consents from the two largest Shareholders, the Directors are of the view that (a) the Company is able to monitor the risk and the possibility of triggering the above events is minimal and (b) the above arrangement and the compensation amount of HK$600,000,000 is fair and reasonable and in the interest of the Group and of the Shareholders as a whole.

Termination of the Shareholders' Agreement

On 27 March 2012, the Vendor, Hong Da and the Disposal Company executed a confirmation deed pursuant to which the parties thereto have agreed to terminate their respective obligations and duties under the Shareholders' Agreements including but not limited to the pre-emptive rights and obligation to assist in obtaining financing from banks for the Disposal Company. The parties' obligations under the Shareholders' Agreement will cease to be effective on the Completion Date.

As the Vendor will cease to have an interest in the Disposal Company following the completion of the Disposal, there will not be any impact on the Company for the termination of the Shareholders' Agreement.

Guarantees and maximum indemnity of the parties

The Company agreed to guarantee to the Purchaser the due and punctual performance and observance by the Vendor of all obligations, undertakings or commitments subject to and upon the terms and conditions of the Agreement.

The Purchaser's Guarantor agreed to guarantee to the Vendor the due and punctual performance and observance by the Purchaser of all its obligations, undertakings or commitments subject to and upon the terms and conditions of the Agreement.

Save as disclosed under the sub-section headed "Termination of the Agreement" in this circular, the total maximum indemnity obligation of the Vendor and the Company under the Agreement will not exceed RMB100,000,000 whilst the total maximum indemnity obligation of the Purchaser and the Purchaser's Guarantor under the Agreement will not exceed RMB100,000,000.

INFORMATION ABOUT THE PURCHASER

The Purchaser is an investment holding company. To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and the Purchaser's Guarantor (who is also the ultimate beneficial owner of the Purchaser) are Independent Third Parties and were introduced to the Company through an Independent Third Party. Before the Disposal, neither the Purchaser nor the Purchaser's Guarantor has any prior business or other relationship with the Group or any of its connected persons.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, save that the Purchaser's Guarantor intended to acquire Hong Da's interest in the Disposal Company, the Purchaser and the Purchaser's Guarantor did not have any relationship with each of the original vendor of the Disposal Group or Beijing Wangfu Century Development Co., Ltd., the current owner of the 3.2% of the Project Company.

INFORMATION ABOUT THE DISPOSAL GROUP

Disposal Company

The Disposal Company is an investment holding company and was incorporated under the laws of Hong Kong. As at the date of this circular, the Disposal Company was owned as to 52.69% by the Vendor and 47.31% by Hong Da. The Company acquired its 52.69% interest in the Disposal Company in the following two stages:

(1) on 6 July 2009, a sale and purchase agreement had been entered into between, inte alia, the Vendor as purchaser and Hong Da as vendor pursuant to which the Vendor agreed to acquire and Hong Da agreed to sell 41.33% issued share capital of Disposal Company at a consideration of the Hong Kong dollars equivalent of RMB370,000,000. Completion of the acquisition of the 41.33% interest took place on 28 July 2009; and

(2) on 22 July 2009, a subscription agreement had been entered into between, inter alia, the Vendor and Hong Da pursuant to which the Vendor agreed to subscribe the convertible notes from Hong Da in the principal amount of RMB296,000,000 with a coupon rate of 11% and were guaranteed and convertible into 11.36% of the entire issued share capital of the Disposal Company. The Vendor exercised its right to convert the convertible notes to the 11.36% interest in the Disposal Company on 27 September 2010. Completion of the acquisition of the further 11.36% interest took place on 27 September 2010.

For further information, please refer to the Company's announcements dated 20 July 2009, 30 July 2009 and 27 September 2010 and the circular of the Company dated 14 September 2009 respectively.

In December 2009, the Disposal Company as borrower and the Company as guarantor entered into a syndicated credit facility agreement for a term loan facility in an aggregate amount equal to HK$670,000,000 (the "**ICBC Loan**"). Both the Vendor and Hong Da had provided their shares in the Disposal Company under the share mortgages as security for the due performance of the Disposal Company under the ICBC Loan.

During the term of the ICBC Loan, Hong Da had been in default of its obligations under its share mortgage and the either finance documents which constituted events of defaults thereunder. Under this circumstance, Zhen Fu Limited, a wholly-owned subsidiary of the Company, acquired the ICBC Loan from the lenders together with all rights, interests and obligations in the finance documents under the ICBC Loan, including the share mortgages on the shares of the Disposal Company executed by Hong Da and the Vendor respectively. On 29 July 2011, the security agent of the ICBC Loan appointed receivers and managers (the "**Receivers**") to enforce Hong Da's shares in the Disposal Company pursuant to the share mortgage executed by Hong Da.

In August 2011, the Group received a Writ of Summons and an Inter Parte Summons issued by Hong Da as plaintiff against the Group and the Receivers in respect of an application for restraint against the Group and the Receivers from dealing with Hong Da's shares in the Disposal Company. Hong Da's application and its respective applications for leave to appeal in the High Court and the Court of Appeal were all dismissed. Both the High Court and the Court of Appeal also ordered that the costs of Hong Da's application and its applications for leave to appeal to be paid by Hong Da to the Group and the Receivers. On 18 January 2012, Hong Da paid a sum of approximately HK$351,906,000 to Zhen Fu Limited. Accordingly, the obligations of Hong Da under the credit facility agreement and the relevant finance documents were discharged. For further details, please refer to the Company's announcements dated 31 July 2011, 5 August 2011, 24 August 2011, 20 December 2011, 30 December 2011 and 19 January 2012 respectively. Subsequently, parties to the action settled the costs of the above applications and further signed a consent summons on 23 March 2012 to dismiss the action with no order as to costs.

Project Company

The Project Company is a project company and its businesses are the property development of the Project Land and sale, leasing and management of the apartments built on the Project Land, information consultancy services (agent services excluded) and interior decoration. The Project Company obtained the Project Land by entering into a "Beijing State Land Use Right Transfer Contract" with Beijing Municipal Bureau of Land and Resources on 31 August 2004 and a supplemental agreement on 1 February 2007. According to the said agreements, terms for residential use and commercial use of the Project Land are 70 years and 40 years respectively, commencing from 31 August 2004. The project was planned to be a composite one comprising serviced apartments, luxury apartments and commercial properties, with the major structure divided into two towers – north and south tower, of which, the 40-floor high-end apartment of the south tower of approximately 102,000 sq.m., the 43-floor north tower comprises of business serviced apartment of approximately 49,000 sq.m., and the 4-floor commercial complex with a gross floor area of approximately 23,000 sq.m..

As at the date of this circular, the Project Company was owned as to 96.8% equity interest by the Disposal Company.

After the Company's acquisition of its 52.69% interest in the Disposal Company in 2009, the construction work for the property, including the design and layout of the property, on the Project Land was resumed in October 2009.

As at the date of this circular, the core structure under the Project Land was substantially built and the outwall of the major structure has yet to be finished. The renovation work under the Project Land was still under construction. In view of the continuous uncertainties in the global economy and the local tightening measures, the Project Company slowed down the progress of construction work on the Project Land. The construction work and presale of Project Land has been suspended since September 2011. It is expected that construction work would be resumed from June 2012, presale would be commenced from July 2012 and the development was expected to be completed in the end of 2012. Up to the date of this circular, the contract sales for the property on the Project Land was recorded approximately RMB792,500,000.

The following are the unaudited consolidated financial information on the Disposal Group for the two years ended 31 December 2010 and 2011.

	For the year ended 31 December	
	2010	**2011**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Turnover	0	0
Profit/(Loss) before taxation, excluding non-controlling interest	115,017	(62,410)
Profit/(Loss) after taxation, excluding non-controlling interest	74,971	(55,591)

	As at 31 December 2010	**As at 31 December 2011**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net asset value	911,437	853,967

Note: The profit of RMB115,017,000 was generated from the valuation surplus on investment property under construction.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited consolidated financial information of the Disposal Group for the year ended 31 December 2011, and assuming the completion of the Disposal having taken place, the Group is expected to record a pre-tax gain from the Disposal of approximately HK$1,032,000,000 (equivalent to approximately RMB834,530,000) (without taking into account the relevant tax of the Disposal), representing the difference between the consideration for the Sale Shares and the total amount of the carrying value of the Company's interest in the net assets of the Disposal Group and the costs and expenses for the Disposal. Shareholders should note that the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the net assets of the Disposal Group as at the Completion Date.

Upon the completion of the Disposal, the total consolidated assets of the Company as at 31 December 2011 will be increased from RMB17,009,788,000 to RMB17,767,240,000 and the total consolidated liabilities of the Company as at 31 December 2011 is remained the same on the pro forma basis, details of which please refer to Appendix III to this circular.

USE OF PROCEEDS

The total sum of the consideration for the Sale Shares and the Company Loans is approximately HK$3,178,000,000 (equivalent to approximately RMB2,572,000,000). The Directors expect that the net proceeds from the Disposal will be approximately HK$3,174,000,000 (equivalent to approximately RMB2,568,000,000) (after deducting all relevant fees and expenses) and will be used for the increase of the Group's land bank when attractive opportunities arise in the future and for general working capital purpose. Based on the total amount of cash and bank deposit of approximately HK$4,726,000,000 (equivalent to approximately RMB3,823,000,000) held by the Group as at 31 December 2011, the Group is expected to hold cash and bank deposits of approximately HK$7,900,000,000 (equivalent to approximately RMB6,391,000,000) after the Disposal.

As at the date of this circular, the Company did not have specific plans in acquisition of lands or identify any targets. However, given that the PRC government would continue to implement its tightening measures on the property market in the foreseeable future, especially in the major cities such as Beijing and Shanghai, the Company aims to seek opportunities to increase its land bank mainly for commercial and residential uses in the regions with greater demand for such uses. The Company may explore investment opportunities in Guangdong, Guangxi, Shenyang, Chongqing, Jiangsu, Yunnan and Guizhou.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group comprise property development and property investment in the PRC. The Group monitors the market environment continuously and reviews its property portfolio from time to time with an aim of maximising the return to Shareholders on its businesses. Following the acquisition of the 52.69% interest in the Disposal Company, the Company intended to develop the Project Land as a high-rise apartments and commercial properties. However, the global economy is still under the unfavourable influence of uncertainties such as the European sovereign debt crisis and instability in Middle East's political situations. In addition, a series of stringent macro-economic adjustment measures were strictly launched by the PRC government, in which the restrictive property purchase policy and other tightening measures continued to affect the PRC property market in the foreseeable future, especially in the major cities such as Beijing and Shanghai. In view of the continuous uncertainties in the global economy and the local tightening measures, the sale of the properties under the Project Land together with its actual investment return in the future would not be promising, as originally expected. As at the date of this circular, save as the Project Land, the Company did not hold any interest in land situated in Beijing and Shanghai. On the other hand, other cities such as Guangdong, Guangxi, Shenyang, Chongqing, Jiangsu, Yunnan and Guizhou still maintain greater demand for newly developed properties because of population growth and apparent increase of average income of the local workers. The tightening measures therefore impose less impact on the above cities. The Company has adjusted its marketing strategies and planned to pay more focus on its investments in those cities which have a strong growth potential with greater demand and the least effect from the tightening measures.

Upon the Company adopting its market strategies, it has minimized the side-effect of the tightening measures on the Group's business operation. In 2011, the Group's revenue generated from property development amounted to RMB3,004,300,000, representing an increase of RMB573,300,000 or 23.6% over RMB2,431,000,000 in 2010. The average selling price increased by 65.4% to RMB9,684 per sq.m. from RMB5,856 per sq.m. in 2010. This was mainly attributable to a higher proportion of the revenue in 2011 of 65.8% was derived from commercial projects and villa projects against 36.1% in 2010, which is benefited from the strategy of developing commercial and residential properties in parallel by the Group and the Company's reputable branding which is well-received by the market in those cities.

Further, the Directors are of the view that the Disposal would represent a good opportunity for the Company to realise its investment at a reasonable market price and to enjoy a satisfactory investment return. In addition, the realization of the Group's interest in the Disposal Company adheres to the Group's rational strategy. Together with the Group's present strong cash flow position and the cash inflow from the Disposal, it would put the Group in a prominent position to continue its investment programmes of increasing the Group's land bank at a lower cost, especially under the present market situation, in other regions, which are in-line with the Group's continuous and solid development strategies. The Company did not have any plan to invest in projects in Beijing and Shanghai at this stage, however, it will monitor the property market environment continuously and increase of the Group's land bank when attractive opportunities arise in the future.

For the valuation of the Disposal Group of RMB5,200,000,000, the Company has instructed an independent professional valuer, American Appraisal China Limited for the property valuation report, which is Appendix IV to this circular. Some sales comparable were identified in the property valuation report and considered relevant since: (1) they are actual sales transactions in the market. (2) the details of the sales comparables come from official website. (3) all land sales comparables are considered as vacant land parcels ready for future development. (4) they are all located in the Beijing City and three of them are located within the same district as the subject property. (5) the subject land is of composite use. Among the four comparables, two of them are of composite use while the remaining two comparables include one of residential use and the other for commercial use. (6) the development scale of the subject property is similar to three of the four comparables.

Having considered (a) recent property market environment, (b) the expected gain from the Disposal, and (c) the opportunity to reallocate resources to increase the Group's land bank in other regions with better growth potential, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Agreement is in the interests of the Group and the Shareholders as a whole.

Upon completion of the Disposal, the Company will cease to have any interest in the Disposal Group.

BUSINESS OF THE GROUP AFTER COMPLETION

Following completion of the Disposal, the Group will continue to engage in property development and property investment in the PRC. As of 31 December 2011, the Group had a total of 24 projects and a land bank with total gross floor area of approximately 8,602,000 sq.m.. The Group's land bank is mainly located in the major provinces, namely, Guangdong, Guangxi, Jiangsu, and major cities such as Shenyang and Chongqing. As compared to the gross floor area of approximately 247,600 sq.m. under the Project Land, the Disposal would not have any impact on the Group's land bank.

Recently, the Group entered into a joint venture agreement with an Independent Third Party pursuant to which the Group would acquire 65% equity interest in the joint venture company by way of capital contribution and the joint venture party would transfer a piece of land located in Panyu, Guangzhou to the joint venture company. Under the present plan, the project land would be developed as headquarter of intelligent industry comprising shops, office building, parking spaces and other ancillary.

Further, the Group successfully acquired three parcels of land, which are located in Chongqing and Guangzhou respectively, through the listing-for-sale by the relevant regulatory authorities. The two parcels of land in Guangzhou are designated for commercial and financial uses whereas the one in Chongqing is designated for commercial and residential uses.

As mentioned in the section headed "Reasons for and Benefits of the Disposal" in this circular, in 2011, the Group's revenue generated from property development amounted to RMB3,004,300,000, representing an increase of RMB573,300,000 or 23.6% over RMB2,431,000,000 in 2010. In 2011, the gross profit of the Group was RMB817,600,000, representing an increase of 24.7% over RMB655,800,000 in 2010. The average selling price for the revenue recognised from property development increased to RMB9,684 per sq.m. from RMB5,856 per sq.m. in 2010, and gross margin increased to 27.1%. The stable gross margin of the Group was attributable to the success of the Group's commercial projects development and sales model.

Save as disclosed, as at the date of this circular, the Company did not have any intention, negotiation, agreement, arrangement and understanding in relation to any disposal, scaling-down and/or termination of the Company's remaining businesses. The Company will monitor the property market environment continuously and explore attractive opportunities in property development projects in the future.

The Group's strong cash flow will put the Group in a prominent position to continue its investment programmes of increasing the Group's land bank in other regions, which are in-line with the Group's development strategies. Although the PRC government continues to implement its tightening measures on the property market in the foreseeable future, the Group's present development strategies would minimize the side effects on the tightening measures. Under this circumstance, the Company has planned to pay more focus on its investment in other cities, namely Guangdong, Guangxi, Shenyang, Chongqing, Jiangsu, Yunnan and Guizhou which have a strong growth potential with greater demand and the least effect from the tightening measures. However, the Company has yet to identify any potential projects and it will continue to seek any attractive opportunities in the future.

LISTING RULES IMPLICATIONS

As the total sum of the consideration for the Sale Shares and the Company Loans to be received by the Group exceeds 75% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and circular requirements and the Shareholders' approval. As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting on the resolutions proposed at the extraordinary general meeting of the Company to approve the Disposal.

Completion is subject to the obtaining of the approval of the Shareholders, and hence the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

The EGM will be held at Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 10 May 2012 at 11 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the Disposal and the transactions contemplated thereunder.

The notice of the EGM is set out in pages 72 to 73 of this circular. A proxy form for use at the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the proposed Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

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

(A) FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group (i) for the year ended 31 December 2011 is disclosed in the 2011 annual report of the Company published on 13 April 2012, from pages 73 to 145; and the audited consolidated financial statements of the Group (ii) for the year ended 31 December 2010 is disclosed in the 2010 annual report of the Company published on 15 April 2011, from pages 67 to 147; (iii) for the year ended 31 December 2009 is disclosed in the 2009 annual report of the Company published on 30 April 2010, from pages 63 to 135; and (iv) for the year ended 31 December 2008 is disclosed in the 2008 annual report of the Company published on 29 April 2009, from pages 29 to 93, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.aoyuan.com.cn).

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

BUSINESS REVIEW

In 2011, the Remaining Group recorded total contracted sales of RMB5,016,400,000 with total contracted sale areas of approximately 550,100 sq. m., and the average selling price was approximately RMB9,100 per sq. m. Contracted sales of the Remaining Group mainly derived from newly launched commercial projects of the Remaining Group, including Phase 2 of Aoyuan • Hai Jing Cheng in Nansha, Phase 2 of Aoyuan Plaza and Shenyang Aoyuan • Convention Plaza. In addition, the robust sales of residential projects with regimen and health concepts such as Zhongshan Aoyuan, Nansha Aoyuan and Shenyang Aoyuan • The Metropolis also contributed greatly to the contracted sales of the Remaining Group.

In 2010, the Remaining Group recorded total contracted sales of RMB3,969,500,000, with total contracted sales areas of approximately 429,600 sq.m., and the average selling price was approximately RMB9,200 per sq.m.. In 2010, the Remaining Group has launched a series of quality projects and achieved outstanding sales performance in both residential and commercial projects as several of these projects were immediately sold out on the launch date. For example, within 4 hours on its launch date on 23 October 2010, Shenyang Aoyuan • The Metropolis already achieved remarkable sales performance and recorded subscription amount of over RMB300 million, and was a sensational success in Shenyang. On 30 October 2010, Phase I of Aoyuan Plaza had its grand opening. All of the 140 commercials shops in Phase I as well as 260 out of 286 apartment units were all sold out on the day of its grand opening. The subscription amount of commercial shops and apartments reached RMB910 million, and creating a real estate daily sales record in the Pearl River Delta region.

In 2009, the Remaining Group recorded total contracted sales of RMB2,877,400,000, with total contracted sale areas of approximately 589,100 sq. m. In October 2009, the Remaining Group achieved its full-year's sales target and was ahead of schedule.

Land Bank

In 2011, the Remaining Group kept an eye on and grasped any development opportunities arising in the market on the basis of a prudent and rational land bank strategy. During the period, the Remaining Group has successfully acquired six parcels of land including Zhongshan, Guangzhou and Jiangsu Province for commercial and residential purposes and newly acquired land for development was approximately 1,080,000 sq. m. As of 31 December 2011, the Remaining Group had a land bank for the gross floor area of approximately 8,355,000 sq. m., of which, 45.8% and 28.4% of the land bank are located in Guangdong and Shenyang respectively.

The Remaining Group's strategy is to maintain a low cost and high quality land bank, and the average cost was approximately RMB680 per square meter of gross floor area as at 31 December 2011.

The Remaining Group's land bank included approximately 718,000 sq. m. of completed properties, 1,823,000 sq. m. under development stage and 5,814,000 sq. m. held for future development. The management believes that the existing land bank can meet the needs of Remaining Group's project development in the coming five to seven years.

Looking forwards, the Remaining Group will continue to capture any invaluable merger and acquisition opportunities arising in the market and keep investing in areas with robust demand and high growth potential, particularly in Southern China where the Remaining Group have accumulated strong development experience. Meanwhile, the Remaining Group will also actively cooperate with the government to carry out the works on the "Transformation of the three olds" in a bid to acquiring lands with development potential at a low cost, so as to provide quality land bank for the Remaining Group's development projects.

In 2010, the Remaining Group adhered to a prudent and rational land bank strategy. In March 2010, the Remaining Group acquired a commercial office building in Guangzhou for commercial use. Our existing land bank focused on the five economic zones, namely the Pearl River Delta, Yangtze River Delta, Bohai Rim, Beibuwan and Central and Western China and mainly located in regions such as Guangdong, Jiangxi, Guangxi, Shenyang and Chongqing.

As of 31 December 2010, the Remaining Group had a land bank for approximately 7,583,000 square meters of gross floor area, of which, 42.6% and 31.4% of the land bank are located in Guangdong and Shenyang respectively. The Remaining Group's strategy is to maintain a low cost and high quality land bank, and the current average cost was RMB547 per square meter of gross floor area.

The Remaining Group's land bank included approximately 510,000 square meters of completed properties, 1,253,000 square meters under development stage and 5,820,000 square meters held for future development. The management believes that the existing land bank can meet the needs of Remaining Group's project development in the coming five to seven years.

In 2009, the Remaining Group adhered to a prudential and rational land bank strategy. The Remaining Group newly acquired four parcels of land located in four cities, namely, Guangzhou, Zhongshan and Shenyang, with the new total gross floor area amounting to approximately 3,783,000 square meters.

As at 31 December 2009, the Remaining Group had a total land bank of approximately 8,753,000 square meters, of which the completed properties, the properties under construction and the properties held for future development were 580,000 square meters, 733,000 square meters and 7,470,000 square meters respectively.

FINANCIAL REVIEW

Operating results

The revenue is primarily generated from two business segments: property development and property investment. In 2011, the Remaining Group's total revenue was RMB3,022,200,000, representing an increase of RMB580,000,000 or 23.7% over RMB2,442,200,000 in 2010. Property development revenue and property investment revenue accounted for 99.4% and 0.6% respectively.

In 2011, the Remaining Group's revenue generated from property development amounted to RMB3,004,300,000, representing an increase of RMB573,300,000 or 23.6% over RMB2,431,000,000 in 2010. The gross floor area of delivered properties decreased by 25.3% to 310,224 sq. m. from 415,100 sq. m. in 2010, while the average selling price increased by 65.4% to RMB9,684 per square meter from RMB5,856 per square meter in 2010. This was mainly attributable to a higher proportion of the revenue in 2011 of 65.8% was derived from commercial projects and villa projects against 36.1% in 2010, which is benefited from the strategy of developing commercial and residential properties in parallel by the Remaining Group and our reputable branding which is well-received by the market. For the year ended 31 December 2011, the Remaining Group's sales revenue derived from commercial properties accounted for 36.1% (2010: 13.3%) of total sales revenue generated from property development; sales revenue derived from villas has increased to 29.7% from 22.8% in 2010. Overall, the revenue generated from property development of Aoyuan Plaza (commercial project), Zhongshan Aoyuan (villa project), Nansha Aoyuan (villa project) and Aoyuan • Hai Jing Cheng (commercial project) were the main source of property development revenue for the Remaining Group, with sales revenue amounting to RMB1,749,900,000 in total. The revenue generated from property development attributable to Guangzhou, Zhongshan and other cities accounted for 59.0%, 18.0% and 23.0% respectively.

The revenue is primarily generated from two business segments: property development and property investment. In 2010, the Remaining Group's total revenue was RMB2,442,200,000, representing an increase of RMB77,700,000 over RMB2,364,500,000 in 2009, primarily due to the increase in property sales.

In 2010, the Remaining Group's revenue generated from property development amounted to RMB2,431,000,000, representing an increase of RMB82,900,000 over RMB2,348,100,000 in 2009. The gross floor area of delivered properties decreased by 20.6% to 415,100 sq.m. from 522,800 sq.m. in 2009, while the average selling price increased by 30.4% to RMB5,856 per square meter from RMB4,491 per square meter in 2009. This was mainly attributable to a higher proportion of the revenue in 2010 was derived from commercial projects and villa projects of which the unit selling price per square meter was higher, and also our renowned branding which led our products could command a higher selling price, compared to that of 2009. Chongqing Aoyuan • City of Health and Nansha Aoyuan were the main source of property development revenue for the Remaining Group. The revenue generated from property development attributable to Guangzhou, Chongqing and other cities accounted for 35.8%, 30.8% and 33.4% respectively.

The revenue is primarily generated from two business segments: property development and property investment. For the year ended 31 December 2009, the Remaining Group's total revenue was approximately RMB2,364,500,000 (2008: RMB619,900,000), representing an increase of 281.4% over 2008, which was mainly attributable to the increase in property sales.

In 2009, the Remaining Group's sales revenue generated from property development amounted to approximately RMB2,348,100,000 (2008: RMB609,000,000), representing an increase of 285.6% over 2008. The increase of sales revenue was primarily due to an increase in the area of delivered properties. The sales revenue generated from property development attributable to Guangzhou, Chongqing and other cities represented 43%, 48% and 9% respectively. The average price of delivered properties for the year was basically in the line with 2008.

In 2009, the Remaining Group's revenue derived from property investment was approximately RMB15,100,000 (2008: RMB9,500,000), representing an increase of 58.9% over 2008.

Gross Profit and Margin

In 2011, the gross profit of the Remaining Group was RMB817,600,000, representing an increase of 24.7% over RMB655,800,000 in 2010. The average selling price for the revenue recognised from property development increased to RMB9,684 per square meter from RMB5,856 per square meter in 2010, and gross margin increased to 27.1%. The stable gross margin of the Remaining Group was attributable to the success of the Remaining Group's commercial projects development and sales model.

In 2010, the gross profit of the Remaining Group was RMB655,800,000, representing an increase of 49.2% over RMB439,700,000 in 2009. The average selling price for the revenue recognised from property development increased 30.4% to RMB5,856 per square meter, resulting in an increase in gross margin to 26.9% from 18.6% in 2009.

In 2009, the gross profit of the Remaining Group was approximately RMB439,700,000, representing an increase of 1,828.5% over approximately RMB22,800,000 in 2008; the gross margin increased to 18.6% from 3.7% in the corresponding period of 2008.

Financial Resources and Liquidity

In 2011, the Remaining Group's sources of fund primarily included income generated from business operations and cash from bank borrowings, which were used in our business operations and investment in development projects.

The Remaining Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. Therefore, the Remaining Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and strictly control the cost and various expenses. In addition, the Remaining Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide another source of funding for the expansion of projects and business development.

In 2010, the Remaining Group's sources of fund primarily included income generated from business operations and cash from bank borrowings, which were used in our business operations and investment in development projects. In June 2010, the Remaining Group entered into a loan agreement with a bank for borrowings of HKD500,000,000, to satisfy the Remaining Group's general working capital requirements. As at 31 December 2010, the total balance of cash, bank deposits and restricted bank deposits of the Remaining Group increased by RMB1,809,800,000 from the end of 2009 to RMB3,839,100,000, providing the Remaining Group with more sufficient cash flow.

The Remaining Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. Therefore, the Remaining Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and strictly control the cost and various expenses. In addition, the Remaining Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide another source of funding for the expansion of projects and business development.

In 2009, the Remaining Group derived its sources of fund primarily from income generated from business operations and cash from bank borrowings, which were used in our business operations and investment in development projects. In addition, in July 2009, the Company issued 360,000,000 new shares and placed them to independent investors at HK$1.73 per share in order to enhance the Remaining Group's financial position and cash flow to further enlarge its land bank. The net proceeds from the placement were approximately HK$600,000,000 and were used for satisfying the Remaining Group's general working capital requirement as well as the acquisition of 41.33% of the issued share capital of Century Profit.

The Remaining Group expects that income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. Therefore, the Remaining Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and strictly control the cost and various expenses. In addition, the Remaining Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide another source of funding for the expansion of projects and business development.

Net Gearing ratio

As at each reporting date of the years ended 31 December 2009, 31 December 2010 and 31 December 2011, the net gearing ratio (total borrowings net of cash and cash equivalents and restricted bank deposits over the total capital and reserves attributable to equity holders) of the Remaining Group were 15.7%, nil and 12.7% respectively. As at 31 December 2010, the Remaining Group was in a position of net cash.

Material acquisitions and disposals of subsidiary

On 18 June 2009, the Remaining Group entered into a sale and purchase agreement with independent third parties ("Vendors"), in connection with the acquisition of the entire equity interest in Zhongshan Plaza Development Company Limited （中山市中山廣場開發建設有限公司） ("Zhongshan Plaza"), a property development company, through the acquisition of its parent company, Earning Evers Limited ("Earning Evers") at a consideration of RMB1, and payments of RMB639,999,999 owed by Zhongshan Plaza and Earning Evers to the Vendors and their related companies.

On 9 October 2009, the Remaining Group entered into a sale and purchase agreement with MGP Lotus (BVI) Limited ("MGP"), pursuant to which the Remaining Group agreed to purchase all the MGP's interest of the Remaining Group's jointly controlled entity, Head Win Limited, at a consideration of US$5,001 (approximately RMB34,000) and the payment of shareholder loan due to MGP at a consideration of approximately HK$292,909,000 (equivalent to approximately RMB257,760,000). The acquisition was completed in October 2009 and the Remaining Group has equity accounted for the result of Head Win Limited up to date when it became a subsidiary of the Remaining Group.

During the year ended 31 December 2010, the Remaining Group did not acquire or dispose of any material subsidiary.

On March 22 2011, the Remaining Group entered into a sale and purchase agreement with independent third parties ("Vendors"), in connection with the acquisition of the entire equity interest in 佑林泛太(昆山)置業有限公司 (Woolim Fanta (Kunshan) Development Company Limited or "Woolim Fanta") and 佑林(昆山)置業有限公司 (Woolim (Kunshan) Development Company Limited or "Woolim Kunshan") two property development companies, through the acquisition of their parent companies, Fully Rise Development Limited ("Fully Rise") and Million Wealthy Development Limited ("Million Wealthy") at total consideration of approximately RMB244,221,000.

Significant investment and disposals

During the three years ended 31 December 2009, 2010 and 2011, the Remaining Group did not incur any significant investment and disposals for capital nature assets.

Contingent Liabilities

As at 31 December 2009, the Remaining Group had the contingent liabilities relating to guarantees in respect of mortgage facilities provided by bank to purchasers amounting to approximately RMB1,859.3 million.

As at 31 December 2010, the Remaining Group had the contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,943.6 million.

The contingent liabilities represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Remaining Group is liable to the repayment of outstanding mortgage principals together with accrued interest and penalty owed to the banks by defaulted purchasers, and the Remaining Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2010 were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

As at 31 December 2011, the Remaining Group had the contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,841.3 million (as at 31 December 2010: RMB2,943.6 million).

The contingent liabilities represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Remaining Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Remaining Group is liable to the repayment of outstanding mortgage principals together with accrued interest and penalty owed to the banks by defaulted purchasers, and the Remaining Group is entitled to take over the legal title and possession of the related properties. The amounts as at 31 December 2011 were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Commitments

As at 31 December 2009, the Remaining Group has construction cost contracted but not provided for of approximately RMB2,367.0 million. The Remaining Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

As at 31 December 2010, the Remaining Group had construction cost contracted but not provided for of approximately RMB2,799.9 million. The Remaining Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

As at 31 December 2011, the Remaining Group had construction cost contracted but not provided for of approximately RMB3,503.5 million. The Remaining Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

Pledge of assets

As at 31 December 2009, the Remaining Group pledged its property held for development and properties under construction of approximately RMB1,937.8 million to various banks to secure project loans and general banking facilities granted to the Remaining Group.

As at 31 December 2010, the Remaining Group pledged its property held for development and property under construction of approximately RMB1,839.9 million to various banks to secure project loans and general banking facilities granted to the Remaining Group.

As at 31 December 2011, the Remaining Group pledged its property held for development and property under construction of approximately RMB1,113.0 million to various banks to secure project loans and general banking facilities granted to the Remaining Group.

Foreign currency risks

During the three years ended 31 December 2009, 2010 and 2011, the Remaining Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits and bank loans denominated in foreign currencies, the Remaining Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Remaining Group did not enter into any foreign exchange hedging arrangements.

Cash Position

As at 31 December 2011, the Remaining Group had cash and bank deposits of approximately RMB877,200,000 (as at 31 December 2010: RMB2,203,100,000). As at 31 December 2011, the Remaining Group had restricted bank deposits of approximately RMB2,946,000,000 (as at 31 December 2010: RMB1,636,000.000), of which RMB2,035,200,000 served for acquiring bank loans, and others were only for payments to construction contractors.

As at 31 December 2011, cash, bank deposits and restricted bank deposits of the Remaining Group mentioned above totalled RMB3,823,200,000, of which 99.1% was denominated in Renminbi and 0.9% was denominated in other currencies (mainly HK$ and U.S. dollar).

As at 31 December 2010, the Remaining Group had cash and bank deposits of approximately RMB2,203,100,000 (as at 31 December 2009: RMB1,283,900,000).

As at 31 December 2010, the Remaining Group had restricted bank deposits of approximately RMB1,636,000,000 (as at 31 December 2009: RMB745,400,000), of which RMB939,000,000 served for acquiring bank loans, and others were only for payments to construction contractors.

As at 31 December 2010, cash, bank deposits and restricted bank deposits of the Remaining Group mentioned above totalled RMB3,839,100,000, of which 87.5% was denominated in Renminbi and 12.5% was denominated in other currencies (mainly HK dollar and U.S. dollar).

As at 31 December 2009, the Remaining Group had bank balances and cash of approximately RMB1,283,900,000 (as at 31 December 2008:RMB1,345,900,000).

As at 31 December 2009, the Remaining Group had restricted bank deposits of approximately RMB745,400,000 (as at 31 December 2008: RMB135,700,000).

Employees and Remuneration

As at 31 December 2011, the Remaining Group employed a total of 1,497 employees. In order to encourage and retain excellent staff, the Remaining Group has adopted a performance based rewarding system since September 2007 to motivate its staff and such system was reviewed on a regular basis. As at 31 December 2011, share options in respect of a total of 17,200,000 shares of the Company were granted to certain directors. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. In accordance with the relevant national and local labour laws and regulations, the Remaining Group is required to pay employees social insurance and other insurance benefits. The Remaining Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

As at 31 December 2010, the Remaining Group employed a total of 653 employees. In order to encourage and retain excellent staff, the Remaining Group has adopted a performance based rewarding system since September 2007 to motivate its staff and such system was reviewed on a regular basis. As at 31 December 2010, share options in respect of a total of 48,900,000 shares of the Company were granted to certain directors and employees. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. In accordance with the relevant national and local labour laws and regulations, the Remaining Group is required to pay employees social insurance and other insurance benefits. The Remaining Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

As at 31 December 2009, the Remaining Group employed a total of 477 employees. The Remaining Group has adopted a performance based incentive system since September 2007 to motivate and retain its high-calibre staff and such system is subject to review on a regular basis. As at 31 December 2009, share options in respect of a total of 38,195,145 shares of the Company was granted to certain directors and employees. In addition to basic salary, year-end bonuses are also offered to staff with outstanding performance. At the same time, the Remaining Group is required to pay on behalf of the employees a social insurance premium and other insurance premium benefits according to relevant national and local government labor laws and regulations. The Remaining Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

(C) INDEBTEDNESS STATEMENT

As at the close of business on 29 February 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the despatch of this circular,

The Group

(a) Borrowings

The Group had bank borrowings of approximately RMB4,887,000,000. The bank borrowings were secured by (i) certain properties for sale, buildings and investment properties of the Group; (ii) certain of the Group's equity interests in its subsidiaries; and (iii) certain bank deposits of the Group.

(b) Securities

The Group did not have any outstanding debt securities.

(c) Contingent Liabilities

The Group acted as a guarantor for the mortgage bank loans granted to certain purchasers of the Group's properties for mortgage bank loans of approximately RMB2,914,634,000.

During the year ended 31 December 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claimed the Group for compensation of approximately RMB61,096,000. The legal case is in legal proceeding. In the opinion of the executive Directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

(d) Amount due to a non-controlling shareholder

The Group had obtained an advance from a non-controlling shareholder of approximately RMB89,320,000.

Save as aforesaid or as otherwise disclosed, and apart from intra-group liabilities and normal trade payables in the normal course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans debt securities or other similar indebtedness, finance leases or hire purchases commitments, liabilities under acceptance or acceptance credits or any guarantee or other material contingent liabilities outstanding as at the close of business on 29 February 2012.

(D) WORKING CAPITAL OF THE GROUP

As of the Latest Practicable Date, the Directors (including the independent non-executive Directors) were of the opinion that after taking into account of the completion of the Disposal, the financial resources and banking facilities available to the Group and its internal generated funds, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

(E) FINANCIAL PROSPECTS OF THE GROUP

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

The total revenue of the Group in 2011 was approximately RMB3,022.2 million, representing an increase of RMB580.0 million over RMB2,442.2 million in 2010, primarily due to the increase in property sales. Profits attributable to owners of the Company amounted to RMB448.5 million compare with RMB321.3 million in 2010.

As of 31 December 2011, the Group had a total of 24 projects and a land bank with total gross floor area of approximately 8,602,000 square meters. The land bank is mainly located in the major cities such as Guangdong, Guangxi, Jiangsu, Shenyang and Chongqing.

Recently, the Group entered into a joint venture agreement with an Independent Third Party pursuant to which the Group would acquire 65% equity interest in the joint venture company by way of capital contribution and the joint venture party would transfer a piece of land located in Panyu, Guangzhou. Under the present plan, the project land would be developed as headquarter of intelligent industry comprising shops, office building, parking spaces and other ancillary.

Further, the Group successfully acquired three parcels of land, which are located in Chongqing and Guangzhou respectively, through the listing-for-sale by the relevant regulatory authorities. The two parcels of land in Guangzhou are designated for commercial and financial uses whereas the one in Chongqing is designated for commercial and residential uses.

As mentioned above, the Group's strong cash flow will put the Group in a prominent position to continue its investment programmes of increasing the Group's land bank in other regions, which are in-line with the Group's development strategies. Although the PRC government continues to implement its tightening measures on the property market in the foreseeable future, the Group's present development strategies would minimize the side effects on the tightening measures. Under this circumstance, the Company has planned to pay more focus on its investment in other cities such as Guangdong, Guangxi, Shenyang, Chongqing, Jiangsu, Yunnan and Guizhou which have a strong growth potential with greater demand and the least effect from the tightening measures.

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION OF DISPOSAL GROUP

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHINA AOYUAN PROPERTY GROUP LIMITED

INTRODUCTION

We have reviewed the accompanying financial information of Century Profit Zone Investments Limited ("Century Profit") and its subsidiaries (collectively referred as the "Disposal Group") set out on pages 35 to 42, which comprises the consolidated statements of financial position as of 31 December 2009, 2010 and 2011, and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended 31 December 2011 and certain explanatory notes (together the "Unaudited Financial Information"). The directors of China Aoyuan Property Group Limited ("Aoyuan") are responsible for the preparation and presentation of the Unaudited Financial Information using the relevant accounting policies of Aoyuan adopted in the preparation of its consolidated financial statements for the respective years ended 31 December 2009, 2010 and 2011 in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and solely for the purpose of inclusion in the circular to be issued by Aoyuan in connection with the Disposal as described in note 2 to the Unaudited Financial Information. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on the Unaudited Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except for the limitation in the scope of our work for the year ended 31 December 2009 as explained in the Basis for Disclaimer of Conclusion on Result and Cash Flows for the year ended 31 December 2009 paragraph, we conducted our review in accordance with the International Standard on Review Engagements 2400 "Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Unaudited Financial Information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

BASIS FOR DISCLAIMER OF CONCLUSION ON RESULT AND CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

As explained in notes 1 and 3 to the Unaudited Financial Information, in July 2009, Century Profit disposed of its entire 90% interest in its subsidiary, 北京王府世紀發展有限公司 (for identification purpose only, in English, Beijing Wangfu Century Development Co., Ltd, hereinafter defined as “Wangfu”). As the Disposal Group did not retain sufficient accounting records of Wangfu with respect to the period prior to its disposal, the financial information of Wangfu has not been consolidated in the Unaudited Financial Information up to the date of its disposal during the year ended 31 December 2009. In the absence of such accounting records with respect to Wangfu, it is not practicable for us to quantify the effects of not consolidating the financial information of Wangfu up to the date of its disposal on the Unaudited Financial Information for the year ended 31 December 2009. As a result, we were unable to determine whether any adjustments might have been found to be necessary to the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Disposal Group for the year then ended.

DISCLAIMER OF CONCLUSION ON RESULT AND CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion on Result and Cash Flows for the year ended 31 December 2009 paragraph, we do not express a conclusion on the accompanying Unaudited Financial Information in respect of the result and cash flows of the Disposal Group for the year ended 31 December 2009.

CONCLUSION ON FINANCIAL POSITION AS AT 31 DECEMBER 2009, 2010 AND 2011 AND RESULTS AND CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2011

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Unaudited Financial Information in respect of the financial position of the Disposal Group as at 31 December 2009, 2010 and 2011 and the Disposal Group’s result and cash flows for each of the two years ended 31 December 2011 is not prepared, in all material respects, in accordance with the basis of preparation and presentation as set out in note 2 to the Unaudited Financial Information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 April 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011

	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Turnover	–	–	–
Other income	831	720	342
Increase (decrease) in fair value of investment properties	506,296	165,549	(41,741)
Selling and distribution expenses	(9,455)	(34,209)	(7,769)
Administrative expenses	(4,577)	(13,155)	(15,352)
Finance costs	(9,835)	–	–
Impairment loss on investment in a subsidiary	(5,647)	–	–
Profit (loss) before taxation	477,613	118,905	(64,520)
Income tax (expenses) credit	(148,683)	(44,389)	7,050
Profit (loss) and total comprehensive income for the year	328,930	74,516	(57,470)
Profit (loss) and total comprehensive income for the year attributable to:			
Owners of the Century Profit	315,124	74,971	(55,591)
Non-controlling interests	13,806	(455)	(1,879)
	328,930	74,516	(57,470)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2009, 2010 AND 2011

	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSET			
Property, plant and equipment	1,417	3,020	2,416
Investment property	814,000	1,039,000	1,040,000
	815,417	1,042,020	1,042,416
CURRENT ASSETS			
Properties for sale	2,161,825	2,579,506	2,877,831
Prepayments and other receivables	2,432	10,551	16,315
Restricted bank deposits	29,277	125,443	280
Bank balances and cash	41,715	48,053	13,749
	2,235,249	2,763,553	2,908,175
CURRENT LIABILITIES			
Trade and other payables	172,866	135,179	203,786
Sales deposits	–	336,832	369,911
Amounts due to shareholders	789,660	666,524	1,413,872
Amount due to a non-controlling shareholder	10,294	11,765	43,268
Taxation payable	63,185	60,551	58,421
Secured bank and other loans	1,532,045	690,213	141,786
	2,568,050	1,901,064	2,231,044
NET CURRENT (LIABILITIES) ASSETS	(332,801)	862,489	677,131
TOTAL ASSETS LESS CURRENT LIABILITIES	482,616	1,904,509	1,719,547
NON-CURRENT LIABILITIES			
Secured bank loans	–	800,000	679,558
Deferred tax liabilities	148,683	193,072	186,022
	148,683	993,072	865,580
NET ASSETS	333,933	911,437	853,967

	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
CAPITAL AND RESERVE			
Share capital	10	10	10
Reserve	308,602	886,561	830,970
Equity attributable to owners of Century Profit	308,612	886,571	830,980
Non-controlling interests	25,321	24,866	22,987
TOTAL EQUITY	333,933	911,437	853,967

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011

	Equity attributable to Owners of Century Profit					
	Share capital	Capital reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	10	–	4,993	5,003	–	5,003
Profit and total comprehensive income for the year	–	–	315,124	315,124	13,806	328,930
Difference arising from increase in interests in a subsidiary	–	–	(11,515)	(11,515)	11,515	–
At 31 December 2009	10	–	308,602	308,612	25,321	333,933
Profit and total comprehensive income for the year	–	–	74,971	74,971	(455)	74,516
Deemed contribution arising from a shareholder settling other loan on behalf of Century Profit	–	502,988	–	502,988	–	502,988
At 31 December 2010	10	502,988	383,573	886,571	24,866	911,437
Loss and total comprehensive income for the year	–	–	(55,591)	(55,591)	(1,879)	(57,470)
At 31 December 2011	10	502,988	327,982	830,980	22,987	853,967

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011

	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit (loss) before taxation	477,613	118,905	(64,520)
Adjustments for:			
Change in fair value of investment properties	(506,296)	(165,549)	41,741
Impairment loss on interest in a subsidiary	5,647	–	–
Loss on disposal of property, plant and equipment	–	115	–
Finance costs	9,835	–	–
Depreciation of property, plant and equipment	562	859	680
Operating cash flows before movements in working capital	(12,639)	(45,670)	(22,099)
Increase in properties for sale	(118,802)	(216,191)	(80,445)
Decrease (increase) in prepayments and other receivables	3,835	(8,119)	(5,764)
(Decrease) increase in trade and other payables	(29,068)	(37,687)	68,607
Increase in sales deposits	–	336,832	33,079
CASH (USED IN) FROM OPERATIONS	(156,674)	29,165	(6,622)
Enterprise income tax paid	–	(2,634)	(2,130)
Interest paid	(75,339)	(190,137)	(128,780)
NET CASH USED IN OPERATING ACTIVITIES	(232,013)	(163,606)	(137,532)
INVESTING ACTIVITIES			
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	(458,688)	–	–
(Increase) decrease in restricted bank deposits	(29,277)	(96,166)	125,163
Addition to investment properties under development	(16,910)	(27,949)	(7,896)
Purchases of property, plant and equipment	(1,000)	(2,577)	(76)
Repayment from a related company	5,291	–	–
Repayment from a subsidiary	5,283	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(495,301)	(126,692)	117,191

	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES			
New bank loans and other loans raised	1,432,045	820,000	21,676
Advance from shareholders	839,911	463,724	596,469
Advance from a non-controlling shareholder	10,294	1,471	31,503
Repayment of bank loans and other loans	(1,428,411)	(842,000)	(663,611)
Repayment to former ultimate holding company	(10,753)	–	–
Repayment to a related company	(571)	–	–
Repayment to shareholders	(73,610)	(146,559)	–
NET CASH FROM FINANCING ACTIVITIES	768,905	296,636	(13,963)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,591	6,338	(34,304)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	124	41,715	48,053
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	41,715	48,053	13,749

NOTES TO THE UNAUDITED FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2011

1. GENERAL

Century Profit Zone Investments Limited ("Century Profit") is a limited company established in Hong Kong and acts as an investment holding company. Century Profit was a wholly-owned subsidiary of Hong Da Development & Investment Holding Company Limited ("Hong Da") before July 2009.

During the period from 1 January 2009 to 17 July 2009, Century Profit held a 90% equity interest in a subsidiary, 北京王府世紀發展有限公司 (for identification purpose only, in English, Beijing Wangfu Century Development Co., Ltd, hereinafter defined as "Wangfu"). The principal activity of Wangfu was property development and property management. Wangfu was disposed by Century Profit to a company owned by a shareholder of Hong Da on 17 July 2009. Such disposal and the acquisition of 62% equity interest in 北京耀輝置業有限責任公司 (for identification purpose only, in English, Beijing Yaohui Real Estate Co., Ltd., hereinafter defined as "Yaohui") below formed parts of the condition precedents for the acquisition of Century Profit by a subsidiary of China Aoyuan Property Group Limited ("Aoyuan") (see below for details). During the year ended 31 December 2009, Century Profit recognized an impairment loss on Wangfu of approximately RMB6 million which represents the difference between the investment cost in Wangfu of approximately RMB87 million and the consideration for disposal of approximately RMB81 million, which was settled by way of reduction of the amount due to a related party. However, the financial information of Wangfu has not been consolidated for the reason set out in note 3 to the Unaudited Financial Information.

In July 2009, Century Profit acquired 62% equity interest in Yaohui at a consideration of approximately RMB458,700,000 pursuant to a sale and purchase agreement entered into on 27 April 2008 between Century Profit and 天鴻寶業股份有限公司 ("Tianhong Baoye Company Limited", which changed its name to "Beijing Capital Development Company Limited" subsequently), an independent third party. Yaohui is engaged in property development and property investment in the People's Republic of China ("PRC") with registered capital of RMB50,000,000.

On 6 July 2009, a subsidiary of Aoyuan entered into a sale and purchase agreement with Hong Da, for the acquisition of 41.33% issued share capital of Century Profit at a consideration of RMB370,000,000 plus related cost of acquisition of approximately RMB6,519,000. The acquisition was completed in July 2009. Pursuant to certain terms and conditions of the shareholders' agreement signed between Hong Da and Aoyuan, the financial and operating policies of Century Profit require unanimous approval of Hong Da and Aoyuan. Accordingly, Century Profit has been accounted for as a jointly controlled entity by Aoyuan.

In November and December 2009, Century Profit made additional capital contributions of RMB550,000,000 to Yaohui and its equity interest in Yaohui was increased from 62% to 96.8%.

On 17 July 2009, Aoyuan also entered into an agreement with Hong Da whereby Hong Da issued a convertible note ("Hong Da Convertible Note") to Aoyuan with a principal amount of RMB296,000,000. The Hong Da Convertible Note was interest-bearing at 11% per annum and Aoyuan must convert it into shares of Century Profit held by Hong Da by 30 September 2010. On 27 September 2010, Aoyuan exercised its right under the Hong Da Convertible Note to convert into 1,136 shares of Century Profit. Following the exercise of the conversion rights under the Hong Da Convertible Note, Aoyuan held 52.69% equity interest in Century Profit and Century Profit remains as a jointly controlled entity of Aoyuan pursuant to the shareholder agreement signed with Hong Da mentioned in the preceding paragraph.

On 27 March 2012, Aoyuan entered into a sale and purchase agreement with Logic Capital Limited (the "Purchaser"). Pursuant to this sale and purchase agreement, Aoyuan has conditionally agreed to dispose of its entire 52.69% equity interest in Century Profit to the Purchaser (the "Disposal"), for a cash consideration of RMB1,480,000,000 ("Consideration"). In addition to the Consideration, Century Profit and Yaohui are required to repay the amounts due to Aoyuan and its subsidiary, amounting to RMB1,091,941,000, which comprises of amounts due to Aoyuan and its subsidiary of RMB1,085,362,000 as at 31 December 2011 and interest payable of RMB6,579,000 for the period from 1 January 2012 to 20 March 2012, on or before the completion of the Disposal.

2. BASIS OF PREPARATION AND PRESENTATION OF UNAUDITED FINANCIAL INFORMATION

The consolidated financial information of Century Profit and its subsidiaries for each of the three years ended 31 December 2011 ("Unaudited Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by Aoyuan in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of Aoyuan adopted in the preparation of its consolidated financial statements for the respective years in the three years ended 31 December 2011, which conform with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

The Unaudited Financial Information, however, does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" issued by the IASB.

3. NON-CONSOLIDATION OF WANGFU

Century Profit did not retain sufficient accounting records of Wangfu with respect to the period prior to its disposal. Accordingly, the financial information of Wangfu has not been consolidated in the Unaudited Financial Information up to the date of its disposal during the year ended 31 December 2009. The directors of Aoyuan and Century Profit are unable to assess the effects of the financial information of Wangfu on the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidation statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of China Aoyuan Property Group Limited and its subsidiaries (hereinafter referred to as the "**Group**") excluding the Group's entire interest in Century Profit Zone Investments Limited ("**Century Profit**") and its subsidiaries (the "**Disposal Group**") (together with the Group hereinafter collectively referring to as the "**Remaining Group**") ("**Pro Forma Financial Information**"), have been prepared to illustrate the effect of the Disposal.

Basis of preparation of the unaudited pro forma financial information of the Remaining Group

The unaudited pro forma financial information of the Remaining Group is prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Disposal.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2011 as set out in the annual report of the Company for the year ended 31 December 2011, after making pro forma adjustment relating to the Disposal, as if the Disposal had been completed on 31 December 2011.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2011 as extracted from annual report of the Company, after making pro forma adjustments relating to the Disposal, as if the Disposal had been completed on 1 January 2011.

The unaudited pro forma financial information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable is summarised in the accompanying notes.

This unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information does not give a true picture of the results, cash flows, or financial position of the Group upon the completion of the Disposal or any future period or any future date.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	The Group as at 31 December 2011	Pro forma adjustments		The Remaining Group as at 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (a)	*Note (b)*	*Note (c)*	
NON-CURRENT ASSETS				
Property, plant and equipment	491,730			491,730
Prepaid lease payments	3,115			3,115
Investment properties	1,382,701			1,382,701
Interest in a jointly controlled entity	602,251		(602,251)	–
Available-for-sale investment	22,370			22,370
Amount due from a jointly Controlled entity	1,413,872	(285,291)	(1,128,581)	–
Deposit to acquire equity interest in a company	86,000			86,000
Deferred tax assets	85,381			85,381
Retention deposit for the Disposal	–		24,321	24,321
	4,087,420			2,095,618
CURRENT ASSETS				
Properties for sale	8,335,980			8,335,980
Trade and other receivables	611,425			611,425
Income tax recoverable	148,802			148,802
Prepaid lease payments	2,987			2,987
Restricted bank deposits	2,945,946			2,945,946
Bank balances and cash	877,228	285,291	2,463,963	3,626,482
	12,922,368			15,671,622
CURRENT LIABILITIES				
Trade and other payables	1,408,652			1,408,652
Sale deposits	3,288,802			3,288,802
Amount due to a non-controlling shareholder	89,320			89,320
Taxation payable	1,116,644			1,116,644
Secured bank loans	2,615,832			2,615,832
	8,519,250			8,519,250

	The Group as at 31 December 2011	Pro forma adjustments		The Remaining Group as at 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (a)	*Note (b)*	*Note (c)*	
NET CURRENT ASSETS	4,403,118			7,152,372
TOTAL ASSETS LESS CURRENT LIABILITIES	8,490,538			9,247,990
NON-CURRENT LIABILITIES				
Secured bank loans	2,015,714			2,015,714
Deferred taxation liabilities	111,898			111,898
	2,127,612			2,127,612
NET ASSETS	6,362,926			7,120,378
CAPITAL AND RESERVES				
Share capital	25,015			25,015
Reserves	6,268,316		757,452	7,025,768
Equity attributable to owner of the Company	6,293,331			7,050,783
Non-controlling interests	69,595			69,595
TOTAL EQUITY	6,362,926			7,120,378

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group for the year ended 31 December 2011	Pro forma adjustments		The Remaining Group for the year ended 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note (a)	*Note (d)*	*Note (e)*	
Revenue	3,022,154			3,022,154
Cost of sales	(2,204,571)			(2,204,571)
Gross profit	817,583			817,583
Other income	270,638	(65,880)		204,758
Changed in fair value of investment properties	151,864			151,864
Selling and distribution expenses	(159,988)			(159,988)
Administrative expenses	(252,831)			(252,831)
Finance costs	(26,037)			(26,037)
Share of result of a jointly controlled entity	(27,658)	27,658		–
Gain on disposal of a jointly controlled entity	–		780,125	780,125
Profit before taxation	773,571			1,515,474
Income tax expense	(315,502)		(81,400)	(396,902)
Profit for the period from continuing operations	458,069			1,118,572
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	448,457			1,108,960
Non-controlling interests	9,612			9,612
	458,069			1,118,572

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group for the year ended 31 December 2011	Pro forma adjustments		The Remaining Group for the year ended 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note(a)	*Note(f)*	*Note(g)*	
NET CASH USED IN OPERATING ACTIVITIES	(260,599)			(260,599)
NET CASH USED IN INVESTING ACTIVITIES				
Increase in restricted bank deposits	(1,309,968)			(1,309,968)
Acquisition of loans to jointly controlled entity	(578,378)	578,378		–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(243,969)			(243,969)
Payments for investment property	(176,850)			(176,850)
Payment for deposits to acquire equity interest in a company	(86,000)			(86,000)
Purchases of property, plant and equipment	(75,261)			(75,261)
Advance to a jointly controlled entity	(33,177)	33,177		–
Investment in available for sale	(22,370)			(22,370)
Proceeds on disposal of assets held for sale	85,840			85,840
Proceeds on disposal of investment properties	45,352			45,352
Interest received	39,448			39,448
Repayment from a venturer of a jointly controlled entity	31,484			31,484
Repayment from a jointly controlled entity	53	(53)		–
Net cash inflow from disposal of a jointly controlled entity	–		2,040,803	2,040,803
	(2,323,796)			328,509

	The Group for the year ended 31 December 2011	Pro forma adjustments		The Remaining Group for the year ended 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note(a)	*Note(f)*	*Note(g)*	
NET CASH FROM FINANCING ACTIVITIES				
New bank loans raised	3,558,670			3,558,670
Advance from a non-controlling shareholder	67,700			67,700
Contributions from a non-controlling shareholder	9,000			9,000
Proceeds from new share placement, net of issued expenses	1,564			1,564
Repayment of bank loans	(2,288,272)			(2,288,272)
Dividends paid to owners of the Company	(86,213)			(86,213)
	1,262,449			1,262,449
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,321,946)			1,330,359
EFFECT OF FOREIGN RATE CHANGES	(3,954)			(3,954)
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2011	2,203,128			2,203,128
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2011	877,228			3,529,533

Notes:

(a) Figures extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2011.

(b) The amount represents the partial settlement of amount due to the Group amounting to HK$351,906,000 (equivalent to RMB285,291,000) by Hong Da, the other shareholder of Century Profit, on behalf of Century Profit in January 2012 before the Disposal to arrive at the remaining balance settled in this Disposal.

(c) The adjustment reflects the exclusion of the interests in, and amount due from, Century Profit assuming the Disposal had been taken place on 31 December 2011.

The pro forma gain on disposal of the Disposal Group is calculated as follows:

	RMB'000
Consideration *(note i)*	1,480,000
Settlement Fund *(note ii)*	1,085,362
Total consideration	2,565,362
Net assets to be disposed of:	
Interest in a jointly controlled entity reflected in the consolidated financial statements of the Group *(note iii)*	(602,251)
Amounts due from a jointly controlled entity reflected in the consolidated financial statements of the Group *(note iii)*	(1,413,872)
Repayment of amounts due from the Disposal Group to the Group by Hong Da before the Disposal *(note b)*	285,291
	(1,730,832)
Capital gain tax *(note iv)*	(77,078)
Gain on disposal of jointly controlled entity	757,452

Notes:

(i) On 27 March 2012, the Group has entered into a sales and purchase agreement with an independent third party, Logic Capital Limited (the "Purchaser"). Pursuant to this sales and purchase agreement, the Group has conditionally agreed to dispose of its equity interest in the Disposal Group for a cash consideration of RMB1,480,000,000 ("Consideration"), of which the Purchaser shall retain HK$30,000,000 till 31 May 2014 (the "Retention Deposit"). The remaining amount of the Consideration after deduction of the capital gain tax (see note (iv) below) shall be settled upon the date of the completion of the Disposal. Accordingly, the Group would recognise a non-current consideration receivable for the Disposal of RMB24,321,000 (equivalent to HK$30,000,000).

(ii) In addition to the Consideration, Disposal Group is required to repay the amounts due to the Group at an amount of RMB1,085,362,000 ("Settlement Fund"), after deduction of the interest element of RMB6,579,000 for the period from 1 January 2012 to 20 March 2012 from the total amount of RMB1,091,941,000 according to the Agreement, before the completion of the Disposal.

(iii) Interest in a jointly controlled entity and amounts due from a jointly controlled entity represent the investment cost in the Disposal Group and current accounts with the Disposal Group, which were included in the consolidated statement of financial position of the Group as at 31 December 2011.

(iv) Capital gain tax of approximately RMB77,078,000 was determined by directors of the Company based on the applicable tax rate of 10% assuming that the subsidiary of Aoyuan as the vendor, is a non-resident enterprise according to the relevant tax rules in the People's Republic of China. Whether the subsidiary of Aoyuan is a non-resident enterprise is subject to local tax authority's final assessment. If the final assessment by the local tax authority differ from the judgment made by directors of the Company, the applicable tax rate will be 25%.

(d) The adjustment reflects the exclusion of interest income from Disposal Group recognized and the share of results of the Disposal Group by the Group for the year ended 31 December 2011, assuming the Disposal had been taken place on 1 January 2011.

(e) The adjustment reflects the pro forma gain on disposal of the Disposal Group, assuming the Disposal had been taken place on 1 January 2011. Pro forma gain on disposal of the Disposal Group is calculated as follows:

	RMB'000
Consideration *(note i)*	1,480,000
Settlement Fund *(note ii)*	666,524
Total consideration	2,146,524
Net assets to be disposed of:	
Interest in a jointly controlled entity reflected in the consolidated financial statements of the Group *(note iii)*	(699,875)
Amounts due from a jointly controlled entity reflected in the consolidated financial statements of the Group *(note iii)*	(666,524)
	(1,366,399)
Capital gain tax *(note iv)*	(81,400)
Gain on disposal of jointly controlled entity	698,725

Notes:

(i) As stated in note c (i) above.

(ii) In addition to the Consideration, Disposal Group is required to repay the amounts due to the Group upon the completion of the Disposal. It is assumed that Disposal Group repaid an amount equivalent to the carrying amount outstanding at 1 January 2011.

(iii) Interest in a jointly controlled entity and amounts due from a jointly controlled entity represent the investment cost in the Disposal Group and current accounts with the Disposal Group, which were included in the consolidated statement of financial position of the Group as at 1 January 2011.

(iv) Capital gain tax of approximately RMB81,400,000 was determined by directors of the Company based on the applicable tax rate of 10% assuming that the subsidiary of Aoyuan as the vendor, is a non-resident enterprise according to the relevant tax rules in the People's Republic of China. Whether the subsidiary of Aoyuan is a non-resident enterprise is subject to local tax authority's final assessment. If the final assessment by the local tax authority differ from the judgment made by directors of the Company, the applicable tax rate will be 25%

(f) The adjustment reflects the exclusion of the cash flows made by the Group to or from Disposal Group, assuming the Disposal had been taken place on 1 January 2011.

(g) The adjustments reflect net cash inflow from the disposal of Disposal Group, which represent the Total Consideration of RMB2,146,524,000, after deduction of the Retention Deposit of RMB24,321,000 (equivalent to HK$30,000,000) and the capital gain tax of RMB81,400,000, assuming the Disposal had been taken place on 1 January 2011.

(h) The above pro forma adjustments will have no continuing effect on the Remaining Group in the subsequent reporting periods.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

TO THE DIRECTORS OF CHINA AOYUAN PROPERTY GROUP LIMITED

We report on the unaudited pro forma financial information of China Aoyuan Property Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of the entire interest of Century Profit Zone Investments Limited and its subsidiaries might have affected the financial information presented, for inclusion in Appendix III to the circular dated 24 April 2012 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in section A of this appendix.

Respective Responsibilities of directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Remaining Group as at 31 December 2011 or any future date; or the results and cash flows of the Remaining Group for the year ended 31 December 2011 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 April 2012

American Appraisal China Limited
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Leading / Thinking / Performing

24 April 2012

China Aoyuan Property Group Limited
Unit 5105,
51/F,
The Center,
99 Queen's Road Central,
Hong Kong

Dear Sirs,

In accordance with your instructions from China Aoyuan Property Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") to value the property interests of Beijing Yaohui Real Estate Company Limited (北京耀輝置業有限公司) in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection for the property interests, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 29 February 2012 (the "date of valuation").

This letter that forms part of our valuation report explains the basis and methodology of valuation and clarifies our assumptions made on the ownerships to the property interests and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

The property interests held for development and were valued by direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of the property interests in order to arrive at a fair comparison. We have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development.

We have applied direct comparison approach in the course of valuation, in which the construction cost incurred as at the date of valuation has been taken into account. In the applying this valuation approach, we have gathered relevant land sales comparables and made appropriate adjustments to reflect the inherent differences to arrive at the market value of the land portion of the subject property. These land sales comparables are considered as vacant land parcels ready for future development. The construction cost incurred as at the date valuation together with the allowance of related cost have been taken into account in the valuation.

Direct comparison approach is commonly adopted valuation approach, which is a direct valuation technique and can properly reflect the market condition with relevant sales comparables. The direct comparison approach taking into account construction cost incurred is considered the appropriate valuation approach to value the subject property mainly because the existing nature of the subject property as a property under development, i.e. the subject property is not yet completed. There are two valuation approaches commonly applied for such property nature. They are the direct comparison approach taking into construction cost incurred and the residual approach. The residual approach involves the estimation of the capital value of the property as if completed and the development cost to be incurred. It is a valuation approach commonly adopted if direct comparison approach cannot be applied or is applied as cross-reference approach.

Direct comparison approach is considered as an appropriate method while residual approach is subject to various assumptions and the value conclusion can be sensitive to any change of such assumptions. The direct comparison approach, however, takes into account the relevant land sales comparables and the actual construction cost already incurred, which can appropriately reflect the existing property condition and market condition and is not subject to various assumptions causing the sensitivity of value conclusion.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests located in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Jingtian & Gongcheng Attorneys At Law, on the PRC Law regarding the property interests located in the PRC.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner(s) sell the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its respective land use rights.

We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the respective unexpired terms as granted without any fees or charge incurred unless otherwise stated.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the site are held by the owners or permitted to be occupied by the owner.

We have valued the Property on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions of the property, if any, have been stated in the footnotes of the respective valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, planning approvals, development proposal, construction costs, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificates are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the Property in the PRC included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the Property are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the International Valuation Standards (8th Edition 2007) published by the International Valuation Standards Council and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the property interest or the value reported.

We enclose herewith the summary of valuation and the valuation certificate.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Eric M. H. Poon
MHKIS, MRICS, RPS(GP), CIREA, CFA
Assistant Vice President

Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong, the PRC and the overseas.

SUMMARY OF VALUATION

Property		Capital Value in existing state as at 29 February 2012 *(RMB)*
A Construction-in-Progress Works (CIP) known as "Changan No. 8" located at South-Eastern Corner of the junction between Xidawang Road and Jianguo Road, Chaoyang District, Beijing, The PRC 中國北京朝陽區西大望路與建國路交滙東南角之一項名為「長安8號」的在建工程項目		5,200,000,000
	Total:	**5,200,000,000**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 29 February 2012 *(RMB)*
A Construction-in-Progress Works (CIP) known as "Changan No. 8" located at South-Eastern Corner of the junction between Xidawang Road and Jianguo Road, Chaoyang District, Beijing, The PRC 中國北京朝陽區西大望路與建國路交滙東南角之名為「長安8號」的在建工程項目	The property is a large-scale development (the "Development") comprising residential units, shopping mall, hotel, office, car parking spaces and ancillary facilities, erected on a land parcel with a site area of approximately 26,811.72 square metres. The property is located in Beijing City Centre, close to Central Business District of Beijing. Upon completion, the Development will have a total gross floor area of approximately 247,644.11 square metres. According to the information provided, the breakdown of the approximate Gross Floor Area (GFA) of the proposed Development is tabulated as follows:	The property was under construction as at the date of valuation. As advised by the Company, the CIP works of the property is expected to be completed in December 2012.	5,200,000,000

	GFA (sq.m.)
Above Ground:	
Residential	122,731.78
Commercial	57,030.08
South Block Nos. 1&2	1,756.66
Ancillary Facilities	4,055.6
Sub-total:	**185,574.12**

	GFA (sq.m.)
Below Ground:	
Commercial and Carpark	40,962.16
South Block Nos. 1&2	1,639.71
Ancillary Facilities	19,468.12
Sub-total:	**62,069.99**
Grand Total:	**247,644.11**

The land use rights of the Development have been granted for a term expiring on 30 August 2074 for residential use, 30 August 2053 for office and underground carpark uses and 30 August 2044 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Certificate (國有土地使用証), Jing Chao Guo Yong (2007 Chu) Di No. 0274, issued by People's Government of Chaoyang District of Beijing City (北京市朝陽區人民政府) dated 5 July 2007, the land use rights of the property with a total site area of 26,811.72 square metres are held by Bejing Yaohui Real Estate Company Limited (北京耀輝置業有限公司) ("Beijing Yaohui") for a term expiring on 30 August 2074 for residential use, 30 August 2053 for office and underground carpark uses and 30 August 2044 for commercial use.

2. Pursuant to a State-Owned Construction Land Use Rights Grant Contract, (北京市國有土地使用權出讓合同), Jing Di Chu [He] Zi (2004) Di No. 0868 (京地出[合]字(2004)第0868號), entered into between Beijing City Land Resources Bureau (北京市國土資源局) and Beijing Yaohui dated 31 August 2004, the land use rights of the property with site area of approximately 27,453.1 sq.m. have been granted to Beijing Yaohui at a consideration of RMB229,652,300 for a term of 70 years for residential use, 50 years for office and underground carpark uses and 40 years for commercial use.

3. Pursuant to a Supplementary Agreement of the State-Owned Land Use Rights Grant Contract (補充協議), entered into between Beijing City Land Resources Bureau (北京市國土資源局) and Beijing Yaohui dated 1 February 2007, the former party agreed to change the total site area of the property from 27,453.1 sq.m. to 26,814.612 sq.m., while the total permitted gross floor area has been changed from 232,980 sq.m. to 247,646.3 sq.m. with an additional consideration of RMB17,915,980.

4. Pursuant to a Construction Land Planning Certificate (建設用地規劃許可証), 2006 Gui Di Zi No. 0136 (2006規地字0136號), issued by Beijing City Planning Committee (北京市規劃委員會) dated 12 July 2006, the project with site area of 26,814.612 square metres complies with the city planning requirements.

5. Pursuant to two Construction Works Planning Permits (建設工程規劃許可証), 2005 Gui Jian Zi No. 0643 and 2006 Gui Jian Zi No. 0400 (2005規建字0643號及2006規建字0400號), issued by Beijing City Planning Committee (北京市規劃委員會) dated 28 December 2005 and 1 September 2006 respectively, the construction works of the property with a total gross floor area of approximately 247,646.3 sq.m. complies with the city planning requirements, with several supplementary conditions, which include the following salient details:

   a) According to the relevant regulations, Apartment Nos. 1 & 2 of southern wing of the property are not permitted for residential use and they are not permitted to be sold as residential use.

   b) Level 27 to Level 39 of the North Block of the property has been designed for business apartment (inclusive of refugee floor). This captioned portion with a total gross floor area of 16,329 sq.m. is not permitted for permanent residential use.

6. Pursuant to a Construction Works Commencement Permit (建設工程施工許可証), 2006 (Jian) 011, issued by Beijing City Construction Committee (北京市建設委員會) in January 2006, the commencement of the construction works of the property with a total gross floor area of 140,842 sq.m. has been approved and the completion date has been changed from 25 November 2008 to 31 December 2010.

7. Pursuant to a Construction Works Commencement Permit (建設工程施工許可証), 2006 Shi (Chao) Jian Zi No. 0208, issued by Beijing City Construction Committee (北京市建設委員會) dated 27 September 2006, the commencement of the construction works of the property with a total gross floor area of 106,803 sq.m. have been approved and the completion date has been changed from 30 September 2009 to 31 December 2010.

8. Pursuant to a Commodity Flats Pre-sale Permit (商品房預售許可証), Jing Fang Shou Zheng Zi (2008) No. 365 (京房售証字(2008) 365號), issued by Beijing City Construction Committee (北京市建設委員會) dated 8 October 2008, the apartments (5-40 levels above-ground) in southern zone of the property with a total gross floor area of 100,905.32 sq.m. have been approved for pre-sale in the market.

9. Pursuant to a Commodity Flats Pre-sale Permit (商品房預售許可証), Jing Fang Shou Zheng Zi (2008) No. 408 (京房售証字(2008) 408號), issued by Beijing City Construction Committee (北京市建設委員會) dated 16 November 2008, the north block of the property (except Unit Nos. 102-105, 4001, 4101, 4201 and 4301) with a total gross floor area of 70,780.97 sq.m. have been approved for pre-sale in the market.

10. As confirmed by the Company, there are residential units have been pre-sold with a total contract amount of about RMB792,500,000.

11. Pursuant to Fixed Asset Loan Agreement（固定資產借款合同）, No. 2010 Huang Dai-001, entered into between China Merchants Bank Company Limited – Wang Fu Jing Branch（招商銀行股份有限公司北京王府井支行）(“Lender”) and Beijing Yaohui (“Borrower”) dated 2 February 2010, the Lender will extend a loan of RMB800,000,000 to Borrower for a period of 4 years.

12. Pursuant to a Mortgage Agreement（抵押合同）, No. 2010 Huang Dai-001, entered into between China Merchants Bank Company Limited – Wang Fu Jing Branch（招商銀行股份有限公司北京王府井支行）(“Mortgagee”) and Beijing Yaohui (“Mortgagor”) dated 2 February 2010, the land use rights of the property with a site area of 26,484.6 sq.m. together with the CIP works with a total gross floor area of 168,664.86 sq.m. have been pledged to the mortgagee for a term from 28 January 2010 to 27 January 2014 as the security to provide guarantee to the loan under the above Fixed Asset Loan Agreement.

13. Pursuant to a Land Encumbrances Certificate（土地他項權証）, Jing Chao Guo Yong Ta Xiang (2007 Chu) Di No. 0274 Chao Di Zi No. 2010-2265（京朝國用他項(2007出)第0274號朝抵字2010-2265）, issued by Bejing City Land and Resources Bureau（北京市國土資源局）on 28 January 2010, the land use rights and CIP works stated in Note 12 above are mortgaged to China Merchants Bank Company Limited – Wang Fu Jing Branch（招商銀行股份有限公司北京王府井支行）for the period between 28 January 2010 to 27 January 2014.

14. Pursuant to the development proposal provided by the Company, the proposed total GFA is approximately 247,644.11 sq.m., while the permitted total GFA under the aforesaid Supplementary Agreement in Note 3 is about 247,646.30 sq.m and permitted above ground GFA is about 174,722.5 sq.m. However, the proposed above-ground GFA is about 185,574.12 sq.m. in the development proposal, which is about 10,851.62 sq.m. larger than the permitted above-ground GFA. In the course of our valuation, we have adopted the permitted GFA stated in aforesaid Supplementary Agreement in Note 3. The estimated capital value of the development assuming completion as at the date of valuation is about RMB9,060,000,000.

15. As confirmed by Beijing Yaohui, the CIP works of the property is expected to be completed in December 2012. As advised, the expected total construction cost of the whole Development is about RMB2,500,000,000, while the total incurred construction cost as at the date of valuation is about RMB1,100,700,000.

16. As advised by the Company, Beijing Yaohui has yet to apply for (a) rectifying the potential additional GFA exceeding the planning approved floor area; (b) the extension of the pre-sale permit; (c) the change of the contract completion date for the construction work permit. The Company has further advised that Beijing Yaohui has yet to apply for the building ownership certificate for the property since the property is not yet ready for such application, however, no legal impediment is expected for the Beijing Yaohui to obtain relevant approval.

17. As advised by the Company, Beijing Yaohui has not fully settled with all the individual buyers of presold units and the maximum amount which might be claimed by individual buyers up to 31 March 2011 was approximately RMB5,900,000. The Company has further advised that Beijing Yaohui has fully settled with the construction entities for the delay in property completion date and there is no additional cost or expenses to the Group. In the course of valuation, we have assumed that any claims and cost have already been fully settled.

18. The PRC legal opinion states, inter alias, that:

    a. Beijing Yaohui is entitled to occupy, use, transfer, mortgage or deal with the property in accordance with the laws of the PRC. However, as the property is subject to a mortgage, Beijing Yaohui cannot transfer the property without obtaining the prior approval from the mortgagee of the property. The CIP portion cannot be leased out prior the obtain of the relevant building completion permit.

    b. The aforesaid mortgage of the property has been registered to local authority and is legally valid.

c. The issue related to the proposed gross floor area of the property exceeding the permitted gross floor area should be considered with reference to the relevant urban and rural planning regulations and other relevant rules. If the gross floor area of the property exceeds the planning approved GFA, it should be handled by the Beijing City Town Planning Committee（北京市規劃委員會）with reference to the actual GFA upon completion of the property. According to the enquiry to Beijing Land Resources Bureau（北京市國土資源局）, if the planning approved GFA is exceeded, land valuation has to be conducted and additional land premium has to be settled with reference to the actual GFA built during the process of certifying building completion. As advised by Beijing Yaohui, they are processing the necessary procedures to comply with relevant regulations related to the potential additional GFA exceeding the planning approved floor area. After the completion of the process, building registration can be proceeded.

d. As confirmed by the Company, portion of the units have been pre-sold with which various contracts have been recorded in the website of the registered pre-sold contracts and have been registered with the relevant authority. PRC legal adviser considers that the subject pre-sale activity complies with the relevant law.

e. According to the search on the website of Beijing real estate transaction administration, the aforesaid Commodity Flats Pre-sale Permits（商品房預售許可証）as mentioned in Notes 8 & 9 have expired, Beijing Yaohui is not allowed to conduct pre-sale for the remaining portion of the property.

f. Beijing Yaohui can apply for the extension of the expiry date of Commodity Flats Pre-sale Permits with reference to the requirements stated under the Notification related to the questions of Processing Pre-sale Permit extension issued by Beijing Construction Committee （北京市建設委員會關於辦理預售有關問題的通知）.

g. According to relevant law, regulations and rules, Beijing Yaohui is allowed to carry on the construction works without violating relevant law, regulations and rules. The construction entity can apply to the issuance entity of Construction Works Commencement Permits (the "Permits") to change the contract completion date with the submission of necessary documents.

h. As advised by the Beijing City Chaoyang District Construction Committee（北京市朝陽區建設委員會）, the completion date set forth in the relevant Construction Works Commencement Permit（建設工程施工許可証）is an estimated date only, it is not a necessary procedure to register any delay of the completion date and there is no penalty applicable to such delay. However, the developer should deal with the construction entity for such delay of the completion according to the relevant contract. As advised, Beijing Yaohui is in the process to change the contract completion date stated on the relevant Construction Works Commencement Permit.

i. Regarding the condition that the Apartment Nos. 1 & 2 of southern wing of the property are not permitted for residential use stated in Note 5 above, PRC legal advisor opines that Beijing Yaohui is permitted to sell this portion of the property as non-residential use.

19. We have prepared our valuation based on the following assumptions:

a. Beijing Yaohui has a proper legal title to the property and is entitled to occupy, transfer, dispose, lease out or deal with the property with the granted residual term of its land use rights at no extra land premium or other onerous payments payable to the government or other local authorities.

b. All land premium and costs of public utilities services have been settled in full.

c. The property is not subject to any encumbrances, disputes and unsettled costs or expenses except the aforesaid mortgage.

d. The proposed development is in compliance with local planning regulations and has been approved by relevant government authorities with all related cost fully settled and the property is not subject to any penalties.

20. We have noted from the market the land sales transactions with details as follows:

Property Location	Land Use	Total Site Area (about) *(sq.m.)*	Planned Gross Floor Area (about) *(sq.m.)*	Date of Transaction	Sale Price *(RMB)*	Unit Rate (about) *(RMB)*
No.14 Baiziwan Road, Chaoyang District, Beijing	Composite	13,821.43	41,464.30	December 2009	710,000,000	17,123
No.101 Balizhuang Bei Li, Chaoyang District, Beijing	Composite	46,188.11	129,326.71	December 2009	3,040,000,000	23,506
Xibeiwang Town, Haiding District, Beijing	Residential	85,099.00	187,218.00	November 2010	3,744,000,000	19,998
CBD Z12, Dongshanhuan, Chaoyang District, Beijing	Commercial	8,427.00	140,000.00	July 2011	3,080,000,000	22,000

Noted: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors or chief executives of the Company in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Beneficial interests and long positions in Shares as at the Latest Practicable Date:

	Number of shares				
	Ordinary shares				
Name of Director/ chief executive	**interests held under personal name**	**interests held by controlled corporations**	**Underlying shares (under equity derivatives of the Company)** *(Note 3)*	**Aggregate interest**	**Approximate percentage of the issued share capital**
Director					
Mr. Guo Zi Wen	–	1,154,325,000 *(Note 1)*	–	1,154,325,000	44.13%
Mr. Paul Steven Wolansky	–	293,175,000 *(Note 2)*	–	293,175,000	11.21%
Mr. Lam Kam Tong	3,000,000	–	4,000,000	7,000,000	0.27%
Mr. Yang Zhong	200,000	–	4,000,000	4,200,000	0.16%
Mr. Hu Da Wei	–	–	4,000,000	4,000,000	0.15%
Ms. Xin Zhu	–	–	4,000,000	4,000,000	0.15%
Mr. Ma Kwai Yuen	–	–	300,000	300,000	0.01%
Mr. Song Xian Zhong	–	–	300,000	300,000	0.01%
Mr. Tsui King Fai	–	–	300,000	300,000	0.01%
Mr. Cheung Kwok Keung	–	–	300,000	300,000	0.01%

Notes:

(1) These 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 Latest Practicable Date, the beneficiaries of The Golden Jade Trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

(2) These 293,175,000 Shares are registered in the name of Cathay Sino Property Ltd. which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee.

(3) Share options granted to the Directors under the employee share option scheme adopted by the Company.

Share Options

	Number of share option	**Date of grant**	**Exercise period**	**Exercise price per share** *(HK$)*
Director				
Mr. Lam Kam Tong	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2010 to 31 Dec 2013	1.38
	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2011 to 31 Dec 2013	1.38
Mr. Hu Da Wei	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2010 to 31 Dec 2013	1.38
	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2011 to 31 Dec 2013	1.38
Ms. Xin Zhu	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2010 to 31 Dec 2013	1.38
	2,000,000 *(Note 1)*	18 Jan 2010	Annual results 2011 to 31 Dec 2013	1.38
Mr. Yang Zhong	2,000,000	4 Apr 2011	1 Apr 2012 to 31 Dec 2014	1.40
	2,000,000	4 Apr 2011	1 Apr 2013 to 31 Dec 2014	1.40
Mr. Ma Kwai Yuen	300,000	25 Sep 2009	25 Sep 2009 to 24 Sep 2012	1.40
Mr. Song Xian Zhong	300,000	25 Sep 2009	25 Sep 2009 to 24 Sep 2012	1.40
Mr. Tsui King Fai	300,000	25 Sep 2009	25 Sep 2009 to 24 Sep 2012	1.40
Mr. Cheung Kwok Keung	300,000	4 Apr 2011	4 Apr 2011 to 3 Apr 2014	1.40

Note:

(1) Each of Mr. Lam Kam Tong, Mr. Hu Da Wei and Ms. Xin Zhu was granted share options to subscribe for a total of 4,000,000 shares of the Company on 18 January 2010. Options representing 2,000,000 shares are exercisable from the date of 2010 annual results announcement to 31 December 2013; options representing the remaining 2,000,000 shares are exercisable from the date of 2011 annual results announcement to 31 December 2013.

Apart from the above, as at the Latest Practicable Date, there were no interest of the Directors or chief executives of the Company in the Shares and the underlying Shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed in the above) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date:

Name	**Capacity**	**Number of shares**	**Voting power (%) (approximate)**
Ace Rise Profits Limited *(Note 1)*	Beneficial owner	1,154,325,000	44.13%
Credit Suisse Trust Limited *(Note 1)*	Trustee	1,154,325,000	44.13%
Mr. Guo Zi Wen *(Note 1)*	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.13%
Ms. Jiang Miner *(Note 1)*	Settlor/Beneficiary of The Golden Jade Trust	1,154,325,000	44.13%
Seletar Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.13%
Serangoon Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.13%
Sturgeon Limited *(Note 1)*	Controlled corporation	1,154,325,000	44.13%
Mr. Selwyn Donald Sussman *(Note 2 & 3)*	Controlled corporation/ Beneficial owner	316,495,000	12.10%
Capital Asset Management, Inc. *(Note 3)*	Controlled corporation	293,175,000	11.21%

Name	Capacity	Number of shares	Voting power (%) (approximate)
Trust Asset Management LLP *(Note 2 & Note 3)*	Controlled corporation	293,175,000	11.21%
Mr. Paul Steven Wolansky *(Note 2)*	Trustee	293,175,000	11.21%
Cathay Capital Holdings, L.P. *(Note 2)*	Controlled corporation	293,175,000	11.21%
Cathay Master GP, Ltd. *(Note 2)*	Controlled corporation	293,175,000	11.21%
Cathay Sino Property Ltd. *(Note 2)*	Beneficial owner	293,175,000	11.21%

Notes:

1. 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 Latest Practicable Date, the beneficiaries of The Golden Jade trust are Mr. Guo Zi Wen and Ms. Jiang Miner.

2. The 293,175,000 Shares are registered in the name of Cathay Sino Property Limited which is wholly-owned by Cathay Capital Holdings, L.P. Cathay Capital Holdings, L.P. is managed by its general partner, Cathay Master GP, Ltd. which in turn is owned as to 45% by Mr. Paul Steven Wolansky as trustee and 45% by Trust Asset Management LLP. Under the SFO, Cathay Capital Holdings, L.P., Cathay Master GP, Ltd., Mr. Paul Steven Wolansky and Trust Asset Management LLP are all deemed to be interested in the 293,175,000 shares under the SFO.

3. Capital Asset Management, Inc is the general partner of Trust Asset Management LLP, which has 45% interest in Cathay Master GP, Ltd., the general partner of Cathay Capital Holdings, L.P. As Mr. Selwyn Donald Sussman is holding 100% interest in Capital Asset Management, Inc, Mr. Selwyn Donald Sussman, Capital Asset Management, Inc. and Trust Asset Management LLP are all deemed to be interested in the 293,175,000 Shares held by Cathay Sino Property Limited. The remaining 23,320,000 Shares are held by Mr. Selwyn Donald Sussman as his personal interests.

Save as disclosed in this circular, so far as was known to the Directors or chief executives of the Company, there is no other person (other than the Directors or chief executives of the Company as disclosed in the above) who had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. LITIGATION

On 16 February 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group on 19 April 2007 because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claimed to the Intermediate People's Court of Dalian (大連市中級人民法院) (the "**Court**") against the Group for compensation of approximately RMB61,096,000. In March 2010 the Court ordered the Group to pay to the Vendor RMB1,000,000 for its breach of contract while dismissed the Vendor's claim for the compensation of RMB61,096,000. Both parties appealed and the case is now in legal proceeding in the High People's Court of Liaoning province (遼寧省高級人民法院). In the opinion of the executive Directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

In August 2011, the Group received a Writ of Summons and an Inter Parte Summons issued by Hong Da as plaintiff against the Group and the receivers and managers (the "**Receivers**") in respect of an application for restraint against the Group and the Receivers from dealing with Hong Da's shares in Century Profit Zone Investment Limited after an enforcement of the share mortgage provided by Hong Da. Hong Da's application and its respective applications for leave to appeal in the High Court and the Court of Appeal were all dismissed. Both the High Court and the Court of Appeal also ordered that the costs of Hong Da's application and its applications for leave to appeal should be paid by Hong Da to the Group and the Receivers. Parties to the court case settled the costs of the above applications and further signed a consent summons on 23 March 2012 to dismiss the action with no order as to costs.

Save as the aforesaid, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Company and is or may be material:

(a) the Agreement.

(b) a non-committed term loan facility agreement (the "**Loan Agreement**") dated 25 June 2010 entered into between the Company as borrower and Nanyang Commercial Bank, Limited and Bank of China Limited, Macau Branch (the "**Lenders**") as lenders in relation to a secured a fixed interest rate term loan facility of HK$500,000,000 granted by the Lenders to the Company.

(c) a supplemental agreement to the Loan Agreement dated 8 August 2011 entered into between the Company as borrower and the Lenders as lenders in relation to an additional term loan facility of HK$490,000,000 for the refinancing purpose.

7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

In order to eliminate competing business with the Group, on 20 September 2007, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner, spouse of Mr. Guo Zi Wen, entered into a deed of non-competition with the Company.

In compliance with the deed of non-competition signed on 20 September 2007, each of Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner has made an annual declaration on his/her compliance with the non-competition undertaking in the annual report 2011 of the Company which is published on 13 April 2012. As at the Latest Practicable Date, having made all reasonable enquiries and to the best knowledge of the Directors, Mr. Guo Zi Wen, Mr. Guo Zi Ning and Ms. Jiang Miner were not considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

8. INTEREST OF DIRECTORS OR PROPOSED DIRECTORS OR EXPERTS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP

Since the date to which the latest published audited accounts of the Company were made up until the Latest Practicable Date, none of the Directors or proposed Directors or experts (as listed out in paragraph 10 below) had or had proposed to acquire or dispose or lease any interest, direct or indirect, in any assets to any member of the Group.

9. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or have given opinion or letter contained in this circular:

Name	Qualification
American Appraisal China Limited (the "**American Appraisal**")	Independent Professional Valuer
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified Public Accountants
Jingtian & Gongcheng Attorneys, At Law ("**Jingtian**")	PRC legal adviser

As of the Latest Practicable Date, each of American Appraisal, Deloitte and Jingtian has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

As of the Latest Practicable Date, each of American Appraisal and Deloitte was not interested in any shareholding in any member of the Group; nor did they have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares of the Company or shares in any member of the Group.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The company secretary and qualified accountant of the Company is Mr. Lam Kam Tong, HKICPA, ACCA.

(c) Place of business of the Company in Hong Kong is situated at Room 5105, 51st Floor, The Center, 99 Queen's Road Central, Hong Kong.

(d) The principal share register of the Company is Butterfield Fund Services (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands.

(e) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Company since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Company were made up.

13. DOCUMENTS AVAILBLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company which is situated at Room 5105, 51st Floor, The Center, 99 Queen's Road Central, Hong Kong, for a period of 14 days from the date of this circular:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for the three financial years ended 31 December 2009, 31 December 2010 and 31 December 2011;

(d) the service contracts as referred to in the section headed "Director's Service Contracts" in this Appendix;

(e) the material contracts as referred to in the section headed "Material Contracts" in this Appendix;

(f) the report from Deloitte on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(g) the review report of the Disposal Group for each of the three years ended 31 December 2011, the text of which is set out in Appendix II to this circular;

(h) the valuation report issued by American Appraisal China Limited, the text of which is set out in Appendix IV to this circular;

(i) the written consent from American Appraisal China Limited referred to in the paragraph headed "Expert and Consent" in this Appendix; and

(j) the written consent from Deloitte referred to in the paragraph headed "Expert and Consent" in this Appendix.

14. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IF HEREBY GIVEN that an extraordinary general meeting (the "EGM") of China Aoyuan Property Group Limited (the "Company") will be held at Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 10 May 2012 at 11 a.m. or any adjournment thereof, for the purpose of considering, and if thought fit, approving, by way of poll, among other things, the Disposal (as defined and describe in the circular of the Company date 24 April 2012 (the "Circular")) and the transaction contemplated thereunder.

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Agreement (as defined and described in the Circular, a copy of which is produced to this meeting and marked "A" and signed by the chairman of this meeting for identification purpose) and the transactions contemplated under or incidental to the Agreement be and are hereby approved, confirmed and ratified; and

   (b) any one of the directors of the Company (the "Director") be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Agreement as he/she may in his/her absolute discretion consider necessary or desirable."

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

Hong Kong, 24 April 2012

Place of Business in Hong Kong:
Room 5105, The Center
99 Queen's Road Central
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one proxy or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

3. In the case of joint holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

4. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you wish, and in such event, the form of proxy shall be deemed to be revoked.

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