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 AND RESUMPTION OF TRADING

THE AGREEMENT

The Board wishes to announce that on 27 March 2012, the Vendor (an indirect wholly-owned subsidiary of the Company) as vendor, the Company as Vendor's guarantor, the Purchaser as purchaser, the Purchaser's Guarantor as Purchaser's guarantor and the Target Company entered into the Agreement, pursuant to which:

(a) 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 Target 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

(b) the Target Group would repay to the Group the total outstanding amount of the Company Loans due to the Group on the Completion Date.

The Company will cease to have any interest in the Target Group following the completion of the Disposal.

The total sum of the consideration for the Sale Shares and the Company Loans is approximately HK$3,178,000,000. The Directors expect that the net proceeds from the Disposal will be approximately HK$3,174,000,000 (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.

IMPLICATIONS UNDER THE LISTING RULES

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.

DESPATCH OF CIRCULAR TO THE SHAREHOLDERS

A circular containing, among other things, further details of the Disposal and other information as required under the Listing Rules will be despatched to the Shareholders on or before 25 April 2012.

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.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 28 March 2012 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 2 April 2012.

INTRODUCTION

The Board wishes to announce that on 27 March 2012, the Vendor (an indirect wholly-owned subsidiary of the Company) as vendor, the Company as Vendor's guarantor, the Purchaser as purchaser, the Purchaser's Guarantor as Purchaser's guarantor and the Target 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 Target 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 Target Group would repay to the Group the Company Loans being the total amount of approximately HK$1,349,000,000 due to the Group on the Completion Date.

THE AGREEMENT

Summarised below are the principal terms of the Agreement:

Date

27 March 2012

Parties

(1) the Vendor

(2) the Company

(3) the Purchaser

(4) the Purchaser's Guarantor

(5) the Target 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.

Assets to be disposed

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

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 Target Group will repay to the Group the Company Loans being the total amount of approximately HK$1,349,000,000 due to the Group on the Completion Date. Upon the repayment of the Company Loans in full on the Completion Date, the Target 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 Target Group of approximately HK$744,000,000 (equivalent to approximately RMB602,000,000); (ii) the expected costs and expenses for the Disposal of approximately HK$4,000,000; (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 Target Group of approximately HK$823,240,000 (equivalent to RMB666,000,000) incurred in 2009 and the time and resources (including the costs expended and to be expended for completion of the development under the Project Land) spent by the Company on the Target Group, 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.

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 the 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 an extraordinary general meeting of the Company 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.

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 will be settled upon completion; (b) the total payments for the Disposal will be made by the Purchaser; (c) the Final Adjustment Schedule will be reviewed by the independent auditor; (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 under the Agreement 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 the date of the written notice given by the Purchaser;

(ii) the Project Land or the relevant project 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 extraordinary general meeting of the Company,

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 therefore the possibility of triggering the above events are minimal; and (b) the above arrangement and the compensation amount of HK$600,000,000 are fair and reasonable and in the interest of the Group and of the Shareholders as a whole.

Termination of the Shareholders' Agreements

On 27 March 2012, the Vendor, Hong Da and the Target 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 the pre-emptive rights and obligations to assist in obtaining financing from banks for the Target Company. The parties' obligations under the Shareholders' Agreements will cease to be effective on the Completion Date.

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

Guarantees and maximum claim 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 announcement, 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 had any prior business or other relationship with the Group and 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 Target Company, the Purchaser and the Purchaser’s Guarantor did not have any relationship with each of the original vendor of the Target Group or Beijing Wangfu Century Development Co., Ltd., the current owner of the 3.2% of the Project Company.

INFORMATION ABOUT THE TARGET GROUP

Target Company

The Target Company is an investment holding company and was incorporated under the laws of Hong Kong. As at the date of this announcement, the Target 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 Target 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 Target 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 Target Company. The Vendor exercised its right to convert the convertible notes to the 11.36% interest in the Target Company on 27 September 2010. Completion of the acquisition of the additional 11.36% interest took place on 27 September 2010.

For further information in relation to the above acquisitions, please refer to the Company’s announcements dated 20 July 2009, 30 July 2009 and 27 September 2010 and the Company’s circular dated 14 September 2009 respectively.

In December 2009, the Target 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 Target Company under the share mortgages as security for the due performance of the Target 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 Target 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 Target 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 Target 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 should be paid by Hong Da to the Group and the Receivers. On 18 January 2012, Hong Da paid a sum approximately of HK$351,910,000 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. 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 an gross floor area of approximately 23,000 sq.m..

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

After the Company's acquisition of its 52.69% interest in the Target 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 announcement, the core structure under the Project Land was substantially built and the outwall of the major structure had 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 and the development was expected to be completed in the end of 2012. Up to the date of this announcement, the contract sales for the property on the Project Land was recorded approximately RMB792,500,000.

FINANCIAL INFORMATION OF THE TARGET GROUP

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

	For the year ended 31 December	
	2010	**2011**
	RMB'000	***RMB'000***
Turnover	0	**0**
Profit (loss) before taxation	115,017 *(Note)*	**(48,507)**
Profit (loss) after taxation	74,971	**(41,687)**

	As at 31 December	
	2010	**2011**
Net asset value	911,437	**867,430**

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 Target Group for the two years ended 31 December 2010 and 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$1,081,000,000, 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 Target 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 Target Group as at the Completion Date.

USE OF PROCEEDS

The total sum of the consideration for the Sale Shares and the Company Loans is approximately HK$3,178,000,000. The Directors expect that the net proceeds from the Disposal will be approximately HK$3,174,000,000 (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 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 after the Disposal.

As at the date of this announcement, the Company did not have any 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 main 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 property 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 Target 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 austerity 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 main 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 announcement, save as the Project Land, the Company did not hold any interests in land situated in Beijing and Shanghai. On the other hand, other cities, for example, 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.

The Directors are also 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 Target 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.

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 Company and the Shareholders as a whole.

Upon completion of the Disposal, the Company will cease to have any interest in the Target 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 cities, namely, Guangdong, Guangxi, Jiangsu, 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 facilities.

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 announcement, 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 announcement, 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 investments 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.

DESPATCH OF CIRCULAR TO THE SHAREHOLDERS

A circular containing, among other things, further details of the Disposal and other information as required under the Listing Rules will be despatched to the Shareholders on or before 25 April 2012.

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.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 28 March 2012 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 2 April 2012.

DEFINITIONS

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

"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 Target Company in relation to the Disposal
"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, 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 due by the Target 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 Target Group pursuant to the Agreement
"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 date of this announcement, directly owns 47.31% of the entire issued share capital of the Target 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 of the Company and of connected persons (as defined in the Listing Rules) of the Company
"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 established under the laws of the PRC and owned as to 96.8% by the Target 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 sq.m. 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 the ultimate beneficial owner of the Purchaser and an Independent Third Party, is the chief executive officer and an executive director of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of the Kingston group of companies which are engaged in securities, investment banking, financing and the financial services business in Hong Kong
"Retention Money"	a sum of HK$30,000,000 payable by the Vendor to the Purchaser as retention money to secure the payment and/or compensation obligations of the Vendor under the Agreement
"Sale Shares"	5,269 ordinary shares of HK$1.00 each in the share capital of the Target Company, representing 52.69% of its entire issued share capital
"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 Target Company in relation to the Target Company
"Shares"	ordinary shares of the Company of HK$0.01 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target 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 52.96% by the Vendor and the remaining 47.31% by Hong Da and a jointly controlled entity of the Company
"Target Group"	the Target Company and the Project Company
"Vendor"	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 of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metre(s)
"%"	per cent.

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

Hong Kong, 1 April 2012

For identification purpose only, the exchange rate adopted herein is the buy rate for HK$ against RMB quoted by the People's Bank of China on the relevant payment date. The exchange rate adopted herein is HK$1.00 = RMB0.809, which was the closing buy rate for HK$ against RMB quoted by the People's Bank of China Limited on 27 March 2012, the date of the Agreement.

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Yang Zhong, 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 non-executive directors of the Company are Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung.