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中國奧園地產集團股份有限公司
China Aoyuan Property Group Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3883)

MAJOR TRANSACTION
ON
THE ESTABLISHMENT OF A JOINT VENTURE

The Board wishes to announce 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 which will become a jointly controlled entity of the Company.

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 date of this announcement, Ace Rise holds 1,154,325,000 Shares, representing approximately 44.18% of the issued share capital of the Company and Cathay Property holds 293,175,000 Shares, representing approximately 11.22% of the issued share capital of the Company. 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.

A circular containing, among other things, further details of the Acquisition and other information as required under the Listing Rules will be despatched to the Shareholders on or before 16 June 2011.

THE ACQUISITION

The Board wishes to announce 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 directly own 60% of the equity interest of the Project Company.

THE COOPERATION AGREEMENT

Summarised below are the principal terms of the Cooperation Agreement:

Date 25 May 2011

Parties

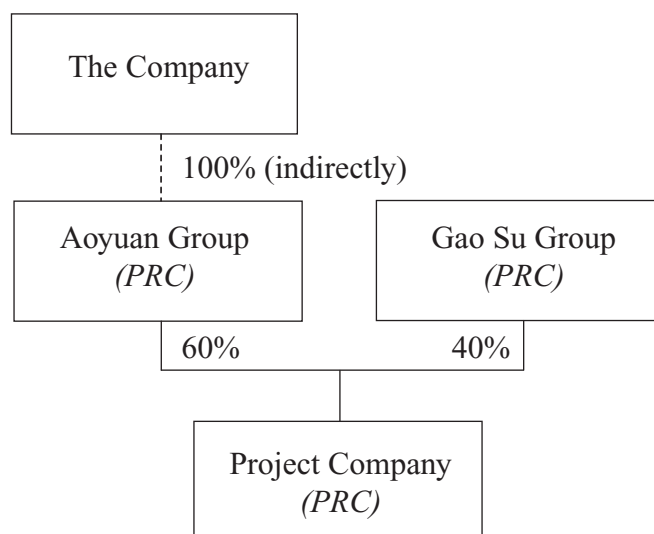
- (1) Gao Su Group
- (2) Aoyuan Group
- (3) Project Company

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. The Project Company will become a jointly controlled entity of the Company and its corporate structure will be as follows:



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 estimated amount required by the Project Company to initiate development in the Project Land.

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 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.

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, 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 11 December 2009, 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 approximately 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). As at the date of 28 February 2011, the land use rights of the Project Land had yet to be transferred to the Project Company.

The Project Land is free from any charge or mortgage.

Further information on the Project Company as at the date of this announcement is as follows:

Name	: 安徽省高速地產集團(蘇州)有限公司(Gao Su Property Group (Suzhou) Company Limited)
Date of incorporation	: 3 December 2009
Place of incorporation	: Beijing, PRC
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 : RMB1,277,859,292
and related parties

Financial information :

	For the year ended	
	31.12.2010 <i>(audited)</i> RMB	31.12.2009 (unaudited) RMB
Net loss before taxation	129,872	—
Net loss after taxation	97,404	—
	As at 31.12.2010	As at 31.12.2009
Net asset value	299,902,596	300,000,000

REASONS 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, and that the Acquisition offers a chance for the Group to further develop its business in the PRC. The Directors believe that the Acquisition is in line with the business plan of the Company and 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 and the land use right of the Project Land.

WRITTEN SHAREHOLDERS' APPROVAL

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.

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DESPATCH OF CIRCULAR TO THE SHAREHOLDERS

A circular containing, among other things, further details of the Acquisition and other information as required under the Listing Rules will be despatched to the Shareholders on or before 16 June 2011.

DEFINITIONS

“Ace Rise”	Ace Rise Profits Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a shareholder of the Company
“Acquisition”	the acquisition of 60% equity interest in the Project Company by the Group by way of the Group's injection of funds into 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
“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 a shareholder of the Company
“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
“Further Commitment”	the guarantee to be given by Aoyuan Group in favour of Gao Su Group under the guarantee letter
“Gao Su Group”	安徽省高速地產集團有限公司 (for identification purpose only, in English, Anhui Gao Su Property Group Company Limited), a limited company incorporated 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
“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, Gao Su Property Group (Suzhou) Company Limited), a limited company incorporated under the laws of the PRC and wholly-owned by Gao Su Group as at the date of this announcement
“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
“Shareholders”	shareholders of the Company
“Shares”	the ordinary shares of the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 25 May 2011

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