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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- The Group recorded total contracted sales of RMB5,016.4 million in 2011 with total sales area of approximately 550,100 sq.m. and the average selling price was approximately RMB9,100 per sq.m..
- The Group's recognized revenue for the year ended 31 December 2011 was RMB3,022.2 million representing an increase of RMB580.0 million or 23.7% as compared to 2010.
- The Group's profit attributable to owners of the Company increased to RMB448.5 million, representing an increase of 39.6% as compared with 2010. Basic earnings per share were RMB17.17 cents in 2011, representing an increase of 39.6% as compared to 2010.
- As of 31 December 2011, the Group had bank balances of RMB3,823.2 million. The Group maintained its low gearing with net gearing ratio of 12.7%.
- With successful land acquisitions in including Zhongshan, Guangzhou and Jiangsu Province in 2011, Aoyuan's land bank was increased to 8.60 million sq.m. GFA as of 31 December 2011 with average land cost per sq.m. of approximately RMB780. The Group also acquired a land site in Chongqing in the first quarter of 2012 at consideration of approximately RMB218 million.
- Recommended a final dividend of RMB5.15 cents per share.
- In 2011, the Group implemented the strategy of developing commercial and residential properties in parallel effectively. Commercial complex projects such as Aoyuan Plaza, Aoyuan • Hai Jing Cheng and Shenyang Aoyuan • Convention Plaza all recorded satisfactory contracted sales in 2011.
- Aoyuan Health City, the Group's large-scale regimen and health care hotel had its grand opening in June 2011.

The board of directors (the "Board") of China Aoyuan Property Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Revenue	*4*	**3,022,154**	2,442,172
Cost of sales		**(2,204,571)**	(1,786,326)
Gross profit		**817,583**	655,846
Other income	*5*	**270,638**	245,234
Change in fair value of investment properties		**151,864**	182,474
Fair value gain in respect of investment properties transferred from completed properties for sale		**–**	24,806
Selling and distribution expenses		**(159,988)**	(114,762)
Administrative expenses		**(252,831)**	(158,774)
Loss on convertible notes		**–**	(100,278)
Finance costs	*6*	**(26,037)**	(15,502)
Share of result of a jointly controlled entity		**(27,658)**	(13,307)
Profit before taxation	*7*	**773,571**	705,737
Income tax expense	*8*	**(315,502)**	(359,137)
Profit and total comprehensive income for the year		**458,069**	346,600
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**448,457**	321,269
Non-controlling interests		**9,612**	25,331
		458,069	346,600
Earnings per share (cents)			
Basic	*9*	**17.17**	12.30
Diluted	*9*	**17.15**	12.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**491,730**	448,417
Prepaid lease payments		**3,115**	6,102
Investment properties		**1,382,701**	1,099,339
Interest in a jointly controlled entity		**602,251**	699,875
Available-for-sale investment		**22,370**	–
Amount due from a jointly controlled entity		**1,413,872**	666,524
Deposits to acquire equity interest in a company		**86,000**	–
Other property interests		**–**	86,952
Restricted bank deposits		**–**	140,000
Deferred taxation assets		**85,381**	44,373
		4,087,420	3,191,582
CURRENT ASSETS			
Properties for sale		**8,335,980**	5,523,986
Trade and other receivables	*10*	**611,425**	622,190
Amount due from a venturer of a jointly controlled entity		**–**	29,599
Income tax recoverable		**148,802**	92,828
Prepaid lease payments		**2,987**	6,275
Restricted bank deposits		**2,945,946**	1,495,978
Bank balances and cash		**877,228**	2,203,128
		12,922,368	9,973,984
Assets held for sale		**–**	85,840
		12,922,368	10,059,824
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,408,652**	1,075,403
Sales deposits		**3,288,802**	1,614,396
Amount due to a non-controlling shareholder		**89,320**	21,620
Taxation payable		**1,116,644**	997,538
Secured bank loans		**2,615,832**	1,359,629
		8,519,250	5,068,586
NET CURRENT ASSETS		**4,403,118**	4,991,238
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,490,538**	8,182,820

	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES		
Secured bank loans	**2,015,714**	2,114,302
Deferred taxation liabilities	**111,898**	91,390
	2,127,612	2,205,692
NET ASSETS	**6,362,926**	5,977,128
CAPITAL AND RESERVES		
Share capital	**25,015**	24,990
Reserves	**6,268,316**	5,901,155
Equity attributable to owners of the Company	**6,293,331**	5,926,145
Non-controlling interests	**69,595**	50,983
TOTAL EQUITY	**6,362,926**	5,977,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated on March 6, 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since October 9, 2007. The addresses of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Aoyuan Mansion, Huangpu Avenue West, Guangzhou, the People's Republic of China (the "PRC"), respectively.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB").

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after July 1, 2012
[6] Effective for annual periods beginning on or after January 1, 2014

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-Int 12 Consolidation – Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Venture. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint contrast, under IAS 31, there are three types of joint arrangements: jointly operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements when the new standards are applied in the future accounting periods.

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount of approximately RMB8,335,980,000 (2010: RMB5,523,986,000). Cost of each unit in each phase of development is determined using the weighted average cost method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be written down on the properties under development for sale and completed properties for sale.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Income taxes

As at 31 December 2011, a deferred tax asset of RMB61,545,000 (2010: RMB7,320,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB38,097,000 (2010: RMB36,795,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. REVENUE

Segment Information

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation, which is also the basis of organisation in the Group. The Group's reportable and operating segments are as follows:

Property development – developing and selling of properties in the PRC

Property investment – leasing of investment properties in the PRC

Others – hotel operation, provision of consulting services and management services

	Year ended 31 December 2011			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
External segment revenue	3,004,272	5,966	11,916	3,022,154
Segment results	583,652	145,972	(24,834)	704,790
Other income				270,638
Unallocated corporate expenses				(148,162)
Finance costs				(26,037)
Share of result of a jointly controlled entity				(27,658)
Profit before taxation				773,571

	Year ended 31 December 2010			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
External segment revenue	2,431,006	7,802	3,364	2,442,172
Segment results	516,867	182,815	(4,225)	695,457
Other income				243,880
Unallocated corporate expenses				(104,513)
Fair value loss on convertible notes				(100,278)
Finance costs				(15,502)
Share of result of a jointly controlled entity				(13,307)
Profit before taxation				705,737

Note: There is no inter-segment revenue in both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, head office operating expenses, bank interest and other income, fair value loss on convertible notes, finance costs and share of result of a jointly controlled entity. This is the measure reported to Group's chief executive officer for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Other income comprises of:		
Bank interest income	**72,140**	13,174
Imputed interest income on trade receivables	**–**	1,354
Interest income on amount due from a jointly controlled entity	**65,880**	65,357
Interest income on amount due from a venturer of a jointly controlled entity and Hong Da Convertible Note	**1,885**	29,599
Gain from land reclaimed by the government (note a)	**–**	79,968
Exchange gain	**108,829**	53,068
Deposit forfeited (note b)	**16,617**	–
Others	**5,287**	2,714
	270,638	245,234

Notes:

(a) On 8 September 2010, the Group entered into an agreement with the People's Government of Dongling District (Hunnan New District), Shenyang, the PRC (the "Authority"), pursuant to which the Authority repurchased a piece of land located in Shenyang from the Group due to changes to the city development plan. This piece of land was previously recognised as properties for sale before repurchased by the Authority. The consideration for repurchase of the land was approximately RMB687,064,000, resulting in a gain of approximately RMB79,968,000.

(b) In June 2011, a venturer of a jointly controlled entity and its associated company placed a deposit of RMB16,617,000 for potential acquisition of the Group's 52.69% equity interest in this jointly controlled entity. This transaction has not been proceeded and this deposit has been forfeited.

6. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**333,706**	205,059
Interest on bank loans not wholly repayable within five years	**39,459**	11,087
Interest on convertible notes	**–**	16,887
	373,165	233,033
Less: Amount capitalised to properties under development for sale	**(347,128)**	(217,531)
	26,037	15,502

Interest capitalised arose on the general borrowing pool of the Group was calculated by applying a capitalisation rate of approximately 8.89% (2010: 6.6%) per annum to expenditure on the qualifying assets.

7. PROFIT BEFORE TAXATION

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Staff salaries including directors' emoluments and share-based payment expenses	**154,759**	115,076
Retirement benefit scheme contributions	**5,556**	2,756
Total staff costs	**160,315**	117,832
Less: Amount capitalised to properties under development for sales	**(19,874)**	(36,304)
	140,441	81,528
Release of prepaid lease payments	**6,275**	6,275
Auditor's remuneration	**2,800**	2,600
Depreciation of property, plant and equipment	**30,850**	13,987
Loss on disposal of property, plant and equipment	**1,098**	1,200
Rental expenses in respect of rented premises under operating leases	**3,573**	4,809
Rental income in respect of investment properties under operating leases, less direct operating expenses from investment properties that generated rental income during the year of approximately RMB1,544,000 (2010: RMB1,187,000)	**(4,422)**	(6,615)
Share of income tax of a jointly controlled entity	**(9,774)**	16,347

8. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Income tax expense (credit) recognised comprises of:		
Enterprise Income Tax in the PRC	**181,741**	224,836
Hong Kong Profits Tax	**6,604**	7,019
Deferred taxation	**(20,500)**	64
Land appreciation tax	**147,657**	127,218
Income tax expense for the year	**315,502**	359,137

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 PRC subsidiaries is 25% from 1 January 2008 onwards.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

Under the EIT Law, withholding income tax is imposed on dividends relating to profits earned in year ended 31 December 2008 onwards to foreign investors for the companies established in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB798,366,000 (2010: RMB716,038,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The Group has provided deferred taxation amounting to approximately RMB10,000,000 (2010: RMB6,000,000) related to the undistributed profit of PRC subsidiaries based on the Group's dividend plan.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

9. 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:

Earnings

	2011	2010
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**448,457**	321,269

Number of shares

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,612,771**	2,612,500
Effect of dilutive potential ordinary shares:		
– Share options	**2,438**	4,664
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,615,209**	2,617,164

Note: The computation of diluted earnings per share for the year ended 31 December 2011 and 2010 has not accounted for the effect of certain share options granted because the exercise price of those options was higher than the average market price of the Company's shares.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**84,514**	276,050
Other receivables	**117,259**	136,092
Advances to suppliers	**182,437**	111,256
Deposits paid to respective local governments for purchase of land use rights	**108,670**	10,000
Other tax prepayments	**118,545**	88,792
	611,425	622,190

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

	2011	2010
	RMB'000	*RMB'000*
Age		
0 to 60 days	**33,009**	250,143
61 to 180 days	**6,470**	17,621
181 to 365 days	**24,866**	4,424
1 to 2 years	**17,844**	1,612
2 to 3 years	**115**	630
over 3 years	**2,210**	1,620
	84,514	276,050

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**1,031,398**	794,702
Other payables	**331,799**	147,043
Other taxes payable	**45,455**	133,658
	1,408,652	1,075,403

Trade payables principally comprise amounts outstanding for trade purchases and ongoing cash expenses. The average credit period for trade purchases is from 6 months to 1 year. No interest is charged by the suppliers on the trade payables. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe.

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

	2011	2010
	RMB'000	*RMB'000*
Age:		
0 to 60 days	**374,939**	254,207
61 to 180 days	**345,646**	249,598
181 to 365 days	**165,337**	56,795
1 to 2 years	**115,436**	93,282
2 to 3 years	**1,086**	94,766
Over 3 years	**28,954**	46,054
	1,031,398	794,702

At 31 December 2011, the balance of trade payables with age over 1 year include retention money of approximately RMB91,953,000 (2010: RMB138,092,000) which relates to 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest free, and would be paid to constructors after 1 to 3 years from the completion of construction.

Included in other payable is an interest free balance of approximately RMB138,546,000 (2010: RMB Nil) payable to the former shareholder of a subsidiary acquired in 2011 and is due for payment in 2012. The remaining balances of other payable mainly represent payable for staff payroll, staff welfare and operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011, the Group recorded total contracted sales of RMB5,016.4 million with total contracted sale areas of approximately 550,100 sq.m., and the average selling price was approximately RMB9,100 per sq.m.

Contracted sales of the Group mainly derived from newly launched commercial projects of the Group, including Phase 2 of Aoyuan • Hai Jing Cheng in Nansha, Phase 2 of Aoyuan Plaza and Shenyang Aoyuan • Convention Plaza. In addition, the robust sales of residential projects with regimen and health concepts such as Zhongshan Aoyuan, Nansha Aoyuan and Shenyang Aoyuan • The Metropolis also contributed greatly to the contracted sales of the Group.

Details of contracted sales breakdown by major projects of the Group in 2011 are as follows:

	Contracted Sales	
	Revenue	**Area**
Project	***RMB million***	***'000 sq.m.***
Aoyuan • Hai Jing Cheng	950.6	98.7
Zhongshan Aoyuan	764.6	110.5
Aoyuan Plaza	747.5	35.0
Shenyang Aoyuan • The Metropolis	717.7	87.0
Nansha Aoyuan	378.3	27.9
Jiangmen Aoyuan	299.3	37.8
Guangzhou Aoyuan	219.1	12.7
Yulin Aoyuan	191.1	42.7
Shenyang Aoyuan • Convention Plaza	154.4	18.9
Others	593.8	78.9
Total	5,016.4	550.1

Land Bank

In 2011, the Group kept an eye on and grasped any development opportunities arising in the market on the basis of a prudent and rational land bank strategy. During the period, the Group has successfully acquired six parcels of land including Zhongshan, Guangzhou and Jiangsu Province for commercial and residential purposes and newly acquired land for development was approximately 1,080,000 sq.m.

As of 31 December 2011, the Group had a land bank for approximately 8,602,000 square meters GFA. Of which, 44.4% and 27.5% of the land bank are located in Guangdong and Shenyang respectively. The Group's strategy is to maintain a low cost and high quality land bank, and the average cost was approximately RMB780 per square meter of GFA as at 31 December 2011.

The Group's land bank included approximately 718,000 square meters of completed properties, 2,070,000 square meters under development stage and 5,814,000 square meters held for future development. The management believes that the existing land bank can meet the needs of Group's project development in the coming five to seven years.

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

FINANCIAL REVIEW

Operating results

The revenue is primarily generated from two business segments: property development and property investment. In 2011, the Group's total revenue was RMB3,022.2 million, representing an increase of RMB580.0 million or 23.7% over RMB2,442.2 million in 2010. Property development revenue and property investment revenue accounted for 99.4% and 0.6% respectively.

In 2011, the Group's revenue generated from property development amounted to RMB3,004.3 million, representing an increase of RMB573.3 million or 23.6% over RMB2,431.0 million in 2010. The gross floor area of delivered properties decreased by 25.3% to 310,224 sq.m. from 415,100 sq.m. in 2010, while the average selling price increased by 65.4% to RMB9,684 per square meter from RMB5,856 per square meter in 2010. This was mainly attributable to a higher proportion of the revenue in 2011 of 65.8% was derived from commercial projects and villa projects against 36.1% in 2010, which is benefited from the strategy of developing commercial and residential properties in parallel by the Group and our reputable branding which is well-received by the market. For the year ended 31 December 2011, the Group's sales revenue derived from commercial properties accounted for 36.1% (2010: 13.3%) of total sales revenue generated from property development; sales revenue derived from villas has increased to 29.7% from 22.8% in 2010. Overall, the revenue generated from property development of Aoyuan Plaza (commercial project), Zhongshan Aoyuan (villa project), Nansha Aoyuan (villa project) and Aoyuan • Hai Jing Cheng (commercial project) were the main source of property development revenue for the Group, with sales revenue amounting to RMB1,749.9 million in total. The revenue generated from property development attributable to Guangzhou, Zhongshan and other cities accounted for 59.0%, 18.0% and 23.0% respectively.

Breakdown of property development revenue in 2011 by product type:

Product	Revenue	Sold and Delivered Area
	RMB million	*'000 sq.m.*
Apartments	1,028.2	156.3
Commercial properties	1,086.0	67.0
Villas	890.1	86.9
Total	3,004.3	310.2

Gross Profit and Margin

In 2011, the gross profit of the Group was RMB817.6 million, representing an increase of 24.7% over RMB655.8 million in 2010. The average selling price for the revenue recognised from property development increased to RMB9,684 per square meter from RMB5,856 per square meter in 2010, and gross margin increased to 27.1%. The stable gross margin of the Group was attributable to the success of the Group's commercial projects development and sales model.

Selling and Administrative Expenses

In 2011, total selling and distribution expenses was RMB160.0 million, representing an increase of 39.4% from RMB114.8 million in 2010, the ratio of selling expenses to sales slightly increased to 5.3% from 4.7% in 2010, which remained stable basically, which is attributable to the Group's strict cost control program and the use of more effective marketing strategies. Total administrative expenses increased by 59.2% from RMB158.8 million in 2010 to RMB252.8 million, mainly due to the new office building's commencing operation, which increased relevant expenses and depreciation, the expenses on the improvement of the old offices and expenses from the new acquisition projects in 2011, in addition to the increase in the number of employees to expedite the development of the projects which were acquired by the Group in 2010 and 2011 and commenced operations during the year and the increase of employee's salaries by 71.2% from RMB57.6 million in 2010 to RMB98.6 million in 2011. The total number of employees was increased by 129.2% to 1,497 in 2011, as compared to 653 in 2010.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 40.8% is higher than standard PRC enterprise income tax rate of 25%, primarily due to land appreciation tax of approximately RMB147.7 million.

Profit Attributable to Owners of the Company

In 2011, profit attributable to owners of the Company amounted to RMB448.5 million (2010: RMB321.3 million).

Financial Position

As at 31 December 2011, the Group's total assets amounted to RMB17,009.8 million (as at 31 December 2010: RMB13,251.4 million) and total liabilities were RMB10,646.9 million (as at 31 December 2010: RMB7,274.3 million).

Current ratio was 1.5 as at 31 December 2011 (as at 31 December 2010: 2.0).

Financial Resources and Liquidity

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

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

Cash Position

As at 31 December 2011, the Group had cash and bank deposits of approximately RMB877.2 million (as at 31 December 2010: RMB2,203.1 million).

As at 31 December 2011, the Group had restricted bank deposits of approximately RMB2,946.0 million (as at 31 December 2010: RMB1,636.0 million), of which RMB2,035.2 million served for acquiring bank loans, and others were only for payments to construction contractors.

As at 31 December 2011, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled RMB3,823.2 million, of which 99.1% was denominated in Renminbi and 0.9% was denominated in other currencies (mainly HK dollar and U.S. dollar).

Borrowings and Net Gearing Ratio

Bank borrowings

As at 31 December 2011, the Group had bank borrowings of approximately RMB4,631.6 million (as at 31 December 2010: RMB3,473.9 million) as follows:

Repayment period	**31 December 2011** *RMB Million*	31 December 2010 *RMB Million*
Within one year	**2,615.8**	1,359.6
More than one year, but not exceeding two years	**1,077.5**	1,045.2
More than two years, but not exceeding five years	**516.0**	855.0
More than five years	**422.3**	214.1
	4,631.6	3,473.9

The majority of bank borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings in 2011 was 9.7% per annum, which was higher than 6.7% in 2010 due to higher interest rates of new borrowings in 2011, the newly incurred interest of borrowings and borrowing cost of Shenyang Aoyuan • The Metropolis and Aoyuan Plaza as well as increase in People's Bank of China rate. The Group has implemented certain interest rate management policies which mainly included, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As at 31 December 2011, the Group had banking facilities of approximately RMB6,285.0 million (as at 31 December 2010: RMB6,333.0 million) for short-term and long-term bank loans, of which approximately RMB1,654.0 million (as at 31 December 2010: RMB4,780.5 million) were unutilized.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted bank deposits) over the total capital and reserves attributable to equity holders. As at 31 December 2011, the Group's net gearing ratio was 12.7%. The Group has implemented certain loan management policies, which mainly include 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 31 December 2011, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,841.3 million (as at 31 December 2010: RMB2,943.6 million).

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

In 2007, a subsidiary of the Group (the "Subsidiary") entered into an agreement with two independent third parties (the "Vendors") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Subsidiary because of the uncertainty about the validity of the Vendors' shareholding in the Target. The Vendors then claimed against the Subsidiary for compensation of approximately RMB61,096,000. The case is in legal proceeding. No provision has been provided for this case, however, because in the opinion of the executive directors of the Group and the Group's legal counsel, the likelihood that the subsidiary is required to pay the compensation is remote.

The Group provided a guarantee for a bank facility granted to Century Profit amounting to HK$670,000,000 as at 31 December 2010. The fair value of the financial guarantee was not significant at initial recognition and no provision for such financial guarantee was provided at 31 December 2010 as the default risk was low. This financial guarantee was released in July 2011.

Commitments

As at 31 December 2011, the Group had construction cost contracted but not provided for of approximately RMB3,503.5 million (as at 31 December 2010: RMB2,799.9 million). The Group expects to fund these commitments principally from sale proceeds of the properties and partly from bank borrowings.

Foreign currency risks

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

Pledge of assets

As at 31 December 2011, the Group pledged its property held for development and property under construction of approximately RMB1,113.0 million (as at 31 December 2010: RMB1,839.9 million) to various banks to secure project loans and general banking facilities granted to the Group.

Events after the reporting period

As announced on 31 January 2012, the Group acquired a parcel of land situated in Chongqing, the PRC, at a consideration of approximately RMB218,340,000 through public auction. The land is designated for commercial and residential uses.

Employees and Remuneration

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

CORPORATE GOVERNANCE

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to shareholders.

The Company has applied the principles as set out in 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

The Company has complied with most of the code provisions as set out in the CG Code save for certain deviations from the code provisions, details of which will be explained below.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Guo Zi Wen, and the Chief Executive Officer is Mr. Guo Zi Ning. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Code provision A.1.3

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain Board meetings held during the year ended 31 December 2011 were convened with less than 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to directors for making informed decisions.

The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing the financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function, internal audit department or external auditors before submission to the Board. Besides, the main duties of the Audit Committee are to review and provide supervision over the Group's financial reporting system, internal control system and risk management system and make recommendation to the Board on any material issues in relation thereto. The Audit Committee is also responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors and considering any questions of resignation or dismissal of such auditors. The Audit Committee meets whenever deems necessary with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provisions.

The Audit Committee comprises of four independent non-executive Directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung. Mr. Ma Kwan Yuen is the chairman of the said committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2011, the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

Nomination Committee

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board on a regular basis and is required to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and assesses the independence of the independent non-executive Directors. The Nomination Committee is comprised of Mr. Guo Zi Wen, Mr. Ma Kwan Yuen, Mr. Song Xian Zhong, Mr. Tsui King Fai and Mr. Cheung Kwok Keung. Mr. Guo Zi Wen is the chairman of the said committee.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration policy and structure of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. Their written terms of reference are in line with the Code provisions. The Remuneration Committee is comprised of Mr. Tsui King Fai, Mr. Ma Kwan Yuen and Mr. Cheung Kwok Keung. Mr. Tsui King Fai is the chairman of such committee.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company securities. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this announcement.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB5.15 cents per ordinary share to shareholders of the Company for the year ended 31 December 2011. The proposed final dividend will be paid to shareholders whose names appear on the register of members of the Company on Wednesday, 23 May 2012, amounting to approximately RMB134.7 million, if the proposal is approved by the shareholders at the forthcoming Annual General Meeting ("2012 AGM") (2010: final dividend of RMB3.3 cents per share).

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

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

i) from 11 May 2012 to 15 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 AGM which is scheduled on 15 May 2012, the register of members of the Company will be closed. In order to be eligible to attend and vote at the 2012 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 10 May 2012; and

ii) from 21 May 2012 to 23 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 18 May 2012.

ANNUAL GENERAL MEETING

The 2012 AGM will be held on 15 May 2012 and the Notice of 2012 AGM will be sent to the shareholders in the manner as required by the Listing Rules before the 2012 AGM.

APPRECIATION

On behalf of the Board, I would like to express our sincere appreciation for the consistent confidence in and support for the Group from our shareholders, investors, business partners, customers and others who devote attention to the affairs of the Group. I would also like to thank our employees for their hard-working, admirable work ethic and professional performance during the year.

On behalf of the Board
China Aoyuan Property Group Limited
Guo Zi Wen
Chairman

Hong Kong, 22 March 2012

As at the date of this announcement, the directors comprising of (1) the executive directors namely Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Yang Zhong, Mr. Lam Kam Tong, Ms. Xin Zhu and Mr. Hu Da Wei; (2) the non-executive directors namely Mr. Wu Jie Si and Mr. Paul Steven Wolansky; (3) the independent non-executive directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong , Mr. Tsui King Fai and Mr. Cheung Kwok Keung.