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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)

MAJOR TRANSACTION

ON

THE ESTABLISHMENT OF A JOINT VENTURE

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DEFINITIONS

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

“Ace Rise”	Ace Rise Profits Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and the largest shareholder of the Company as at the Latest Practicable Date
“Acquisition”	the acquisition of 60% equity interest in the Project Company by the Group by way of the Group’s injection of funds into the registered capital of the Project Company as contemplated under the Cooperation Agreement
“Aoyuan Group”	奧園集團有限公司 (for identification purpose only, in English, Aoyuan Group Company Limited), a limited company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (not a Saturday) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Cathay Property”	Cathay Sino Property Ltd., a company incorporated under the laws of the British Virgin Islands with limited liability and the second largest shareholder of the Company as at the Latest Practicable Date
“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
“Cooperation Agreement”	the cooperation agreement dated 25 May 2011 made between Gao Su Group, Aoyuan Group and the Project Company
“Directors”	directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition upon completion of the Acquisition
“Further Commitment”	the guarantee given by Aoyuan Group in favour of Gao Su Group under the Cooperation Agreement

DEFINITIONS

“Gao Su Group”	安徽省高速地產集團有限公司 (for identification purpose only, in English, Anhui Province Gao Su Property Group Company Limited), a limited company established under the laws of the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	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
“Latest Practicable Date”	14 June 2011, 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”	People’s Republic of China
“Project Company”	安徽省高速地產集團(蘇州)有限公司 (for identification purpose only, in English, Anhui Province Gao Su Property Group (Suzhou) Company Limited), a limited company established under the laws of the PRC and wholly-owned by Gao Su Group as at the Latest Practicable Date
“Project Land”	a piece of land located at Cheng Ze Hu, Suzhou, PRC (中國江蘇省蘇州市相城區渭塘鎮環湖西路以東、環湖北路以南、盛澤湖北 – 宗地編號為蘇地 2009-B-65號) with a total gross floor area of approximately 287,400 square meters and a total site area of approximately 359,292 square meters for a term of 70 years for residential use expiring on 24 December 2079
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	the ordinary shares of the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

LETTER FROM THE BOARD



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

Registered Office:

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

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

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

16 June 2011

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
ON
THE ESTABLISHMENT OF A JOINT VENTURE**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 May 2011 announcing that on 25 May 2011, Aoyuan Group, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Gao Su Group and the Project Company, pursuant to which Aoyuan Group will inject a sum of RMB450,000,000 into the registered capital of the Project Company; upon completion of which, Aoyuan Group will own 60% of the equity interest of the Project Company.

LETTER FROM THE BOARD

THE COOPERATION AGREEMENT

Summarised below are the principal terms of the Cooperation Agreement:

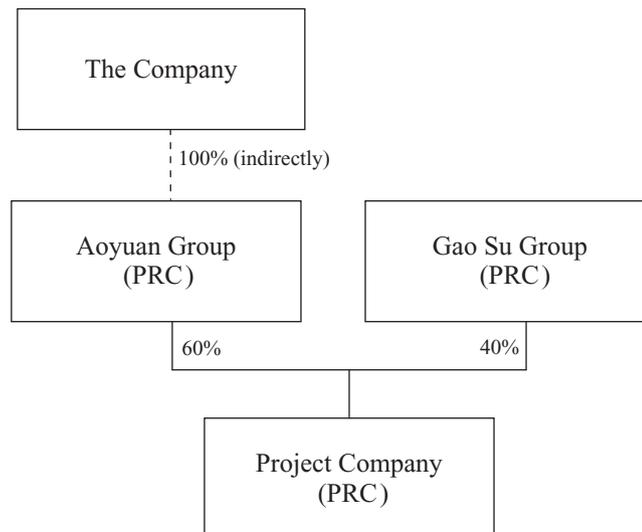
Date	25 May 2011
Parties	(1) Gao Su Group (2) Aoyuan Group (3) Project Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Gao Su Group, the Project Company and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Cooperation Agreement, Aoyuan Group will inject a sum of RMB450,000,000 into the Project Company which will be used by the Project Company to increase the registered capital of the Project Company from RMB300,000,000 to RMB750,000,000.

Upon completion of the increase in registered capital, Aoyuan Group and Gao Su Group will respectively own 60% and 40% equity interest of the Project Company and the project sharing ratio between the Group and Gao Su Group will be based on the ratio of capital investment under the equity method of accounting. The Project Company will become a jointly controlled entity of the Company and its corporate structure will be as follows:



LETTER FROM THE BOARD

Consideration

The consideration of RMB450,000,000 for the Acquisition was arrived at after arm's length negotiations between Aoyuan Group and the other parties to the Cooperation Agreement and was determined with reference to (i) the value of the Project Land, (ii) the total amount already injected by Gao Su Group to the Project Company; and (iii) the estimated amount required by the Project Company to initiate development in the Project Land. The value of the Project Land, as shown in the property valuation report set out in appendix IV to this circular, was RMB1,990,000,000 as at 30 April 2011. As at 28 February 2011, Gao Su Group had injected approximately RMB1,577,859,292 to the Project Company (of which RMB300,000,000 was contributed to the registered capital and RMB1,277,859,292 was contributed by way of shareholder's loan).

The consideration of RMB450,000,000 will be satisfied by Aoyuan Group in the following manner:

- (a) Aoyuan Group will pay RMB450,000,000 into a bank account jointly controlled by Aoyuan Group and Gao Su Group within five (5) Business Days from the date the Cooperation Agreement becoming effective; and
- (b) within five (5) Business Days after the date on which the following conditions are satisfied, Aoyuan Group will transfer the RMB450,000,000 from the said jointly controlled account to a jointly controlled capital verification account designated by the Project Company and jointly managed by Gao Su Group and Aoyuan Group:
 - (i) Aoyuan Group having verified and accepted the written confirmation on the completion of the public auction and the land grant contract (《國有建設用地使用權出讓合同》) in relation to the Project Land provided by Gao Su Group and the Project Company;
 - (ii) the Cooperation Agreement having been submitted by Gao Su Group and the Project Company to the government of the Anhui Province in accordance with the relevant state-owned asset management rules and regulations, and the Cooperation Agreement having been approved by the relevant government authorities; and the execution of the Cooperation Agreement by Aoyuan Group having been approved by the Board;
 - (iii) all the relevant legal documents in relation to the increase of registered capital of the Project Company having been executed and submitted by the Project Company to the relevant government authorities; and
 - (iv) the Project Company having issued an undertaking letter which undertakes to Aoyuan Group that if the Project Company is unable to complete the procedure for the increase of its registered capital or the Project Company is unable to obtain the Land Use Rights Certificate (《國有土地使用權証》) within 45 days from the date on which Aoyuan Group paid the RMB450,000,000 into the jointly controlled capital verification account

LETTER FROM THE BOARD

designated by the Project Company, Aoyuan Group shall have the right to withdraw from the cooperation under the Cooperation Agreement; in which event, Aoyuan Group shall be entitled to the refund of the RMB450,000,000 together with interests accrued thereon.

Conditions Precedent

The Cooperation Agreement will become effective after the fulfillment of, inter alia, the following conditions:

- (a) Gao Su Group and Aoyuan Group having commenced the due diligence investigation and having jointly appointed the professional advisers for the audit and valuation; and
- (b) each of the parties to the Cooperation Agreement having completed the relevant filing procedure and obtained the approval for the Cooperation Agreement.

Completion

Completion shall take place on a date which is the fifth (5th) Business Day after the date on which the conditions precedent are satisfied.

Further Commitment of Aoyuan Group

As at 28 February 2011, the Project Company had an outstanding shareholder's loan in the total sum of RMB1,277,859,292 due to Gao Su Group and its related parties. The outstanding shareholder's loan is subject to an interest rate of 9.8% per annum for the period up to and included 31 December 2012 and thereafter at an interest rate of 12.2% per annum. The agreed repayment schedule is as follows:

- (a) the Project Company will repay a sum of RMB400,000,000 before 31 December 2012;
- (b) the Project Company will repay a sum of RMB400,000,000 before 30 June 2013; and
- (c) the Project Company will repay the remaining outstanding amount together with all outstanding interest before 20 December 2013;

Under the Cooperation Agreement, Aoyuan Group has undertaken to the other parties that if the Project Company fails to repay the shareholder's loan pursuant to the above repayment schedule, Aoyuan Group will unconditionally and irrevocably advance a loan to the Project Company which the Project Company will use to pay the relevant amount of shareholder's loan within five (5) Business Days after the relevant repayment date. Aoyuan Group's maximum obligation under the undertaking referred above is equivalent to 60% of the total amount of shareholder's loan advanced by Gao Su Group to the Project Company together with interest accrued thereon, which will be approximately RMB767,000,000.

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In the event that the Project Company is unable to complete the procedure for the increase of its registered capital or the Project Company is unable to obtain the Land Use Rights Certificate (《國有土地使用權証》) within 45 days from the date on which Aoyuan Group paid the RMB450,000,000 into the jointly controlled capital verification account designated by the Project Company, and Aoyuan Group does not exercise its right to withdraw from the cooperation under the Cooperation Agreement, the above repayment schedule will be extended based on the date on which the new business licence (which shows the new increased registered capital) of the Project Company is issued.

The Directors (including the independent non-executive Directors) consider that the terms of the Further Commitment are normal commercial terms and fair and reasonable and in the interests of the shareholders as a whole.

INFORMATION ON THE PROJECT COMPANY

Gao Su Group is an investment holding company and its holding company and the subsidiaries of the holding company are engaged in investment holding, property development, the provision of project management and related services in the PRC.

Gao Su Group, by public auction, acquired the land use rights of the Project Land on 5 November 2009. On 6 February 2010, Gao Su Group entered into a land grant contract (《國有建設用地使用權出讓合同》) with the Land and Resources Bureau of Suzhou City for the acquisition of the land use rights of the Project Land. Based on the said land grant contract, the total cost for the land use rights of the Project Land payable to the Land and Resources Bureau of Suzhou City is RMB1,890,000,000. For the purpose of the development of the Project Land, Gao Su Group established the Project Company on 3 December 2009 which has a registered capital of RMB300,000,000 (fully paid up), and the Project Company obtained the land use rights certificates in respect of the Project Land on 17 May 2011. The Project Land is free from any charge or mortgage.

The Project Company has not commenced the development of the Project Land according to the stated time schedule in the land use rights grant contract dated 6 February 2010. However, no idle fee and penalty for the delay the development of the Project Land are required to be paid by the Project Company because the relevant authorities of Xiangcheng District of Suzhou City have agreed to waive the said fee and penalty and the relevant land use certificates have already been issued to the Project Company on 17 May 2011. In the circumstances, the Board is of a view that such delay would not affect the construction project and the current development plan of the Project Land.

Further information on the Project Company as at 28 February 2011:

Name	:	安徽省高速地產集團(蘇州)有限公司 (Anhui Province Gao Su Property Group (Suzhou) Company Limited)
Date of incorporation	:	3 December 2009
Place of incorporation	:	Beijing, PRC

LETTER FROM THE BOARD

Duration of operation	:	From 3 December 2009 to 2 December 2019
Scope of business	:	Real estate property development and operation, real estate property agency services, property management and property related consultancy services
Registered capital	:	RMB300,000,000
Paid up registered capital	:	RMB300,000,000
Amount due to shareholder and related parties	:	RMB1,277,859,292

Financial information:

	For the year ended	
	31.12.2010 <i>(audited)</i> RMB	31.12.2009 <i>(unaudited)</i> RMB
Net loss before taxation	64,978,693	–
Net loss after taxation	64,978,693	–
	As at 31.12.2010	As at 31.12.2009
Net asset value	235,021,037	300,000,000

The Project Land is located at Cheng Ze Hu, Suzhou, which the Directors believe is a prime location in Suzhou. Under the current development plan agreed between the Group and Gao Su Group, the Project Land will be developed into a residential complex consisting mainly of villas and high rise residential buildings. It is expected that construction of the complex will commence in the second half of 2011 and commercial sale of the properties will commence in 2012.

REASONS AND BENEFITS FOR THE ACQUISITION

The principal activities of the Group comprise property development and property investment in the PRC. The Board is optimistic about the economy of the PRC, and the prospect of the PRC property market. The Acquisition is conducted in the ordinary and usual course of business of the Group and will be funded by the Group's internal resources. The Board is of the view that the Project Land is situated in a prime location in Suzhou, PRC which is near to Shanghai and has excellent potential for development. The Board believes that the Acquisition offers a chance for the Group to further develop its business in the PRC, and the Acquisition is in line with the business plan of the Company. The Board further believes that the Acquisition is in the best interest of the Company and the terms of the Cooperation Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Upon completion of the Cooperation Agreement, the Company will indirectly own 60% equity interest of the Project Company which owns the land use right of the Project Land.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION

Set out in appendix III to this circular is the unaudited pro forma financial information on the Enlarged Group which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group assuming completion of the Cooperation Agreement, the unaudited pro forma total assets of Enlarged Group would be approximately RMB13,251,406,000; while the unaudited pro forma total liabilities would be approximately RMB7,274,278,000.

Upon completion of the Acquisition, there is no immediate material impact on the earnings of the Group, the Directors believe that the Acquisition would enhance the Group's business development.

GENERAL

Aoyuan Group is an investment holding company and its holding company and the subsidiaries of the holding company are engaged in investment holding, property development, the provision of project management and related services in the PRC.

Gao Su Group is an investment holding company and its holding company and the subsidiaries of the holding company are engaged in investment holding, property development, the provision of project management and related services in the PRC.

As the Acquisition exceeds 25% but does not exceed 75% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements and the Shareholders' approval.

Since no Shareholders are required to abstain from voting if a general meeting is to be convened for the approval of the Acquisition, written shareholders' approval may be accepted for the Acquisition in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As at the Latest Practice Date, Ace Rise held 1,154,325,000 Shares, representing approximately 44.18% of the issued share capital of the Company and Cathay Property held 293,175,000 Shares, representing approximately 11.22% of the issued share capital of the Company.

In June 2006 (prior to the listing of the Company), for the purpose of raising funds for the Group's development, Cathay Property subscribed for certain new shares of the Group and became a minority shareholder of the Group; and Ace Rise was the major shareholder. Proceeds from the subscription were used to complete a corporate restructuring of the Group and to finance various property development projects. Since then, Cathay Property has become a shareholder of the Group. Other than the above, Ace Rise and Cathay Property do not have other business co-operation and are not related to each other.

Ace Rise and Cathay Property have formed a closely allied group of Shareholders, who collectively hold an aggregate of 1,447,500,000 Shares, representing approximately 55.40% of the entire issued share capital of the Company and have given their written approval of the Acquisition, accordingly no extraordinary general meeting of the Company will be convened for the purpose of approving the Acquisition.

LETTER FROM THE BOARD

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

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 2010 are set out in the annual reports of the Company for each of the three years ended 31 December 2008 (pages 60 to 123), 2009 (pages 65 to 135) and 2010 (pages 69 to 147) respectively, which are also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.aoyuan.com.cn>).

(B) WORKING CAPITAL OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Directors (including the independent non-executive Directors) are of the opinion that, in the absence of unforeseeable circumstances, and after taking into account the Enlarged Group's existing cash balances, the existing banking facilities and the future expected internally generated funds and the revised repayment term for the amounts due to the related companies of Gao Su Property according to the Cooperation Agreement, the Enlarged Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of this circular.

(C) INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 April 2011, 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 RMB3,328,537,000. 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 mortgages, charges or debt securities.

(c) Contingent Liabilities

The Group acted as a guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties for mortgage bank loans of approximately RMB2,427,022,000.

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 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 claims the Group for compensation of approximately

RMB61,096,000. The legal case is still 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.

The Group has provided a guarantee for a bank facility granted to Century Profit Zone Investments Limited, a jointly controlled entity of the Company, amounting to HK\$670,000,000 (equivalent to approximately RMB560,388,000). The financial guarantee will be released upon the repayment of the loan by Century Profit Zone Investments Limited in December 2011.

(d) Amount due to a non-controlling shareholder

The Group had obtained an advance from a non-controlling shareholder of approximately RMB20,034,000.

Project Company

(a) Amount due to ultimate holding company

The Project Company had obtained an advance from the ultimate holding company of approximately RMB43,427,000.

(b) Amount due to immediate holding company

The Project Company had obtained an advance from the immediate holding company of approximately RMB1,716,971,000.

(c) Amount due to a fellow subsidiary

The Project Company had obtained an advance from a fellow subsidiary of approximately RMB52,131,000.

Save as aforesaid or as otherwise disclosed, and apart from intra-group liabilities and normal trade payables as the normal course of business, the Enlarged 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 30 April 2011.

(D) TRADING AND FINANCIAL PROSPECTS OF THE ENLARGED GROUP

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

The Enlarged Group will continue the business of property development and property investment in the PRC. The revenue of the Enlarged Group will be primarily generated from the same business segment: property development and property investment. It is expected

that the construction work on the Project Land will be commenced in 2011 and the sale of the properties under the development of the Project Land will commence next year. The revenue and profit of the Project Company will contribute financially to the Group in future.

The Directors consider that the Project Land has excellent potential for development.

(E) INFORMATION OF THE ACQUISITION

The Project Company is principally engaged in property development of the Project Land. Pursuant to Cooperation Agreement, Aoyuan Group will inject a sum of RMB450,000,000 into the registered capital of the Project Company; upon completion of which, Aoyuan Group will own 60% of the equity interest of the Project Company which will become a jointly controlled entity of the Company. As at the Latest Practicable Date, no directors' emoluments were paid by the Project Company.

(F) MANAGEMENT DISCUSSION AND ANALYSIS OF THE PROJECT COMPANY

Business review

The Project Company is a project company and its sole business is the acquisition and development of the Project Land and the subsequent sale of the properties built on the Project Land. The Project Land is situated in a prime location in Suzhou, PRC which is near to Shanghai and has an excellent potential for the development. The Board believes that the Acquisition offers a chance for the Group to further develop its business in the PRC.

Financial review

For the year ended 31 December 2009

During the year ended 31 December 2009, the Project Company did not generate any revenue generated from property sale and did not incur any administrative and promotion expenses and interest expenses.

Capital structure and liquidity

As at 31 December 2009, the Project Company had cash and bank balance of approximately RMB100,000; and prepayment and other receivable of approximately RMB473,159,000, whereas on the liability side, the Project Company had amount due to immediate holding company of approximately RMB173,259,000, the Project Company recorded net assets of approximately RMB300,000,000.

Employees and remuneration

The Project Company had no staff and directors' remuneration cost for the year.

Foreign exchange risk

During the year, all of the bank balance and cash and liabilities of the Project Company were denominated in RMB and therefore the Project Company was not exposed to foreign exchange risk.

Commitments and contingent liabilities

The Project Company had capital commitments amounted to approximately RMB1,417,141,000 for the land premium commitment and RMB75,600,000 for deed tax commitment on land contracted for but did not provide for in the accounts. The Project Company did not have any significant contingent liabilities.

Charges on assets

As at 31 December 2009, none of assets of the Project Company was charged or pledged to any third party.

Significant investments

The Project Company did not have significant investments except for the investment in the development on the Project Land.

Material acquisitions and disposals

During the year ended 31 December 2009, the Project Company did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Project Company did not have other future plans for material investments or capital assets. It is expected that the investment in the development on the Project Land were to be financed by shareholders' loans and bank borrowings.

Financial Instruments

The Project Company currently does not use any financial instruments for hedging purposes.

For the year ended 31 December 2010

During the year ended 31 December 2010, the Project Company did not generate any revenue from property sale. During the year ended 31 December 2010, the Project Company did not incur any promotion expenses and the Project Company had administrative expenses and interest expenses on shareholder's loan amounted to approximately RMB7,203,000 and RMB57,878,000, respectively.

Capital structure and liquidity

For the year ended 31 December 2010, the Project Company derived their sources of fund primarily from shareholders' contribution, which were used to finance the operations and development of properties on the Project Land.

As at 31 December 2010, the Project Company had cash and bank balance of approximately RMB1,657,000; and prepayment and other receivable of approximately RMB1,567,681,000, whereas on the liability side, the Project Company had trade and other payable of approximately RMB4,422,000, amount due to ultimate holding company of approximately RMB43,427,000, amount due to immediate holding company of approximately RMB1,235,714,000 and amount due to a fellow subsidiary of approximately RMB51,246,000, the Project Company recorded net assets of approximately RMB235,021,000.

Employees and remuneration

Total staff costs of the Project Company of approximately RMB1,996,000 and provided retirement benefit scheme to staffs during the year. The Project Company had no directors' remuneration cost for the year.

Foreign exchange risk

During the year, all of the expenses, bank balance and cash and liabilities of the Project Company were denominated in RMB and therefore the Project Company was not exposed to foreign exchange risk.

Commitments and contingent liabilities

The Project Company had capital commitments amounted to approximately RMB15,011,000, RMB344,940,000 and RMB75,600,000 for the construction cost, land premium commitment and deed tax on land, respectively, contracted for but did not provide for in the accounts. The Project Company did not have any significant contingent liabilities.

Charges on assets

As at 31 December 2010, none of assets of the Project Company was charged or pledged to any third party.

Significant investments

The Project Company did not have significant investments except for the investment in the development on the Project Land.

Material acquisitions and disposals

During the year ended 31 December 2010, the Project Company did not have material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

Save as the investment in the development on the Project Land, the Project Company did not have other future plans for material investments or capital assets. It was expected that the investment in the development on the Project Land were to be financed by shareholders' loans and bank borrowings.

Financial Instruments

The Project Company currently does not use any financial instrument for hedging purposes.



16 June 2011

The Directors
China Aoyuan Property Group Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding 安徽省高速地產集團(蘇州)有限公司 Anhui Province Gao Su Property Group (Suzhou) Company Limited* (“Gao Su Property”) for the period from 3 December 2009 (date of establishment) to 31 December 2009 and the year ended 31 December 2010 (the “Relevant Periods”) for inclusion in the circular issued by China Aoyuan Property Group Limited (the “Company”), a company incorporated in the Cayman Islands with its shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), dated 16 June 2011 in connection with the acquisition of 60% equity interest in Gao Su Property by way of the Company’s injection of funds amounting RMB450,000,000 as the registered capital of Gao Su Property (the “Circular”). Gao Su Property will become a jointly controlled entity of the Company upon completion of acquisition of 60% equity interest in Gao Su Property.

Gao Su Property was established in the People’s Republic of China (the “PRC”) on 3 December 2009 as a limited liability company. The principal activity of Gao Su Property is property development.

The statutory financial statements of Gao Su Property for the Relevant Periods, which were prepared in accordance with relevant accounting principles and regulations applicable to enterprises established in the PRC, were audited by 安徽安瑞會計師事務所 Anrui (Anhui) Certified Public Accountants, a firm of certified public accountants registered in the PRC.

For the purpose of this report, the directors of Gao Su Property have prepared financial statements for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular without making any adjustments. The preparation of the Underlying Financial Statements is

* The English name is for identification purpose only.

APPENDIX II FINANCIAL INFORMATION OF THE PROJECT COMPANY
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the responsibility of the directors of Gao Su Property, who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of Gao Su Property as at 31 December 2009 and 2010, and of the results and cash flows of Gao Su Property for the Relevant Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		3.12.2009	
		(date of establishment)	1.1.2010
		to	to
	<i>NOTES</i>	31.12.2009	31.12.2010
		<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income		–	102
Administrative expenses		–	(7,203)
Finance costs	8	–	(57,878)
Loss and total comprehensive expense for the period/year attributable to owner of Gao Su Property	9	–	(64,979)

APPENDIX II FINANCIAL INFORMATION OF THE PROJECT COMPANY

STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	As at 31 December	
		2009	2010
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSET			
Property, plant and equipment	<i>12</i>	<u>–</u>	<u>492</u>
CURRENT ASSETS			
Prepayments and other receivables	<i>13</i>	473,159	1,567,681
Bank balances and cash	<i>14</i>	<u>100</u>	<u>1,657</u>
		<u>473,159</u>	<u>1,569,338</u>
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	–	4,422
Amount due to ultimate holding company	<i>16</i>	–	43,427
Amount due to immediate holding company	<i>16</i>	173,259	1,235,714
Amount due to a fellow subsidiary	<i>16</i>	<u>–</u>	<u>51,246</u>
		<u>173,259</u>	<u>1,334,809</u>
NET CURRENT ASSETS		<u>300,000</u>	<u>234,529</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>300,000</u></u>	<u><u>235,021</u></u>
CAPITAL AND RESERVE			
Paid in capital	<i>17</i>	300,000	300,000
Accumulated loss		<u>–</u>	<u>(64,979)</u>
TOTAL EQUITY ATTRIBUTABLE TO OWNER OF GAO SU PROPERTY		<u><u>300,000</u></u>	<u><u>235,021</u></u>

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STATEMENTS OF CHANGES IN EQUITY

	Paid in capital <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 3 December 2009 (date of establishment)	–	–	–
Injection of capital	<u>300,000</u>	<u>–</u>	<u>300,000</u>
At 31 December 2009 and 1 January 2010	300,000	–	300,000
Loss and total comprehensive expense for the year	<u>–</u>	<u>(64,979)</u>	<u>(64,979)</u>
At 31 December 2010	<u><u>300,000</u></u>	<u><u>(64,979)</u></u>	<u><u>235,021</u></u>

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STATEMENTS OF CASH FLOWS

	3.12.2009	1.1.2010
	(date of	to
	establishment)	to
	31.12.2009	31.12.2010
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Loss before taxation	–	(64,979)
Adjustments for:		
Depreciation of property, plant and equipment	–	110
Interest income	–	(102)
Finance costs	–	57,878
	<u>–</u>	<u>57,878</u>
Operating cash flows before movements in working capital	–	(7,093)
Increase in prepayments and other receivables	(473,159)	(1,094,522)
Increase in trade and other payables	–	4,422
	<u>–</u>	<u>4,422</u>
CASH USED IN OPERATIONS AND		
NET CASH USED IN OPERATING ACTIVITIES	<u>(473,159)</u>	<u>(1,097,193)</u>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	–	(602)
Interest received	–	102
	<u>–</u>	<u>102</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>–</u>	<u>(500)</u>
FINANCING ACTIVITIES		
Capital injection	300,000	–
Advance from immediate holding company	173,259	1,049,250
Advance from a fellow subsidiary	–	50,000
	<u>473,259</u>	<u>1,099,250</u>
NET CASH FROM FINANCING ACTIVITIES	<u>473,259</u>	<u>1,099,250</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100	1,557
CASH AND CASH EQUIVALENTS AT		
THE BEGINNING OF PERIOD/YEAR	<u>–</u>	<u>100</u>
CASH AND CASH EQUIVALENTS AT		
THE END OF PERIOD/YEAR,		
represented by bank balances and cash	<u>100</u>	<u>1,657</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The address of the registered office and the principal place of business of 安徽省高速地產集團(蘇州)有限公司 Anhui Province Gao Su Property Group (Suzhou) Company Limited* (“Gao Su Property”) is No.589, Weizhongdong Road, Xiangcheng District, Suzhou, the PRC.

The principal activity of Gao Su Property is to hold a piece of land for future development of properties for sale. As at 31 December 2010, Gao Su Property has not yet commenced operation.

安徽省高速地產集團有限公司 Anhui Province Gao Su Property Group Company Limited* (“Gao Su Group”), a company established in the PRC, owns 100% equity interest in Gao Su Property. 安徽省高速公路控股集團有限公司 Anhui Province Gao Su Holding Group Company Limited (“Gao Su Holding”), which is a state-owned enterprise, is the ultimate holding company of Gao Su Property.

As at 31 December, 2010, the amounts due to related companies of approximately RMB1,330,388,000 (Note 16) were repayable on demand. Notwithstanding this factor, the directors of Gao Su Property have prepared the Underlying Financial Statements on a going concern basis because:

- As described in the announcement of the Company on 25 May 2011, upon completion of the cooperation agreement, a subsidiary of the Company (the “Subsidiary”) would inject a sum of RMB450,000,000 into Gao Su Property;
- Gao Su Holding and its subsidiaries have agreed on 13 June 2011 that the amounts due to Gao Su Holding and its subsidiaries as at 31 December 2010 of approximately RMB1,330,388,000 will be repaid by installments whereby RMB400,000,000 will be repaid on 31 December 2012, RMB400,000,000 will be repaid on 30 June 2013 and the remaining amounts will be repaid on 20 December 2013; and
- The Company has also agreed that, if after the completion of the Cooperation Agreement, Gao Su Property fails to repay the amounts due to the related companies in accordance with the above-mentioned repayment schedule, the Subsidiary will advance a loan (the “Advance”) to Gao Su Property for repaying the relevant amount due to the related companies. The Subsidiary’s maximum obligation under this undertaking is equivalent to 60% of the total amount due to Gao Su Group together with interest accrued thereon, which will be approximately RMB767,000,000.

The Financial Information is presented in Renminbi (“RMB”), which is the functional currency of Gao Su Property for the Relevant Periods.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of International Financial Reporting Standards (“IFRS(s)”), amendments and interpretations (“IFRIC – Int”) (hereinafter collectively referred to as the “New IFRSs”) which are effective for the Gao Su Property’s financial period beginning on 1 January 2010. For the purposes of the preparation and presentation of the Financial Information for the Relevant Periods, Gao Su Property has consistently adopted all these New IFRSs throughout the Relevant Periods.

At the date of this report, the IASB has issued the following standards, amendments and interpretations that are not yet effective. Gao Su Property has not early applied these standards, amendments or interpretations.

IFRSs (Amendments)	Improvements to IFRSs 2010 ¹
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ²
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ³
IFRS 7 (Amendments)	Disclosures– Transfers of Financial Assets ³
IFRS 9	Financial Instruments ⁴

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IFRS 10	Consolidated Financial Statements ⁴
IFRS 11	Joint Arrangements ⁴
IFRS 12	Disclosure of Interests in Other Entities ⁴
IFRS 13	Fair Value Measurement ⁴
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
IAS 24 (Revised 2009)	Related Party Disclosures ⁶
IAS 27 (Revised 2011)	Separate Financial Statements ⁴
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ⁴
IAS 32 (Amendments)	Classification of Rights Issues ⁷
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2012

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 February 2010

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

Property, plant and equipment

Property, plant and equipment, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the statements of comprehensive income in the period/year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when Gao Su Property becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Gao Su Property's financial assets are generally classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the loans and receivables have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Gao Su Property are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Gao Su Property after deducting all of its liabilities.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Trade and other payables, amount due to ultimate holding company, amount due to immediate holding company and amount due to a fellow subsidiary are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Gao Su Property are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred such that Gao Su Property has transferred substantially all the risks and rewards of the ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligations specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss in statements of comprehensive income.

Impairment losses

At the end of each reporting period, Gao Su Property reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period/year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Gao Su Property's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited in profit or loss.

Retirement benefit costs

Payments to state-managed retirement benefit scheme which is defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying Gao Su Property's accounting policies, which are described in note 3, the management has made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Determination of net recoverable amount of prepayments for a piece of land

The recoverability of the prepayments for a piece of land with carrying amount of approximately RMB1,545,060,000 as at 31 December 2010 (2009: RMB472,859,000) is determined with reference to the estimated fair value of the underlying piece of land based on the comparable transactions in the locality of

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similar land. Where there is any decrease in the estimated value arising from any changes to the property market conditions in the PRC, there may be material impairment loss recognised on the prepayments for a piece of land.

5. CAPITAL RISK MANAGEMENT

Gao Su Property manages its capital to ensure that they will be able to continue as a going concern while maximising the return to owner through the optimisation of the debt and equity balance. Gao Su Property's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Gao Su Property consists of debts, that include amount due to ultimate holding company, amount due to immediate holding company and amount due to a fellow subsidiary disclosed in note 16, bank balances and cash as disclosed in note 14 and equity attributable to owners of Gao Su Property, comprising paid in capital and accumulated loss.

The directors of Gao Su Property review the capital structure periodically. As part of this review, the directors of Gao Su Property consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Gao Su Property will balance its overall capital structure through new capital injection as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	400	1,890
Financial liabilities		
Amortised cost	173,259	1,333,144

(b) Financial risk management objectives and policies

Gao Su Property's major financial instruments include other receivables, bank balances and cash, trade and other payables, amount due to ultimate holding company, amount due to immediate holding company and amount due to a fellow subsidiary. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of Gao Su Property through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Interest rate risk management

Gao Su Property is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on amount due to ultimate holding company, amount due to immediate holding company and amount due to a fellow subsidiary which are subject to annual re-pricing in interest rates. The interest rate risk for bank balances is insignificant.

Gao Su Property currently does not use any derivative contracts to hedge its interest rate risk associated with the amount due to ultimate holding company, amount due to immediate holding company and amount due to a fellow subsidiary. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the above-mentioned non-derivative instruments at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of each reporting period, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, Gao Su Property's post-tax loss for the period from 3 December 2009 (date of establishment) to 31 December 2009 and the year ended December 31, 2010 would decrease/increase by RMB866,295 and RMB6,354,296, respectively, assuming that the balance as at year end was outstanding throughout the period/year.

The above sensitivity analysis for the period from 3 December 2009 (date of establishment) to 31 December 2009 is not representative because the respective amounts were advanced from related companies at the end of the period.

(d) Credit risk management

As at the end of each reporting period, Gao Su Property's maximum exposure to credit risk which will cause a financial loss to Gao Su Property due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, Gao Su Property reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Gao Su Property consider that Gao Su Property's credit risk is significantly reduced.

Gao Su Property's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

(e) Liquidity risk management

In the management of the liquidity, Gao Su Property monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Gao Su Property's operations and mitigate the effects of fluctuations in cash flow. The management of Gao Su Property monitors the adequacy of the funding for advances from group companies as disclosed in note 1.

The following table details Gao Su Property's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Gao Su Property is required to pay. The information shown in the table below includes both contractual principal cash flows.

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Liquidity table

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 2 month RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2009					
Financial liabilities					
Amount due to immediate holding company	7.17	173,259	–	173,259	173,259
		<u>173,259</u>	<u>–</u>	<u>173,259</u>	<u>173,259</u>
As at 31 December 2010					
Financial liabilities					
Trade payables	–	–	2,757	2,757	2,757
Amount due to ultimate holding company	7.17	43,427	–	43,427	43,427
Amount due to immediate holding company	7.17	1,235,714	–	1,235,714	1,235,714
Amount due to a fellow subsidiary	7.17	51,246	–	51,246	51,246
		<u>1,330,387</u>	<u>2,757</u>	<u>1,333,144</u>	<u>1,333,144</u>

(g) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

7. SEGMENT INFORMATION

No segment information is presented as Gao Su Property has not commenced operation as at 31 December 2010 and its principal activity is to hold a piece of land for future development of residential properties for sale in the PRC.

8. FINANCE COSTS

	3.12.2009 (date of establishment) to 31.12.2009 RMB'000	1.1.2010 to 31.12.2010 RMB'000
Interest on:		
– amount due to immediate holding company	–	56,632
– amount due to a fellow subsidiary	–	1,246
	<u>–</u>	<u>57,878</u>

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9. LOSS BEFORE TAXATION

	3.12.2009 (date of establishment)	1.1.2010 to 31.12.2010
	to 31.12.2009	31.12.2010
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation has been arrived at after charging:		
Staff costs	–	1,846
Retirement benefit scheme contributions	–	150
	<hr/>	<hr/>
Total staff costs	–	1,996
Depreciation of property, plant and equipment	–	110
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

Gao Su Property is subject to the PRC Enterprise Income Tax during the Relevant Periods. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Gao Su Property is 25%. No provision for PRC Enterprise Income Tax has been made in the Financial Information as Gao Su Property is loss-making during the Relevant Periods.

At 31 December 2010, Gao Su Property has unused tax losses of approximately RMB7,101,000 that can be carried forward and will be expired in 2015.

No deferred tax asset has been recognised in respect of unused tax losses available for offset against future profits due to unpredictability of future profit streams.

The income tax expense for the Relevant Periods can be reconciled to the loss before taxation as follows:

	3.12.2009 (date of establishment)	1.1.2010 to 31.12.2010
	to 31.12.2009	31.12.2010
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	–	(64,979)
	<hr/>	<hr/>
Tax at PRC enterprise income tax rate of 25%	–	(16,245)
Tax effect of expenses not deductible for taxable loss	–	14,470
Tax effect of tax losses not recognised	–	1,775
	<hr/>	<hr/>
Taxation for the period/year	–	–
	<hr/> <hr/>	<hr/> <hr/>

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

During the Relevant Periods, no directors' emoluments was paid by Gao Su Property and no emoluments was paid by Gao Su Property to any of the directors as an inducement to join or upon joining Gao Su Property or as compensation for loss of office.

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12. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
At 3 December 2009 (date of establishment) and 31 December 2009 and 1 January 2010	–	–	–
Additions	<u>224</u>	<u>378</u>	<u>602</u>
At 31 December 2010	<u>224</u>	<u>378</u>	<u>602</u>
DEPRECIATION			
At 3 December 2009 (date of establishment) and 31 December 2009 and 1 January 2010	–	–	–
Provided for the year	<u>49</u>	<u>61</u>	<u>110</u>
At 31 December 2010	<u>49</u>	<u>61</u>	<u>110</u>
CARRYING AMOUNTS			
At 31 December 2009	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2010	<u>175</u>	<u>317</u>	<u>492</u>

The following useful lives are used in the calculation of depreciation:

Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for a piece of land (<i>note a</i>)	472,859	1,545,060
Other receivables (<i>note b</i>)	<u>300</u>	<u>22,621</u>
	<u>473,159</u>	<u>1,567,681</u>

Note:

- (a) On 11 December 2009, Gao Su Property won a government auction for a piece of land located at Xiangcheng District, Suzhou, with a total gross floor area of approximately 359,292 square meters for development of residential properties for sale for a term of 70 years from the date in which the land has been delivered to Gao Su Property at a consideration of approximately RMB1,890,000,000. As at 31 December 2009 and 2010, Gao Su Property made prepayment of RMB472,859,000 and RMB1,545,060,000, respectively. The remaining consideration of RMB344,940,000 as at 31 December 2010 has been fully paid up in April 2011, and the land use right certificate was obtained in May 2011.
- (b) As at December 2010, the other receivables include costs incurred for designing and project evaluation on the land discussed in note (a) amounting to approximately RMB22,358,000 (2009: Nil).

APPENDIX II	FINANCIAL INFORMATION OF THE PROJECT COMPANY
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14. BANK BALANCES AND CASH

Gao Su Property's bank balances carry prevailing interest rates at 0.36% per annum during the Relevant Periods.

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	2,757
Other payables	–	313
Payroll payables	–	7
Other tax liabilities	–	1,345
	–	1,345
	–	4,422

Trade payables principally comprise amounts outstanding for designing and project evaluation costs. The trade payables are aged within 60 days. The average credit period is within 3 months. No interest is charged by the suppliers on the payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe. Details of the financial risk management policies by Gao Su Property are set out in note 6.

16. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/AMOUNT DUE TO ULTIMATE HOLDING COMPANY/AMOUNT DUE TO A FELLOW SUBSIDIARY

	As at 31 December	
	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to ultimate holding company		
Gao Su Holding (<i>Note 19</i>)	–	43,427
Amount due to immediate holding company		
Gao Su Group	173,259	1,235,714
Amount due to a fellow subsidiary		
Anhui Province Gao Su Property Company Limited	–	51,246
	–	51,246
Total	173,259	1,330,387

The amounts represent unsecured advances and related accrued interest payable to the related companies which are repayable on demand.

The effective interest rates on amounts due to the related companies is 7.17% as at 31 December 2009 and 2010. The above interest rate on the amount is determined by the lenders on an annual basis with reference to the prevailing lending rate of the People's Bank of China.

APPENDIX II FINANCIAL INFORMATION OF THE PROJECT COMPANY

17. PAID IN CAPITAL

	As at 31 December 2009 & 2010 RMB'000
Paid in capital	300,000

Paid in capital of RMB300,000,000 was fully paid by Gao Su Group in December 2009 and verified by 蘇州萬隆永鼎會計師事務所有限公司 Suzhou Wanlong Yongding Certified Public Accountants Company Limited.

18. RETIREMENT BENEFITS PLANS

The employees of Gao Su Property in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. Gao Su Property is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of Gao Su Property with respect to the scheme is to make the required contributions under the scheme.

19. NON-CASH TRANSACTION

During the year ended 31 December 2010, the interest payable to immediate holding company of approximately RMB43,427,000 was settled by ultimate holding company on behalf of the company, accordingly, the Company owed the same amount to the ultimate holding company as at 31 December 2010.

20. RELATED PARTY DISCLOSURES

During the Relevant Periods, in addition to those disclosed in notes 16 Gao Su Property had significant transactions with related parties as follows:

	3.12.2009 (date of establishment)	to 31.12.2009 RMB'000	1.1.2010 to 31.12.2010 RMB'000
Interest on amount due to immediate holding company	–		56,632
Interest on amount due to a fellow subsidiary	–		1,246

Gao Su Property operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“State-controlled entities”). In addition, Gao Su Property itself is part of a larger group of companies under Gao Su Holding, which is controlled by the PRC government. Apart from the transactions and balances as disclosed above and in note 13, Gao Su Property had no other significant transaction and balance with state-controlled entities.

There is no compensation payable to key management personal of Gao Su Property during the Relevant Periods.

APPENDIX II	FINANCIAL INFORMATION OF THE PROJECT COMPANY
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21. COMMITMENTS

At the end of the reporting period, Gao Su Property had the following commitments:

	As at 31 December	
	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Construction cost contracted for but not provided in the Financial Information	–	15,011
Land cost contracted for but not provided in the Financial Information (<i>note 13</i>)	1,417,141	344,940
Deed tax on land	<u>75,600</u>	<u>75,600</u>

B. SUBSEQUENT EVENTS

Except as disclosed in Note 13, no significant events took place up to the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Gao Su Property have been prepared in respect of any financial period subsequent to 31 December 2010.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP
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UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (referred to as the “Unaudited Pro Forma Financial Information”) has been prepared on the basis set out below for the purpose of illustrating the effect of the proposed acquisition of 60% interest in Anhui Province Gao Su Property Group (Suzhou) Company Limited (“Gao Su Property”) (the “Acquisition”) as if these transactions took place on 31 December 2010.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the audited consolidated statement of financial position of China Aoyuan Property Group Limited and its subsidiaries (the “Group”) as at 31 December 2010 as extracted from the annual report of the Group, after making a pro forma adjustment relating to the Acquisition that is (i) directly attributable to the transaction; and (ii) factually supportable, as if the Acquisition had been completed on 31 December 2010.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 31 December 2010. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2010 or at any future date.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group at 31 December 2010 RMB'000	Unaudited pro forma adjustment RMB'000	<i>Note</i>	Unaudited Pro forma Enlarged Group Total RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	448,417	–		448,417
Prepaid lease payments	6,102	–		6,102
Investment properties	1,099,339	–		1,099,339
Interests in jointly controlled entities	699,875	450,000	(a)	1,149,875
Amounts due from a jointly controlled entity	666,524	–		666,524
Other property interests	86,952	–		86,952
Restricted bank deposits	140,000	–		140,000
Deferred taxation assets	44,373	–		44,373

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP
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	The Group at 31 December 2010 RMB'000	Unaudited pro forma adjustment RMB'000	<i>Note</i>	Unaudited Pro forma Enlarged Group Total RMB'000
	<u>3,191,582</u>	<u>450,000</u>		<u>3,641,582</u>
CURRENT ASSETS				
Properties for sales	5,523,986	–		5,523,986
Trade and other receivables	622,190	–		622,190
Amount due from a venturer of a jointly controlled entity	29,599	–		29,599
Income tax receivables	92,828	–		92,828
Prepaid lease payments	6,275	–		6,275
Restricted bank deposits	1,495,978	–		1,495,978
Bank balances and cash	<u>2,203,128</u>	<u>(450,000)</u>	(a)	<u>1,753,128</u>
	<u>9,973,984</u>	<u>(450,000)</u>		<u>9,523,984</u>
Assets held for sale	<u>85,840</u>	–		<u>85,840</u>
	<u>10,059,824</u>	–		<u>9,609,824</u>
CURRENT LIABILITIES				
Trade and other payables	1,075,403	–		1,075,403
Sale deposits	1,614,396	–		1,614,396
Amount due to a non-controlling shareholder	21,620	–		21,620
Tax payable	997,538	–		997,538
Secured bank loans	<u>1,359,629</u>	–		<u>1,359,629</u>
	<u>5,068,586</u>	–		<u>5,068,586</u>
NET CURRENT ASSETS	<u>4,991,238</u>	–		<u>4,541,238</u>
TOTAL ASSETS LESS CURRENT LIABILITES	<u>8,182,820</u>	–		<u>8,182,820</u>
NON-CURRENT LIABILITIES				
Secured bank loans	2,114,302	–		2,114,302
Deferred tax liabilities	91,390	–		91,390
	<u>2,205,692</u>	–		<u>2,205,692</u>
	<u>5,977,128</u>	–		<u>5,977,128</u>

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP
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	The Group at 31 December 2010 RMB'000	Unaudited pro forma adjustment RMB'000	<i>Note</i>	Unaudited Pro forma Enlarged Group Total RMB'000
CAPITAL AND RESERVES				
Share capital	24,990	–		24,990
Reserves	<u>5,901,155</u>	<u>–</u>		<u>5,901,155</u>
Equity attributable to equity holders of the Company	5,926,145	–		5,926,145
Non-controlling interests	<u>50,983</u>	<u>–</u>		<u>50,983</u>
	<u><u>5,977,128</u></u>	<u><u>–</u></u>		<u><u>5,977,128</u></u>

Note:

The adjustment represents:

- (a) the proposed acquisition of 60% interest in Gao Su Property by way of injection of funds amounting to RMB450,000,000 as the registered capital of Gao Su Property pursuant to an agreement entered into with Anhui Province Gao Su Property Group Company Limited (the “Gao Su Group”), the parent company of Gao Su Property. Based on the terms of the relevant agreement entered into between the Group and Gao So Group dated 25 May 2011, certain significant financial and operating policies of Gao Su Property would require approval from both Group and Gao Su Group. Therefore, for the purposes of the preparation of this proforma financial information, Gao Su Property is considered as a jointly controlled entity of the Group and the capital injection of RMB450,000,000 is treated as cost of investment in this jointly controlled entity in accordance with applicable accounting standards.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP
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Deloitte.

德勤

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION 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 acquisition of 60% interest of Anhui Province Gao Su Property Group (Suzhou) Company Limited ("Gao Su Property") might have affected the financial information presented, for inclusion in Appendix III of the circular dated 16 June 2011 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 36 to 38 to the Circular.

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

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP
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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 Group as at 31 December 2010.

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) adjustment is 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
16 June 2011

APPENDIX IV PROPERTY VALUATION REPORT OF THE PROJECT LAND

American Appraisal China Limited
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Leading / Thinking / Performing



16 June 2011

China Aoyuan Property Group Limited
Aoyuan Mansion,
No. 108, HuangPu Avenue West,
Tianhe District,
Guangzhou,
The PRC

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 Anhui Province Gao Su Property Group (Suzhou) Company Limited (安徽省高速地產集團(蘇州)有限公司) in the People Republic of China (the “PRC”), we confirm that we have inspected 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 30 April 2011 (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 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 each property interests in order to arrive at a fair comparison.

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, Jiangsu Zhengwenren Law Office, on the PRC Law regarding title to 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 owners 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.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless non-conformity has been stated, defined and considered in the valuation certificate. 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 valuation certificate.

APPENDIX IV PROPERTY VALUATION REPORT OF THE PROJECT LAND

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, site areas and all other relevant matters. Dimensions and areas included in the valuation certificate 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 property included in the attached valuation certificate. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the property, nor have we undertaken archaeological, ecological or environmental surveys.

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
MRICS, MHKIS, RPS(GP)
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.

APPENDIX IV PROPERTY VALUATION REPORT OF THE PROJECT LAND
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SUMMARY OF VALUATION

Group I: The property is held for development in the PRC

No.	Property	Capital Value in existing state as at 30 April 2011 (RMB)
1.	Three Land Parcels located at the west of Huanhu Road and the north of Shengze Lake, Xiangcheng District, Suzhou City, Jiangsu Province, The PRC 中國江蘇省蘇州市相城區盛澤湖北、環湖路西之三塊土地	1,990,000,000
	Total:	<u>1,990,000,000</u>

APPENDIX IV PROPERTY VALUATION REPORT OF THE PROJECT LAND

VALUATION CERTIFICATE

Group I: The property is held for development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 30 April 2011 (RMB)
1.	Three Land Parcels located at the west of Huanhu Road and the north of Shengze Lake, Xiangcheng District, Suzhou City, Jiangsu Province, The PRC 中國江蘇省蘇州市相城區盛澤湖北、環湖路西之三塊土地	The property comprises three land parcels (Lot No. Su Di No. 2009-B- 65) with a total site area of approximately 359, 292 square metres. The land use rights of the property have been granted for a term of expiring on 24 December 2079 for residential use.	The property was vacant as at the date of valuation.	1,990,000,000

Notes:

1. Pursuant to three State-owned Land Use Certificates (國有土地使用証), Xiang Guo Yong (2011) Di Nos. 0700082-0700084, issued by People’s Government of Suzhou (蘇州市人民政府) all dated 17 May 2011, the land use rights of the property with a total site area of 359,292 square metres are held by Anhui Province Gao Su Property Group (Suzhou) Company Limited (安徽省高速地產集團(蘇州)有限公司) (“Anhui Gaosu (Suzhou)” or “Project Company”) for a term expiring on 24 December 2079 for residential use.
2. Pursuant to a State-Owned Construction Land Use Rights Grant Contract, (國有建設用地使用權出讓合同), No. 3205012009CR0226, entered into between Suzhou Land Resource Bureau (蘇州市國土資源局) and Anhui Province Gao Su Property Group Company Limited (安徽省高速地產集團有限公司) (“Gao Su Group”) dated 6 February 2010, the land (Lot No: No. 2009-B-65) with site area of approximately 359,292 sq.m. has been granted to Gao Su Group at a consideration of RMB1,890,000,000 for a term of 70 years commencing on the handover date of the property for residential use.
3. Pursuant to a Supplementary Agreement of the State-Owned Land Use Rights Grant Contract (出讓合同的補充協議), entered into between Suzhou Land Resources Bureau (蘇州市國土資源局) and Anhui Gaosu (Suzhou) dated 28 April 2011, the former party agreed to change the grantee of the property as mentioned in the contract in Note 2 above, from Gao Su Group to Anhui Gaosu (Suzhou) with all other terms and conditions remains unchanged.
4. Pursuant to a Construction Land Planning Certificate (建設用地規劃許可証), Di Zi Di No. 320507201000058, issued by Suzhou Planning Bureau (蘇州市規劃局) dated 1 June 2010, the property with a site area of 538.938 mu (or approximately 359,292 square metres) complies with the city planning requirements.
5. The PRC legal opinion states, inter alias, that:
 - a. As at the date of valuation on 30 April 2011, Anhui Gaosu (Suzhou) had not yet been granted with the relevant State-owned Land Use Certificates but since Anhui Gaosu (Suzhou) acquired the property through the first tier land auction market and had fully settled all land premiums, Anhui Gaosu (Suzhou) has obtained the proper legal title to the property and has been entitled to occupy, transfer, mortgage, lease out or make profit from the property as at the date of valuation.

APPENDIX IV PROPERTY VALUATION REPORT OF THE PROJECT LAND

- b. Although the Construction Works Planning Permit and Construction Works Commencement Permit have not been granted to the property, there should be no legal impediments for Anhui Gaosu (Suzhou) to obtain such development permits within a reasonable time frame according to the normal real estate development procedures, while the People's Government of Suzhou City Xiangcheng District has an obligation to assist Anhui Gaosu (Suzhou) to complete the procedure.
- c. The property is not subject to any mortgages or encumbrances.
- d. Although the subject property has not yet been developed by Anhui Gaosu (Suzhou) according to the stated time schedule in the signed State-owned Construction Land Use Rights Grant Contract as mentioned in Note 2 above, no idle fee and penalty for the delay of development are required to be paid because the relevant authorities of Xiangcheng District of Suzhou City have agreed to waive the said fee and penalty and the relevant land use certificates have already been obtained.
- e. The legal adviser has completed the due diligence investigation report regarding the capital increase of Anhui Gaosu (Suzhou) by the Group. Upon completion, Aoyuan Group Company Limited and Gao Su Group will respectively own 60% and 40% equity interest in the Anhui Gaosu (Suzhou).
- f. The registration of the Anhui Gaosu (Suzhou) has fulfilled the Company Law of the People's Republic of China (中華人民共和國公司法) and the Regulations of the People's Republic of China on Administration of Registration of Companies (公司登記管理條例). The Anhui Gaosu (Suzhou)'s equity interest is not subject to any mortgage and has not been seized or froze by the local authority up to 15 May 2011.

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:

Name of Director	Number of shares			Approximate percentage of the issued share capital
	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (Note 3)	Aggregate interest	
Mr. Guo Zi Wen	1,154,325,000 (Note 1)	–	1,154,325,000	44.18%
Mr. Paul Steven Wolansky	293,175,000 (Note 2)	–	293,175,000	11.22%
Mr. Wu Jie Si	–	20,000,000	20,000,000	0.77%
Mr. Lam Kam Tong	–	10,000,000	10,000,000	0.38%
Mr. Hu Da Wei	–	4,000,000	4,000,000	0.15%
Ms. Xin Zhu	–	4,000,000	4,000,000	0.15%
Mr. Yang Zhong	200,000	4,000,000	4,200,000	0.16%

Name of Director	Number of shares			Approximate percentage of the issued share capital
	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) <i>(Note 3)</i>	Aggregate interest	
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 ordinary 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 were Mr. Guo Zi Wen and Ms. Jiang Miner.
- (2) These 293,175,000 ordinary 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

Director	Number of share option	Date of grant	Exercise period	Exercise price per share (HK\$)
Mr. Wu Jie Si	10,000,000	18 Jul 2008	18 Jul 2008 to 14 Jul 2011	5.20
	10,000,000	18 Jul 2008	18 Jul 2008 to 14 Jul 2011	1.79
Mr. Lam Kam Tong	3,000,000	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	2.00
	3,000,000	1 Dec 2008	1 Dec 2008 to 30 Nov 2011	0.638
	2,000,000 (Note 1)	18 Jan 2010	Annual result 2010 to 31 Dec 2013	1.38
	2,000,000 (Note 1)	18 Jan 2010	Annual result 2011 to 31 Dec 2013	1.38
Mr. Hu Da Wei	2,000,000 (Note 1)	18 Jan 2010	Annual result 2010 to 31 Dec 2013	1.38
	2,000,000 (Note 1)	18 Jan 2010	Annual result 2011 to 31 Dec 2013	1.38
Ms. Xin Zhu	2,000,000 (Note 1)	18 Jan 2010	Annual result 2010 to 31 Dec 2013	1.38
	2,000,000 (Note 1)	18 Jan 2010	Annual result 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

Director	Number of share option	Date of grant	Exercise period	Exercise price per share (HK\$)
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 result announcement to 31 December 2013; options representing the remaining 2,000,000 shares are exercisable from the date of 2011 annual result announcements 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	44.18%
Credit Suisse Trust Limited (Note 1)	Trustee	1,154,325,000	44.18%
Mr. Guo Zi Wen (Note 1)	Settlor / Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Ms. Jiang Miner (Note 1)	Settlor / Beneficiary of The Golden Jade Trust	1,154,325,000	44.18%
Seletar Limited (Note 1)	Controlled corporation	1,154,325,000	44.18%
Serangoon Limited (Note 1)	Controlled corporation	1,154,325,000	44.18%
Sturgeon Limited (Note 1)	Controlled corporation	1,154,325,000	44.18%
Mr. Selwyn Donald Sussman (Note 2 & 3)	Controlled corporation/ Beneficial owner	316,495,000	12.11%
Capital Asset Management, Inc. (Note 3)	Controlled corporation	293,175,000	11.22%
Trust Asset Management LLP (Note 2 & Note 3)	Controlled corporation	293,175,000	11.22%
Mr. Paul Steven Wolansky (Note 2)	Trustee	293,175,000	11.22%
Cathay Capital Holdings, L.P. (Note 2)	Controlled corporation	293,175,000	11.22%
Cathay Master GP, Ltd. (Note 2)	Controlled corporation	293,175,000	11.22%

Name	Capacity	Number of shares	Voting power (%) (approximate)
Cathay Sino Property Ltd. (Note 2)	Beneficial owner	293,175,000	11.22%

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 were Mr. Guo Zi Wen and Ms. Jiang Miner.
2. The 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 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 Ltd. 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

Each of Mr. Guo Zi Wen and Mr. Guo Zi Ning has entered into a service contract with the Company for a term of three years commencing from 3 April 2007, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Mr. Hu Da Wei has entered into a service contract with the Company for an appointed term from 8 April 2008 to 2 April 2010, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing. Each of Mr. Lam Kam Tong and Ms. Xin Zhu has entered into a service contract with the Company for a term of three years with effect from 25 September 2009, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in

writing. Mr. Yang Zhong has entered into a service contract with the Company for a term of three years with effect from 20 January 2011, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Mr. Paul Steven Wolansky, being a non-executive Director, has entered into a letter of appointment with the Company for a term of one year with effect from 24 February 2011, and which may be extended thereafter for such period as the Company and Mr. Wolansky may agree in writing. Mr. Wu Jie Si, has entered into a letter of appointment with the Company for a term of one year with effect from 24 December 2009, and which may be extended thereafter for such period as the Company and Mr. Wu may agree in writing.

Each of the independent non-executive Directors (except Mr. Cheung Kwok Keung) has entered into a letter of appointment with the Company and is appointed for a specific term commencing from 13 September 2007, which may be extended for such period as the Company and the Director may agree in writing. Mr. Cheung has entered into a letter of appointment with the Company for a term of one year with effect from 20 January 2011, and which may be extended thereafter for such period as the Company and Mr. Cheung may agree in writing.

Save as the aforesaid, 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. LITIGATION

Save as disclosed in the circular, as at the Latest Practicable Date, no member of the Enlarged 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 Enlarged 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 Enlarged Group and is or may be material:

- (a) A placing agreement dated 10 July 2009 entered into between Ace Rise, the Company and Morgan Stanley and ABN AMRO, pursuant to which an aggregate of 360,000,000 new Shares were placed on behalf of the Company, at the price of HK\$1.73 per placing share, with at least six independent investors. Please refer to the Company's announcement dated 12 July 2009 for further details.

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

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.

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 were 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. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinions or letters contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
American Appraisal China Limited	Professional surveyor

Each of Deloitte Touche Tohmatsu and American Appraisal China Limited 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, none of Deloitte Touche Tohmatsu and American Appraisal China Limited was interested in any shareholding in any member of the Group; nor did any of them have any right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Squares Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Lam Kam Tong, *HKICPA, ACCA*.
- (c) The head office and principal 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 Shops 1712-1716, 17th Floor, 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 2010, the date to which the latest published audited consolidated financial statements of the Company were made up.

13. DOCUMENTS AVAILABLE 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 two financial years ended 31 December 2009 and 31 December 2010;
- (d) the material contracts as referred to in the section headed “Material Contracts” in this appendix;
- (e) the service contracts as referred to in the section headed “Directors’ Service Contracts” in this appendix;
- (f) the accountants’ report on the financial information of the Project Company as set out in appendix II to this circular;
- (g) the report from Deloitte Touche Tohmatsu on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in appendix III to this circular;
- (h) the valuation report of the Project Land from American Appraisal China Limited as set out in appendix IV to this circular;
- (i) the written consents from Deloitte Touche Tohmatsu and American Appraisal China Limited referred to in the section headed “Experts and Consent” in this appendix; and
- (j) the written approval given by Ace Rise and Cathy Property dated 25 May 2011.

14. LANGUAGE

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