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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Contracted sales for the period amounted to approximately RMB40,291 million, increased by 143% YoY.
- Revenue for the period amounted to approximately RMB13,667 million, increased by 67.6% YoY.
- Gross profit for the period amounted to approximately RMB3,902 million, increased by 78.1% YoY; gross profit margin was approximately 28.6%.
- Net profit for the period amounted to approximately RMB1,475 million, increased by 71.8% YoY; net profit margin was approximately 10.8%.
- Core net profit for the period [Note 1] amounted to approximately RMB1,392 million, increased by 67.3% YoY; core net profit margin was approximately 10.2%.
- Basic earnings per share for the period amounted to approximately RMB45.37 cents, increased by 61.5% YoY.
- Bank balances and cash (including restricted bank deposits) as at 30 June 2018 was approximately RMB25,823 million; net gearing ratio was 67.5%.
- In the first half of 2018, the Group acquired 31 high-quality lands with newly added GFA of approximately 7.27 million sq.m.; total GFA of land bank as at 30 June 2018 was approximately 30.01 million sq.m..

Note 1: Excluding non-recurring gains and losses such as fair value gain on investment properties, net exchange gain/loss and gain/loss on change in fair value of derivative financial instruments and their related tax expenses.

The board of directors (the "Board" or the "Directors") of China Aoyuan Property Group Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended	
	Notes	**30.6.2018**	30.6.2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**13,666,552**	8,154,290
Cost of sales		**(9,764,429)**	(5,962,865)
Gross profit		**3,902,123**	2,191,425
Other income, gains and losses	*4*	**72,831**	29,501
Change in fair value of investment properties		**406,700**	142,026
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**8,103**	–
Gain on disposal of subsidiaries		**18,288**	–
Selling and distribution expenses		**(599,773)**	(345,523)
Administrative expenses		**(651,176)**	(332,218)
Share of results of joint ventures		**87,882**	(39,472)
Share of results of associates		**1,430**	–
Finance costs		**(172,749)**	(118,129)
Profit before tax		**3,073,659**	1,527,610
Income tax expense	*5*	**(1,598,850)**	(669,129)
Profit for the period	*6*	**1,474,809**	858,481
Other comprehensive income (expense)			
Items that may be reclassified to profit or loss			
Net fair value gain on available-for-sale investments, net of income tax		**–**	19,062
Gain on disposal of available-for-sale investments reclassified to profit and loss		**–**	(21,865)
Exchange differences on translating foreign operations		**(18,702)**	16,966
		(18,702)	14,163
Profit and total comprehensive income for the period		**1,456,107**	872,644

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CON'T)

		Six months ended	
	Note	**30.6.2018**	30.6.2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**1,216,254**	750,360
Non-controlling interests		**258,555**	108,121
		1,474,809	858,481
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**1,202,783**	760,046
Non-controlling interests		**253,324**	112,598
		1,456,107	872,644
Earnings per share (RMB cents)	*8*		
Basic		**45.37**	28.09
Diluted		**45.36**	28.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	30.6.2018 *RMB'000* (unaudited)	31.12.2017 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,224,033**	718,995
Prepaid lease payments		**279,875**	80,735
Investment properties		**6,930,626**	6,360,204
Goodwill		**3,491**	28,755
Intangible assets		**4,148**	4,698
Interests in joint ventures		**1,198,131**	43,749
Interests in associates		**220,433**	170,003
Equity instruments at fair value through other comprehensive income		**31,465**	–
Deferred tax assets		**533,404**	305,272
Deposits paid for acquisitions of subsidiaries		**3,800,429**	928,222
Deposit paid for acquisition of joint ventures		**40,202**	39,229
Deposit paid for acquisition of property, plant and equipment		**164,863**	278,367
Amount due from a non-controlling shareholder of a subsidiary		–	92,383
Amount due from a joint venture		**152,029**	152,029
Trade and other receivables	*9*	**676,024**	492,996
		15,259,153	9,695,637
CURRENT ASSETS			
Properties for sale		**94,207,725**	77,069,025
Inventories		**160,872**	138,227
Trade and other receivables	*9*	**10,157,418**	7,407,313
Deposits paid for acquisitions of land use rights and property projects		**126,613**	1,114,490
Amounts due from non-controlling shareholders of subsidiaries		**4,708,955**	1,579,937
Amounts due from related parties		–	71,381
Amounts due from joint ventures		**761,101**	868,846
Amounts due from associates		**27,278**	73,525
Financial assets at fair value through profit or loss		**500,100**	200,000
Tax recoverable		**1,512,360**	1,040,960
Prepaid lease payments		**7,239**	2,080
Derivative financial instruments		**6,310**	4,377
Restricted bank deposits		**2,415,224**	1,770,880
Bank balances and cash		**23,408,057**	24,769,183
		137,999,252	116,110,224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	Note	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	10	**20,324,275**	14,579,493
Deposits received for sale of properties		–	34,760,145
Contract liabilities		**48,074,062**	–
Amounts due to non-controlling shareholders of subsidiaries		**1,621,932**	609,591
Amounts due to joint ventures		**2,048,426**	227,332
Amount due to an associate		**33**	20
Tax liabilities		**3,869,499**	3,171,912
Bank and other borrowings		**17,650,661**	13,371,376
Loan from non-controlling shareholders of subsidiaries		**668,500**	632,180
Senior notes and bonds		**7,322,596**	7,118,223
Provisions		**900,949**	1,102,882
		102,480,933	75,573,154
NET CURRENT ASSETS		**35,518,319**	40,537,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,777,472**	50,232,707
NON-CURRENT LIABILITIES			
Other payable	10	**499,470**	1,042,259
Bank and other borrowings		**13,800,976**	14,422,940
Loan from non-controlling shareholders of subsidiaries		**834,000**	1,492,800
Deferred tax liabilities		**976,403**	691,196
Senior notes and bonds		**6,240,177**	5,457,222
		22,351,026	23,106,417
NET ASSETS		**28,426,446**	27,126,290
CAPITAL AND RESERVES			
Share capital		**25,373**	25,333
Reserves		**10,727,079**	10,129,703
Equity attributable to owners of the Company		**10,752,452**	10,155,036
Non-controlling interests		**17,673,994**	16,971,254
TOTAL EQUITY		**28,426,446**	27,126,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values as appropriate.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The application of IFRS 15 do not have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

The following table summarises the impact of transition to IFRS 15 on retained profits at 1 January 2018.

	Note	**Impact of adopting IFRS 15 at 1 January 2018** *RMB'000*
Retained profits		**5,228,599**
Recognition of contract costs	(a)	**86,606**
Tax effects	(a)	**(22,005)**
Impact at 1 January 2018		**5,293,200**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31 December 2017** *RMB'000*	**Reclassification** *RMB'000*	**Remeasurement** *RMB'000*	**Carrying amounts under IFRS 15 at 1 January 2018** *RMB'000*
Current assets					
Trade and other receivables	(a)	7,407,313	–	88,718	7,496,031
Non-current assets					
Deferred tax assets	(a)	305,272	–	(22,005)	283,267
Capital and reserves					
Retained profits		5,228,599	–	64,601	5,293,200
Non-controlling interests		16,971,254	–	2,112	16,973,366
Current liabilities					
Deposits received for sale of properties		34,760,145	(34,760,145)	–	–
Contract liabilities		–	34,760,145	–	34,760,145

Note:

(a) The Group incurred incremental agency commission to intermediaries in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of IFRS 15, incremental costs of obtaining contracts and the related deferred tax of RMB22,005,000 were recognised with corresponding adjustments to retained profits and non-controlling interests.

The following table summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	***RMB'000***	***RMB'000***
Current assets			
Trade and other receivables	10,157,418	(190,694)	9,966,724
Non-current assets			
Deferred tax assets	533,404	47,673	581,077
Capital and reserves			
Retained profits	5,839,061	(76,308)	5,762,753
Current liabilities			
Deposits received for sale of properties	–	48,074,062	48,074,062
Contract liabilities	48,074,062	(48,074,062)	–

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	***RMB'000***	***RMB'000***
Selling and distribution expenses	(599,773)	(101,976)	(701,749)
Profit before tax	**3,073,659**	**(101,976)**	**2,971,683**
Income tax expense	(1,598,850)	25,668	(1,573,182)
Profit for the period	**1,474,809**	**(76,308)**	**1,398,501**

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (including contract assets and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Taking into account the changes in accounting policies arising from initial application of IFRS 9, the executive directors of the Company considered that the initial application of IFRS 9 has no material impact to the condensed consolidated financial statements of the Group.

2.3 Impacts and changes in accounting policies of application on Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from investment property necessitates an assessment of whether a property meets or has ceased to meet the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

The application of amendments to IFRS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	For the six months ended 30 June 2018			
	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services				
Property development				
Residential apartments	**8,616,781**	**–**	**–**	**8,616,781**
Commercial apartments	**1,383,185**	**–**	**–**	**1,383,185**
Retail shops and others	**2,084,060**	**–**	**–**	**2,084,060**
Low-density residential	**866,295**	**–**	**–**	**866,295**
	12,950,321	**–**	**–**	**12,950,321**
Property investment				
Commercial and retail shops	**–**	**53,311**	**–**	**53,311**
Others				
Property management	**–**	**–**	**170,792**	**170,792**
Sales of goods	**–**	**–**	**464,009**	**464,009**
Others	**–**	**–**	**28,119**	**28,119**
	–	**–**	**662,920**	**662,920**
Total	**12,950,321**	**53,311**	**662,920**	**13,666,552**

	For the six months ended 30 June 2018			
	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Timing of revenue recognition				
At a point of time	**12,950,321**	**–**	**492,128**	**13,442,449**
Recognised over time	**–**	**53,311**	**170,792**	**224,103**
Total	**12,950,321**	**53,311**	**662,920**	**13,666,552**

3B. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2018 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
External segment revenue	**12,950,321**	**53,311**	**662,920**	**13,666,552**
Segment profit	**2,658,132**	**447,011**	**33,423**	**3,138,566**
Other income, gains and losses				**72,831**
Gain on disposal of subsidiaries				**18,288**
Unallocated corporate expenses				**(72,589)**
Share of results of joint ventures				**87,882**
Share of results of associates				**1,430**
Finance costs				**(172,749)**
Profit before tax				**3,073,659**

Six months ended 30 June 2017 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	7,675,045	50,709	428,536	8,154,290
Segment profit	1,451,397	172,826	86,417	1,710,640
Other income, gains and losses				29,501
Unallocated corporate expenses				(54,930)
Share of results of joint ventures				(39,472)
Finance costs				(118,129)
Profit before tax				1,527,610

The following is an analysis of the Group's assets by reportable and operating segments:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property development	**114,619,543**	89,105,766
Property investment	**6,969,345**	6,399,989
Others	**717,258**	699,561
Total segment assets	**122,306,146**	96,205,316

Others mainly include hotel operations, provision of property management services and sale of goods.

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than interests in associates and joint ventures, equity instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss, amounts due from related parties, non-controlling shareholders of the subsidiaries of the Company, associates and joint ventures.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The balance comprises of:		
Bank interest income	**88,545**	33,501
Gain on disposal of available-for-sale investment	**–**	29,153
Gain (loss) on change in fair value of derivative financial instruments	**1,933**	(75,212)
Dividend income from equity instruments at fair value through other comprehensive income	**2,268**	–
Loss on early redemptions of senior notes	**–**	(148,029)
Gain on disposal of property, plant and equipment	**11,983**	–
Net exchange (loss) gain	**(168,302)**	143,101
Other interest income	**76,929**	36,305
Others *(note)*	**59,475**	10,682
	72,831	29,501

Note: Others mainly include the forfeited deposits from customers and government subsidy received.

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax:		
Enterprise income tax ("EIT")	**904,293**	481,700
Land appreciation tax	**624,939**	238,404
Other jurisdiction	**37**	–
	1,529,269	720,104
Deferred tax:		
The People's Republic of China	**69,581**	(50,975)
	1,598,850	669,129

The EIT is calculated at 25% of the estimated assessable profits for the current and prior periods.

No provision for Hong Kong Profits Tax has been made as there was no assessable profits derived from Hong Kong.

Under Australian tax law, the tax rate used for the period is 30% (2017: 30%) on taxable profits on Australian incorporated entities. No tax provision has been made in the condensed consolidated financial statements as there was no assessable profit arises in Australia for the current and prior periods.

Under Canadian tax law, the tax rate used for the period is 26.5% (2017: 26.5%) on taxable profits on Canadian incorporated entities.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Interest on:		
Bank and other borrowings	**1,125,878**	305,933
Other payables	**15,875**	–
Loan from non-controlling shareholders of subsidiaries	**92,646**	70,654
Senior notes and bonds	**487,647**	461,335
	1,722,046	837,922
Less: amounts capitalised to properties under development for sale	**(1,546,064)**	(713,453)
amounts capitalised to investment properties under development	**(3,233)**	(6,340)
	172,749	118,129
Staff costs	**466,251**	232,778
Release of prepaid lease payments	**218**	218
Depreciation of property, plant and equipment	**41,682**	22,667
Amortisation of intangible assets (included in administrative expenses)	**550**	309
(Gain) loss on disposal of property, plant and equipment	**(11,983)**	1,331

7. DIVIDENDS

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
2017 final dividend of RMB25 cents (six months ended 30 June 2017: 2016 final dividend of RMB9.7 cents) per share	**670,393**	259,143
2017 special dividend: nil (six months ended 30 June 2017: RMB5.3 cents) per share	**–**	141,593
	670,393	400,736

The directors of the Company do not recommend or declare any payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2018	30.6.2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**1,216,254**	750,360

	Six months ended	
	30.6.2018	30.6.2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,680,494**	2,671,571
Effect of dilutive potential ordinary shares on share options	**772**	1,419
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,681,266**	2,672,990

9. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**400,752**	444,556
Rental receivables	**39,315**	36,878
Other receivables	**3,911,313**	3,723,496
Security deposits	**1,237,859**	479,992
Advance to constructors and suppliers	**1,022,866**	605,700
Deposits paid to local government and third parties for the potential purchase of land use rights	**1,394,189**	1,079,379
Other tax prepayments	**2,636,454**	1,530,308
Contract cost	**190,694**	–
	10,833,442	7,900,309

The following aged analysis of trade receivables determined based on the date of the properties delivered and sales is recognised:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**238,556**	248,545
61-180 days	**31,565**	47,737
181-365 days	**50,196**	45,342
1-2 years	**25,854**	33,628
2-3 years	**16,934**	33,496
Over 3 years	**37,647**	35,808
	400,752	444,556

10. TRADE AND OTHER PAYABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**9,803,488**	7,294,500
Other payables	**3,370,970**	2,771,313
Consideration payables for property projects	**4,404,889**	3,070,260
Consideration payables for acquisition of subsidiaries	**2,403,365**	2,070,842
Other taxes payable	**841,033**	414,837
	20,823,745	15,621,752

The following is an analysis of trade payables presented based on the invoice date:

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**5,926,798**	3,215,299
61-180 days	**1,734,799**	1,502,680
181-365 days	**889,274**	1,709,756
1-2 years	**482,472**	440,636
2-3 years	**445,622**	122,311
Over 3 years	**324,523**	303,818
	9,803,488	7,294,500

11. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had following significant events took place:

(a) On 16 July 2018, the Company granted options (the "Options") to subscribe for a total of 25,000,000 ordinary shares of HK$0.01 each in the share capital of the Company (the "Share(s)") to selected grantees (collectively, the "Grantees" and each of them, the "Grantee"), subject to acceptance of the Grantees and the payment of HK$1 by each of the Grantees upon acceptance of the Options, under the share option scheme of the Company adopted on 29 May 2018 (the "New Share Option Scheme"). Details of the New Share Option Scheme are set out in the circular of the Company dated 10 April 2018.

(b) On 26 July 2018, the Company issued additional senior notes (the "2018 Note 3") in an aggregate principal amount of USD175,000,000 (equivalent to RMB1,138,602,000) to be consolidated and form a single series with the Original Notes issued on 11 January 2017, which carries interest at 6.35% per annum and due in 2020. Details of the terms and conditions are set out in the announcement issued by the Company on 26 July 2018. Up to the date of issuance of these consolidated financial statements, the net proceeds of approximately USD170,701,000 (equivalent to RMB1,110,635,000) from the issuance of the 2018 Note 3 have been fully received.

MANAGEMENT DISCUSSION AND ANALYSIS

I. CHINA PROPERTY MARKET

In the first half of 2018, the pace of global economic recovery slowed down but was stable in general, while the international financial market was more volatile. In China, the economy remained stable and in upward momentum, with outstanding performance in transformation and upgrading, and there was continuous improvement in quality and efficiency. In the first half of 2018, the regulatory and control policy on real estates entered into a new stage. On the one hand, it continued to combat irrational demand actively. On the other hand, focus was put on adjusting the medium to long term supply structure. In May of this year, the Ministry of Housing and Urban-rural Development of the People's Republic of China issued another document emphasizing that the Government would adhere to and strictly follow the objectives of regulation and control, support the purchases by households with rigid demand, curb speculations, adapt to local conditions and take accurate measures to ensure a stable and healthy development of the real estate market. The local governments of many cities shouldered the main responsibilities and introduced regulatory policies intensively and continued the tightening of credit.

As China's economic structure has entered into an optimization stage, the real estate industry was transformed and upgraded, moving closer to fulfilling people's demand for a better life. Adapting to the new situation, leading enterprises of the industry were heading towards a stage of diversified development. On the one hand, the housing system focusing both on rental and purchasing has fully activated the existing market inventory, and the rental market is now heading towards a period for rapid development. On the other hand, against the background of consumption upgrading and industrial upgrading, enterprises are adjusting the mode of operation to continuously upgrade product service and build a complex industrial pattern in line with the transformation of the national industrial structure.

II. BUSINESS REVIEW

In the first half of 2018, under the numerous and ever-changing regulatory policies, the Group adopted a flexible sales strategy and achieved good sales performance with a strong and robust development momentum.

As of 30 June 2018, the Group achieved total contracted sales of approximately RMB40,291 million, representing a substantial increase of approximately 143% year-on-year. Contracted floor area sold was approximately 3.938 million sq.m., representing an increase of approximately 152% year-on-year. Average selling price was RMB10,231 per sq.m. Of which, residential properties and commercial properties (mainly comprising commercial apartments and retail shops) accounted for 77.1% and 22.9%, respectively.

Our sales in the first half of 2018 were mainly contributed by the following projects: Shenzhen Aoyuan Jade Bay, Chengdu Chenghua Aoyuan Plaza, Ningbo Aoyuan Scenery Bay, Chengdu Aoyuan Parkview Mansion, Guangzhou Aoyuan Glorious Mansion, and Yangzhou Aoyuan Peach City, etc.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project	**Amount** *(RMB million)*	**Area** *(sq.m.)*
Shenzhen Aoyuan Jade Bay	1,833.0	59,192
Chengdu Chenghua Aoyuan Plaza	1,792.9	115,242
Ningbo Aoyuan Scenery Bay	1,205.8	87,698
Chengdu Aoyuan Parkview Mansion	1,201.5	82,595
Guangzhou Aoyuan Glorious Mansion	1,059.7	56,635
Yangzhou Aoyuan Peach City	1,051.6	75,447
Guangzhou Aoyuan Lianfeng State	952.3	66,796
Nanning Aoyuan Xuefu	918.8	82,316
Bengbu Aoyuan Ginza	911.4	99,456
Dongguan Aoyuan Guanlan Glorious Mansion	836.6	39,142
Huizhou Aoyuan Lingyu	832.2	64,162
Zhuhai Aoyuan Seaview Mountain	812.7	36,994
Toronto North York Newtonbrook Project	462.0	10,970
Others	26,420.3	3,061,552
Total	40,290.8	3,938,197

Achieving full coverage of the Guangdong-Hong Kong-Macau Bay Area

In March 2018, according to the National People's Congress and the Chinese People's Political Consultative Conference, the development plan for the Guangdong-Hong Kong-Macau Bay Area will be issued and implemented this year to promote the mutually beneficial cooperation among the Mainland, Hong Kong and Macau. A number of substantive projects are expected to launch in the Guangdong-Hong Kong-Macau Bay Area by 2018, which will bring significant benefits to our layout in the Pearl River Delta. Aoyuan has successfully seized the first development opportunities in the Guangdong-Hong Kong-Macau Bay Area, achieving full coverage of the "9+2" cities in the Guangdong-Hong Kong-Macau Bay Area with 55 projects worth nearly RMB105 billion. Aoyuan will adhere to the balanced layout of first-and second-tier cities supplemented by third-and fourth-tier cities, and further diversify the land acquisition channels to ensure the sustainable development of the Company in the Bay Area. As the Company continues to replenish the land reserve, the layout in the Guangdong-Hong Kong-Macau Bay Area will become a highlight of our development path.

Focusing on development and cultivating three key areas

In March 2018, Aoyuan Healthy under the Aoyuan Healthy Life Group set foot in the medical beauty industry and announced that it will set up medical beauty outpatient clinics and beauty management centers in various core cities. Meanwhile, Aoyuan Healthy will develop traditional Chinese medicine and health regimen industry in various communities under management. After implementation of the paralleled strategy, the light asset management output strategy of Aoyuan Commercial Management was effective as several light asset projects have been concluded in Guangdong, Hunan, Hebei, Sichuan, Anhui, Guizhou and Jiangxi, etc. Aoyuan Property has managed over 100 projects in China, covering management area of over 16 million sq.m. In the future, upholding the goal of "high speed development and steady operation", we will actively push forward the development and construction of the Group and accelerate the realization of the corporate vision of "the model of diversified, innovative and modern service-oriented enterprises".

Exploring new marketing model with active market expansion

In the first half of this year, Cultural Tourism Group made active market exploration in various projects supported by business activities and innovative modes of operation.

In May 2018, the China Tourism Day Huangshan Event and the "Aoyuan Cup" Ruoling Ancient Road Walking Event (中國旅遊日黃山分會場活動暨「奧園杯」箬嶺古道徒步大會) commenced in Fuzili (Xucun), and was highly praised by the local government.

From 31 May to 18 June 2018, Dutch Windmills Festival was held in Shanghai Yayuan. During the festival, it attracted a total of more than 35,000 visitors from Jiangsu, Zhejiang and Shanghai area.

In June 2018, the main structure of DoubleTree Hot Spring Resort by Hilton Hotel in Aoyuan Yingde Chocolate Kingdom (奧園英德巧克力王國) was completed, laying a solid foundation for the building of this leading cultural tourism landmark project in northern Guangdong.

Aomygod raising waves in the "blue ocean" with innovative breakthrough of "O2O shopping"

In the first half of this year, Aomygod Global Shopping continued its in-depth exploration in the cross-border e-commerce "blue ocean" and launched a strategic combination of "O2O shopping". In the first half of the year, Aomygod Global Boutique, the first offline store of Aomygod Global Shopping, was opened in Guangzhou, laying a solid foundation for the implementation of the "O2O shopping strategy".

In June 2018, Aomygod held the "Integration as Future" Strategy Conference in Guangzhou, and launched the "O2O shopping" system with online and offline integration of products and members established by the website, application, WeChat Mall and offline stores, which guarantees the availability of products online and offline at the same price and points. Currently, Aomygod Global Shopping has enhanced consumers' shopping experience and efficiency through the "O2O shopping model", "member integration", "marketing integration", "product integration" and "information integration". In the future, Aomygod Global Shopping will rapidly expand its offline stores.

III. LAND BANK

The acquisition of quality land is of utmost importance for the leapfrog development of the Company. The Group continues to apply the strategy of choosing appropriate districts for investment in the unban area, consistently adheres to the approach of combined development and intensive regional cultivation while aggressively expanding districts with keen commercial and residential demand but less market restraints. In the first half of 2018, the Group acquired a total of 31 high quality commercial and residential projects. Newly added GFA available for development was approximately 7.27 million sq.m., with an average land cost of RMB2,065 per sq.m.

As at 30 June 2018, the total land bank of the Group was approximately 30.01 million sq.m., with an average cost of approximately RMB2,143 per sq.m., among which 2.92 million sq.m. of properties were completed, 12.20 million sq.m. of properties were under construction and 14.89 million sq.m. were reserved for future development.

IV. FUTURE OUTLOOK

In the second half of 2018, the real estate sales price will tend to be stable due to the improvement of the overall supply and demand structure. The Company will continue to adhere to a balanced layout of development in cities with a healthy and diversified approach, and continue to cultivate the key metropolitan areas and city clusters, such as the Guangdong-Hong Kong-Macau Bay Area, deepen its market penetration and improve the output capacity of the city to achieve rapid growth and high quality development. At the same time, we shall vigorously promote the cooperation with other industries and businesses, strictly follow the policy trends, explore more modes of cooperation, actively develop business with the theme of cultural tourism, health regimen and e-commerce, and accelerate the healthy development of Aoyuan's business.

V. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2018, the Group's total revenue was approximately RMB13,667 million, representing an increase of approximately RMB5,513 million or 67.6% over approximately RMB8,154 million in the same period of 2017. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 94.7%, 4.9% and 0.4% respectively.

In the first half of 2018, the Group's revenue generated from property development amounted to approximately RMB12,950 million, representing an increase of approximately RMB5,275 million or 68.7% over approximately RMB7,675 million in the same period of 2017. The GFA of delivered properties increased by 47.8% to 1.65 million sq.m. from 1.11 million sq.m. in the same period of 2017, while the average selling price exclusive of tax increased by 14.1% to RMB7,868 per sq.m. from RMB6,893 per sq.m. in the same period of 2017. This was mainly attributable to the average selling price of residential apartments, which is the highest proportion, increased by approximately 12.5% compared with the same period of 2017.

Breakdown of property development revenue in the first half of 2018 by product type was as follows:

Product	Sold and Delivered Revenue *(RMB million)*	Sold and Delivered Area *('000 sq.m.)*
Residential apartments	8,616.8	1,347.5
Commercial apartments	1,383.2	119.2
Retail shops and others	2,084.0	126.3
Low-density residential	866.3	53.0
Total	12,950.3	1,646.0

Gross Profit and Margin

In the first half of 2018, the gross profit of the Group was approximately RMB3,902 million, representing an increase of 78.1% from approximately RMB2,191 million in the same period of 2017. The Group's gross profit margin increased from 26.9% in the same period of 2017 to 28.6%.

Other Income, Gains and Losses

In the first half of 2018, the Group's other income, gains and losses mainly included net exchange loss of approximately RMB168 million, interest income of approximately RMB165 million, government subsidy received of approximately RMB40 million, gain on disposal of property, plant and equipment of approximately RMB12 million and other income of approximately RMB24 million.

Selling and Administrative Expenses

In the first half of 2018, total selling and distribution expenses of the Group were approximately RMB600 million, representing an increase of 73.6% from approximately RMB346 million in the same period of 2017, which was mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in contracted sales amount during the year, boosted by the increase in the number of pre-sales properties during the year. Total administrative expenses increased by 96.0% from approximately RMB332 million in the same period of 2017 to approximately RMB651 million, which was mainly due to the increase in staff expenses and other management costs resulting from the expansion of operation scale of the Group.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 52.0% is higher than the standard PRC enterprise income tax rate of 25%, mainly attributable to land appreciation tax of approximately RMB625 million.

Profit Attributable to Owners of the Company

In the first half of 2018, profit attributable to owners of the Company was approximately RMB1,216 million, representing an increase of 62.1% from approximately RMB750 million in the same period of 2017. Core net profit (excluding non-recurring gains and losses such as fair value gain on investment properties, net exchange gain/loss and gain/loss on change in fair value of derivative financial instruments and their related tax expenses) for the period amounted to approximately RMB1,392 million.

Financial Position

As at 30 June 2018, the Group's total assets amounted to approximately RMB153,258 million (31 December 2017: approximately RMB125,806 million) and total liabilities were approximately RMB124,832 million (31 December 2017: approximately RMB98,680 million).

Current ratio was 1.3 as at 30 June 2018 (31 December 2017: 1.5).

Financial Resources and Liquidity

In the first half of 2018, the Group's sources of fund primarily included income generated from business operations, cash from bank and other borrowings, as well as issuance of senior notes in US dollar, which were used in our business operations and investment in development projects.

The Group expects that income generated from business operations and borrowings will continue to be the main sources of funds in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and stringently control the cost and various expenses. Besides, the Group will continue to look for opportunities to cooperate with foreign and domestic investors, in order to provide other sources of funding for the expansion of projects and business development.

Cash Position

As at 30 June 2018, the Group had cash and bank deposits of approximately RMB23,408 million (31 December 2017: approximately RMB24,769 million). As at 30 June 2018, the Group had restricted bank deposits of approximately RMB2,415 million (31 December 2017: approximately RMB1,771 million) which were only reserved for obtaining bank loans.

As at 30 June 2018, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB25,823 million, of which 94.9% was denominated in Renminbi and 5.1% was denominated in other currencies (mainly HK dollar, Australian dollar and Canadian dollar).

In the first half of 2018, cash collection ratio (total sales proceeds received in first half of 2018 divided by the contract sales amount for the first half of the year) for the Group's contracted sales was approximately 80%.

Borrowings, Senior Notes and Bonds and Net Gearing Ratio

Borrowings and Senior Notes and Bonds

As at 30 June 2018, the Group had bank and other borrowings of approximately RMB31,451 million (31 December 2017: approximately RMB27,795 million) and senior notes and corporate bonds of approximately RMB13,563 million (31 December 2017: approximately RMB12,575 million) as follows:

Repayment period

	30 June 2018 *(RMB million)*	31 December 2017 *(RMB million)*
Repayment on demand	**4,557**	2,325
Within one year	**20,416**	18,165
More than one year, but not exceeding two years	**11,453**	10,741
More than two years, but not exceeding five years	**8,588**	9,139
	45,014	40,370

The majority of borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to an interest-rate risk associated with fair value. In the first half of 2018, the effective interest rate on borrowings, senior notes and corporate bonds was 7.3%, which was lower than 7.6% in the first half of 2017. The Group has implemented certain interest rate management policies which included, among others, the close monitoring of interest rate movements as well as the replacing of and the entering into new banking facilities when good pricing opportunities arise.

In May and June 2018, the Group successfully issued 2-year offshore senior notes of aggregated US$425 million for the Group's refinancing and general corporate purposes.

As at 30 June 2018, the Group had credit facilities of approximately RMB58,675 million (31 December 2017: approximately RMB51,893 million) for short-term and long-term borrowings, of which approximately RMB17,802 million (31 December 2017: approximately RMB16,901 million) were unutilized.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total amount of bank and other borrowings, senior notes and corporate bonds net of cash and cash equivalents and restricted bank deposits) over the total equity. As at 30 June 2018, the Group's net gearing ratio was 67.5%. The Group has implemented certain loan management policies, which mainly include the close monitoring of the gearing ratio and any changes in net gearing ratio, and optimization of the bank credit structure when good pricing opportunities arise.

Contingent Liabilities

As at 30 June 2018, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures of the Group amounting to approximately RMB52,954 million (31 December 2017: approximately RMB31,092 million).

The Group acted as guarantor to the banks in respect of the bank's mortgage loans granted to certain property purchasers of the Group and agreed to repurchase the properties upon the purchasers' default on the repayment of the outstanding mortgage loans and the loan interests accrual thereon. The fair value of the financial guarantee contracts is not significant at the initial recognition, and no provision has been made as the default rate is low.

As at 30 June 2018, the Group had outstanding financial guarantees issued to banks in respect of banking facilities granted to the joint ventures of the Group. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which approximately RMB1,990 million (31 December 2017: approximately RMB1,920 million) were utilised by the joint ventures as at the end of the reporting period.

Commitments

As at 30 June 2018, the Group's construction cost, land payments and payments for acquisition of subsidiaries, joint ventures and fixed assets contracted but not provided for amounted to approximately RMB25,679 million (31 December 2017: approximately RMB18,182 million). The Group expects to fund these commitments principally with the proceeds from the property sales and bank borrowings.

Foreign Currency Risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, senior notes denominated in US dollar and bank loans denominated in US dollar and HK dollar, the Group's operating cash flow or liquidity is not directly subject to any other significant exchange rate fluctuations. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure when needed.

Pledge of Assets

As at 30 June 2018, the Group pledged its properties for sales, plant and equipment, investment properties, prepaid lease payment and restricted bank deposit amounting to approximately RMB14,440 million (31 December 2017: approximately RMB16,546 million) to various banks to secure project loans and general banking facilities granted to the Group.

INTERIM DIVIDEND

The directors of the Company (the "Directors") have resolved not to declare interim dividend for the six months ended 30 June 2018 (2017: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Company's purchase of its own shares on the Stock Exchange as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2018.

Month	Number of shares repurchased	Purchase consideration per share		Aggregate consideration paid (before expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
June	3,688,000	5.42	5.10	19,512,000

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the period ended 30 June 2018, the Company has complied with the code provisions of the CG Code.

Pursuant to code provision F.1.2, a board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. For the appointment of Ms. Wong Mei Shan as the joint company secretary on 1 August 2018, such appointment has been approved by the Board by way of written resolutions, through which all Directors have fully considered these proposals and have not raised any issue of concern that requires further discussion at a physical meeting. Nevertheless, the Board took the opportunity to review and re-confirm the joint company secretary arrangement at its meeting held on 17 August 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2018.

HUMAN RESOURCES

As of 30 June 2018, the Group had about 10,273 employees (31 December 2017: 7,211). The remuneration policy and package of the Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Cheung Kwok Keung as chairman as well as Mr. Tsui King Fai and Mr. Hu Jiang as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company. The interim report of the Company for the six months ended 30 June 2018 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 17 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Ms. Zhong Ping and Mr. Ma Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.