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 2009

HIGHLIGHTS

- Revenue for the six months ended 30 June 2009 amounted to RMB732.6 million, an increase of approximately 51.4% compared with the corresponding period in 2008.
- Profit and total comprehensive income for the period attributable to shareholders of the Company amounted to RMB53.2 million, representing a decrease of approximately 68.3% compared with corresponding period in 2008. Compared to 2008 full year, the Group generated profit for the period whereas incurred losses in 2008.
- Gross profit margin for the period was 18.9% and net profit margin for the period was 7.2%.
- Earnings per share for the period amounted to RMB2.4 cents.
- As of 30 June 2009, the Group was in a net cash position.

INTERIM RESULTS

The board of directors (the "Board") of China Aoyuan Property Group Limited ("Aoyuan") or (the "Company") is pleased to announce the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in 2008, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2009 together with audited comparative figures as at 31 December 2008, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30.6.2009	30.6.2008
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	*3*	**732,630**	484,004
Cost of sales		**(594,116)**	(303,348)
Gross profit		**138,514**	180,656
Other income		**9,390**	62,671
Change in fair value of investment properties		**(33,584)**	—
Fair value gain in respect of investment properties transferred from completed properties for sale		**38,900**	92,260
Selling and distribution expenses		**(37,888)**	(70,538)
Administrative expenses		**(44,496)**	(103,875)
Change in fair value of embedded derivatives component of convertible notes		**(11,124)**	70,656
Finance costs		**(3,277)**	(3,485)
Share of losses of a jointly controlled entity		**(162)**	—
Profit before taxation		**56,273**	228,345
Income tax expense	*4*	**(3,246)**	(60,858)
Profit for the period	*5*	**53,027**	167,487
Total comprehensive income for the period		**53,027**	167,487
Profit and total comprehensive income for the period attributable to:			
Shareholders of the Company		**53,211**	167,544
Non-controlling interests		**(184)**	(57)
		53,027	167,487
Earnings per share	*7*		
		RMB	RMB
— Basic		**2.36 cents**	7.44 cents
		RMB	RMB
— Diluted		**2.35 cents**	3.47 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30.6.2009** *RMB'000* *(unaudited)*	31.12.2008 *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**144,464**	148,646
Prepaid lease payments		**15,549**	18,652
Investment properties		**470,200**	439,890
Interest in a jointly controlled entity		**326,642**	326,804
Amount due from a jointly controlled entity		**51,570**	60,850
Other property interests		**86,944**	86,952
Deferred taxation assets		**16,193**	8,369
		1,111,562	1,090,163
CURRENT ASSETS			
Properties for sale		**4,872,562**	4,530,096
Trade and other receivables	*8*	**1,017,450**	1,240,283
Prepaid lease payments		**6,275**	6,275
Restricted bank deposits		**316,692**	135,732
Bank balances and cash		**1,574,674**	1,345,861
		7,787,653	7,258,247
CURRENT LIABILITIES			
Trade and other payables	*9*	**841,234**	975,783
Sale deposits		**716,303**	244,208
Taxation payable		**605,674**	653,255
Amount due to a minority shareholder		**27,992**	—
Derivative financial instruments		**15,030**	3,906
Secured bank loans		**319,786**	215,000
		2,526,019	2,092,152
NET CURRENT ASSETS		**5,261,634**	5,166,095
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,373,196**	6,256,258

	NOTES	30.6.2009 RMB'000 (unaudited)	31.12.2008 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**21,838**	21,838
Reserves		**4,026,420**	4,025,807
Retained earnings		**885,126**	831,915
Equity attributable to shareholders of the Company		**4,933,384**	4,879,560
Non-controlling interests		**9,994**	9,825
Total equity		**4,943,378**	4,889,385
NON-CURRENT LIABILITIES			
Secured bank loans		**1,041,326**	999,687
Deferred taxation liabilities		**76,016**	63,053
Convertible notes		**312,476**	304,133
		1,429,818	1,366,873
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**6,373,196**	6,256,258

Notes:

1. BASIS OF PREPARATION

The Company was incorporated on 6 March 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 "Stock Exchange") from 9 October 2007.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008.

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard IAS 14, Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new, revised and amended standards or interpretations that have been issued but are not yet effective. The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the property development and property investment in the People's Republic of China (the "PRC"). These divisions are the bases on which the Group reports its primary segment information.

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief executive officer (the chief operating decision maker) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

Principal activities are as follows:

Property development — developing and selling of properties in the PRC

Property investment — leasing of investment properties in the PRC

Other operations include the provision of consulting services and management operation.

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

Six months ended 30 June 2009 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**724,818**	**7,479**	**333**	**732,630**
Segment result	**72,139**	**8,659**	**(248)**	**80,550**
Unallocated corporate expenses				**(19,104)**
Bank interest income				**8,745**
Other income				**645**
Share of losses of a jointly controlled entity	**(162)**	**—**	**—**	**(162)**
Change in fair value of embedded derivative components of convertible notes				**(11,124)**
Finance costs				**(3,277)**
Profit before taxation				**56,273**
Income tax expense				**(3,246)**
Profit for the period				**53,027**

Six months ended 30 June 2008 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Revenue	477,410	4,792	1,802	484,004
Segment result	72,459	93,503	497	166,459
Unallocated corporate expenses				(67,956)
Bank interest income				30,957
Write off of other payable				25,271
Other income				6,443
Change in fair value of embedded derivative components of convertible notes				70,656
Finance costs				(3,485)
Profit before taxation				228,345
Income tax expense				(60,858)
Profit for the period				167,487

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, bank interest income, write off of other payable, other unallocated income, change in fair value of embedded derivative components of convertible notes and finance costs. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and assessment of segment performance.

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

	As at 30 June 2009 (unaudited)			
	Property development ***RMB'000***	**Property investment** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
Assets				
Segment assets	**5,927,268**	**470,200**	**287**	**6,397,755**
Interest in a jointly controlled entity	**326,642**	**—**	**—**	**326,642**
Unallocated corporate assets				**2,174,818**
Total assets				**8,899,215**

	As at 31 December 2008 (audited)			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Segment assets	5,768,398	451,034	398	6,219,830
Interest in a jointly controlled entity	326,804	—	—	326,804
Unallocated corporate assets				1,801,776
Total assets				8,348,410

4. INCOME TAX EXPENSE

	Six months ended 30.6.2009	Six months ended 30.6.2008
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
The income tax expense comprises:		
Current tax		
— PRC enterprise income tax	**710**	97,334
— PRC land appreciation tax	**(2,603)**	28,161
	(1,893)	125,495
Deferred taxation	**5,139**	(64,637)
	3,246	60,858

The PRC enterprise income tax is calculated at 25% of the estimated assessable profit for the current and prior periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30.6.2009 *RMB'000* *(unaudited)*	Six months ended 30.6.2008 *RMB'000* *(unaudited)*
Profit for the period has been arrived at after charging:		
Interest on convertible notes	**21,410**	27,320
Interest expense on secured bank loans	**48,181**	33,839
Less: capitalised under properties under development	**(66,314)**	(57,674)
	3,277	3,485
Amortisation of prepaid lease payments	**3,103**	2,564
Depreciation of property, plant and equipment	**5,520**	5,833
Net foreign exchange loss included in administrative expense	**—**	34,862
and crediting:		
Interest income	**(8,745)**	(30,957)
Net foreign exchange gain included in administrative expense	**(2,327)**	—

6. DIVIDEND

During the period ended 30 June 2008, dividend of RMB5.5 cents per share amounting to RMB123,888,000 was paid to shareholders as final dividend for the year ended 31 December 2007.

The Board has resolved that no interim dividend be paid for six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	Six months ended 30.6.2009 *RMB'000* *(unaudited)*	Six months ended 30.6.2008 *RMB'000* *(unaudited)*
Earnings:		
Earnings for the purpose of basic earnings per share being profit for the period attributable to shareholders of the Company	**53,211**	167,544
Effect of dilutive potential ordinary shares:		
— Interest on convertible notes charged to condensed consolidated statement of comprehensive income	**—**	3,485
— Change in fair value of embedded derivatives component of convertible notes	**—**	(70,656)
— Exchange difference	**—**	(19,108)
Earnings for the purposes of diluted earnings per share	**53,211**	81,265
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,252,500,000**	2,252,500,000
Effect of dilutive potential ordinary shares on		
— Convertible notes	**—**	89,769,231
— Share options	**4,523,243**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,257,023,243**	2,342,269,231

During the six months ended 30 June 2009, the computation of diluted earnings per share has not taken into account the effect of certain share options granted because the exercise prices of those options were higher than the average market price of the Company's shares. In addition, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes since its exercise would result in an increase in earnings per share during the six months ended 30 June 2009.

During the six months ended 30 June 2008, the computation of diluted earnings per share has not taken into account the outstanding share options because the exercise prices of the Company's options were higher than the average market price of shares for that period.

8. **TRADE AND OTHER RECEIVABLES**

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**278,756**	267,891
Other receivables	**248,622**	291,844
Deposit for development of a project	**134,495**	—
Deposit for acquisition of subsidiaries	**82,223**	—
Advance to suppliers	**244,370**	655,020
Deposits paid for properties under development	**—**	20,000
Prepayments and other deposits	**28,984**	5,528
Trade and other receivables shown under current assets	**1,017,450**	1,240,283

9. **TRADE AND OTHER PAYABLES**

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**653,813**	802,685
Other payables	**167,233**	132,982
Other taxes payables	**20,188**	40,116
	841,234	975,783

MANAGEMENT DISCUSSION AND ANALYSIS

China Property Market

Driven by the strong economic stimulus packages proposed by countries around the globe, the international financial and commodity markets have witnessed improvement for the first half of 2009. Owing to the proactive fiscal policy and easing monetary policy of the Chinese government, the macro economy of China has shown signs of positive changes. With a GDP growth of 7.1% for the first half of 2009, China's economy is heading towards recovery.

Benefiting from the adjustment of the government's macro policies, which led to the substantial improvement in home buyers' confidence and the noticeable rebound in sales volume, the China property market also posted strong recovery. In the first half of 2009, property investments in China amounted to RMB1,450.5 billion, representing a year-on-year growth of 9.9%, among which commercial residential housing investments increased by 7.3% year-on-year to RMB1,018.9 billion. Area of housing constructed by real estate developers nationwide increased by 12.7% year-on-year to 2,397 million square meters. Area of commercial units sold nationwide increased by 31.7% year-on-year to 341.09 million square meters.

Despite the gradual improvement of the overall economy, market sentiment is still highly sensitive and the development of property market could be significantly influenced by factors such as the macro economy, government policies and financial policies. Going forward, we remain cautiously optimistic towards the property market.

Given the positive response from the market, the Group carried out immediate responsive measures to meet market demand by further integrating the internal resources management and improving corporate expertise, thus enhancing our brand edge and core competitiveness. Meanwhile, the Group will also closely monitor the strategic opportunities arising from the process of industry integration, so as to acquire room for future improvement through fully capitalizing on our strengths and continue to create values for our shareholders.

BUSINESS REVIEW

In the first half of 2009, Guangzhou and Chongqing markets are the main sources of revenue of the Group and achieved satisfactory results.

Guangzhou remains an important market of the Group, with contracted sales of approximately RMB571.1 million were achieved in the first half of 2009 and consisted of 45% of the total contracted sales in the first half of 2009.

Chongqing is one of the strategic areas for the Group in 2009. Chongqing Aoyuan • City of Health has launched some new products which were very well received by the market. The contracted sales amount reached approximately RMB611.1 million in the first half of the year. We believe that Chongqing Aoyuan • City of Health will continue to generate considerable profit to the Group in the second half of the year.

In the first half of 2009, our Group continued to launch new products to meet the changing market needs, and total contracted sales amounted to approximately RMB1,277.7 million with sales area of 295,118 sq.m..

FUTURE OUTLOOK

As the China property market has stabilized and is heading for recovery, the Group will further implement the nationwide development strategy and place more emphasis on developing projects at the city centres in our target cities, with a view of increasing the unit price and unit profit of project sales. The Group will also continue to launch innovative products to achieve a steady growth in revenue. At the same time, the Group will enhance the brand image and the customer loyalty to consolidate our market leading role.

With a sound sales capacity, cost management and financing capacity, the Group expects to improve its ability in risk management so as to ensure a safe and solid operation. We will increase our land bank by capturing the opportunities of mergers and acquisition with a prudent and cautious attitude and based on our cashflow position.

FINANCIAL REVIEW

Revenue

The revenue is primarily generated from two business segments: property development and property investment. The total revenue of the Group for the six months ended 30 June 2009 was approximately RMB732.6 million, representing an increase of approximately RMB248.6 million or 51% over approximately RMB484.0 million in 2008. It was mainly attributable to the increase in sales of properties.

Property development

Revenue generated from property development amounted to approximately RMB724.8 million, increased by 52% in the first half of 2009 from approximately RMB477.4 million in the corresponding period of 2008, is primarily due to a 97% increase in total gross floor area ("GFA") delivered from 83,808 sq.m. in the corresponding period of 2008 to 164,698 sq.m. in the first half of 2009.

Property investment

Revenue derived from property investment increased by approximately 56% to approximately RMB7.5 million in the first half of 2009 from approximately RMB4.8 million in corresponding period of 2008, primarily attributable to increase in GFA for rental purpose.

Cost of sales

Cost of sales included land and construction cost, decoration cost, capitalized interest and amortization of land premium. Cost of sales for the six months ended 30 June 2009 increased by 96% from approximately RMB303.3 million to approximately RMB594.1 million. This was due to the increase in the delivered GFA of relevant properties.

Gross Profit and Margin

Gross profit decreased by 23.3% to approximately RMB138.5 million for the six months ended 30 June 2009 from approximately RMB180.7 million for the corresponding period of 2008, while the margin decreased from 37.3% to 18.9%. It was mainly due to a change in our product portfolio — the combined proportion of commercial properties and villas in the total revenue of the current period is 6.0%, as compared to 23.2% for the corresponding period of last year; and certain properties contracted and sold in the second half of 2008 were not delivered until the current period, while the overall market prices for the second half of 2008 were relatively low.

Other income

Other income for the six months ended 30 June 2009 included bank income of approximately RMB8.7 million.

Selling and Administrative expenses

Selling and administrative expenses decreased by 53% to approximately RMB82.4 million for the six months ended 30 June 2009 from approximately RMB174.4 million for the corresponding period of 2008. The selling expenses decreased by 46% to approximately RMB37.9 million for the six months ended 30 June 2009 from approximately RMB70.5 million for the corresponding period of 2008, mainly due to a more effective marketing approach adopted by the Group to promote property sales. The appointment of more senior management to the Group that enhances the operation efficiency and the tighter budget control implemented by the management has led to a decrease in administrative expenses.

Financial Position

Total assets amounted to approximately RMB8,899.2 million as at 30 June 2009 (31 December 2008: RMB8,348.4 million) and total liabilities equaled approximately RMB3,955.8 million (31 December 2008: RMB3,459.0 million).

Current ratio was 3.1 as at 30 June 2009 (31 December 2008: 3.5).

Financial Resources and Liquidity

In the first half of 2009, the Group derived its sources of fund primarily from income generated from business operations and bank borrowings, which were used to finance its 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. In addition, the Group will continue to explore the opportunities of co-operation with foreign and domestic investors which provides another source of funding to the Group.

As at 30 June 2009, the Group has cash, bank balance and restricted bank deposits amounted to approximately RMB1,891.4 million (31 December 2008: RMB1,481.6 million). 93.2% of the cash and bank deposits was denominated in Renminbi, and 6.8% in Hong Kong dollars.

Gearing ratio

The 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 owners. As at 30 June 2009, we were in a net cash position (31 December 2008: net gearing ratio of 0.8%).

Borrowings

Bank Borrowings

The Group had bank borrowings of approximately RMB1,361.1 million as at 30 June 2009 (31 December 2008: RMB1,214.7 million).

The majority of bank borrowings are fixed rate borrowings, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings decreased to 6.4% for the six months ended 30 June 2009 from 7.1% for the corresponding period in 2008. The Group has implemented certain interest rate management policies which mainly include, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Contingent Liabilities

As at 30 June 2009, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounted to approximately RMB1,368.2 million (31 December 2008: RMB646.8 million).

This 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 responsible for the repayment of outstanding mortgage principals together with accrued interest and penalty owed by defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 30 June 2009 was to be discharged upon earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

During the year ended 31 December 2007, the Group entered into an agreement with two independent third parties (the "Vendor") for a potential acquisition of a company (the "Target"). However, this acquisition agreement was subsequently terminated by the Group because of the uncertainty about the validity of the Vendor's shareholding in the Target. The Vendor then claimed against the Group for compensation of approximately RMB61,096,000. Both the Group and the Vendor are in the process of collecting documents for submission to the court and the case is still in preliminary stage. No provision has been provided for this case because, in the opinion of the executive directors of the Company and the Company's legal counsel, the likelihood that the Group is required to pay the compensation is remote.

Commitments

At the end of the reporting period, the Group had the following commitments:

	30.6.2009	31.12.2008
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Construction cost commitment contracted for but not provided	**2,156,716**	1,787,979
Other commitments *(Notes)*	**1,060,656**	207,827
	3,217,372	1,995,806

Notes:

(a) On 6 January 2009, the Group entered into an agreement with an independent third party for the development of a building on a piece of land located in Panyu, Guangzhou (the "Project"). Pursuant to the agreement, the Group will provide project funding of approximately RMB315,000,000 while the independent third party will provide a piece of land. The Project is conditional on (i) the application for amended development plan; (ii) the completion of housing renovation on the piece of land by the independent third party; and (iii) the approval of "Planning Permit for the Construction Project". At 30 June 2009, RMB134,495,000 was paid as deposit for the Project and the outstanding balance will be fully repaid if the above condition is not fulfilled by 31 December 2009.

(b) On 18 June 2009, the Group entered into a sale and purchase agreement to purchase all the equity interest in Earning Ever Limited and its subsidiaries, which holds a piece of land located in Zhongshan, at a consideration of RMB640,000,000. At 30 June 2009, approximately RMB49,984,000 (HK$56,700,000) was paid as deposit for such acquisition. The agreement is conditional on the revised "Planning Permit for the Construction Project" to be approved by the local government and the application was in progress.

(c) On 20 May 2009, the Group entered into a sale and purchase agreement to purchase 70% of the issue share capital of Yaubond Limited and its subsidiary, which holds a piece of land located in Guangzhou, and 70% of the shareholders' loan of Yaubond Limited at a total consideration of approximately RMB310,374,000 (HK$352,098,086) and RMB12,000,000, respectively. At 30 June 2009, approximately RMB32,239,000 (HK$36,572,780) was paid as deposit for such acquisition. Subsequently in July 2009, the above proposed acquisition was voted down by the shareholder of Yaubond Limited and the related deposit was received back by the Group.

Pledge of assets

As at 30 June 2009, the Group pledged its property of approximately RMB1,660.2 million for development, properties under development to various banks to secure project loans and general banking facilities granted to the Group (31 December 2008: RMB1,204.3 million).

EMPLOYEES AND REMUNERATION

As at 30 June 2009, the Group employed a total of 416 employees. The Group has adopted a performance based rewarding system to motivate its staff and such system was reviewed on a regular basis. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. The Group is also subject to social insurance contribution plans organized by the PRC governments, In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund.

Moreover, a share option scheme has been adopted in September 2007 to retain talents who made significant contribution to the Group. As at 30 June 2009, share option in respect of a total of 58,840,800 shares of the Company was granted to certain directors and employees. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

(a) On 6 July 2009, the Group entered into the following agreements:

(i) A sale and purchase agreement ("First Agreement") was entered into with Hong Da Development & Investment Holding Co. Limited (泓達投資有限公司) ("Hong Da") for the acquisition of 41.33% issued share capital of a company (the "Target Company") at a consideration of RMB370,000,000. The Target Company directly holds a subsidiary which holds an associate (the "Project Company"). The principal activity of the Project Company is real estate development in the PRC. Pursuant to an approval issued by Ministry of Commerce in November 2008, the Target Company will acquire the remaining interest in the Project Company and inject additional registered capital in the Project Company.

The acquisition of the 41.33% interest in the Target Company has subsequently been completed on 28 July 2009.

(ii) A loan agreement ("First Loan Agreement") was entered into with the Target Company. The Group has granted a loan of RMB460,000,000 on 27 July 2009 to the Target Company that is repayable within two years and interest-bearing at a rate of 7% per annum.

On 22 July 2009, the Group entered into the following additional agreements in relation to the acquisition of the Target Company:

(i) An agreement entered into with Hong Da ("Second Agreement") where Hong Da will issue a convertible note ("Hong Da Convertible Note") to the Group with a principal amount of RMB296,000,000. The Hong Da Convertible Note is interest-bearing at 11% per annum and the Group must convert it into shares of the Target Company in September 2010. The Hong Da Convertible Note do not confer any voting rights at any meetings of the Target Company. Upon conversion of the Hong Da Convertible Note, the Group will hold 52.69% interest in the Target Company.

(ii) A second loan agreement ("Second Loan Agreement") entered into with the Target Company. The Group will grant a loan of RMB110,000,000 to the Target Company which is repayable within two years or the date on which the Target Company holds less than 62% interest in the Project Company, whichever is earlier, and interest-bearing at a rate of 7% per annum. The Target Company will make use of the proceeds from the Second Loan Agreement to provide additional capital injection in the Project Company.

(iii) A third loan agreement ("Third Loan Agreement") entered into with the vendor of the Target Company ("Vendor"). The Group will grant a loan of RMB130,000,000 to the Vendor which is repayable within two years or the date on which the Target Company holds less than 62% interest in the Project Company, whichever is earlier, and interest-bearing at a rate of 7% per annum. Both the Second Loan Agreement and the Third Loan Agreement will be secured by shares of the Vendor and the Vendor's remaining interest in the Target Company.

(b) On 10 July 2009, the Company entered into a placing agreement for the placement of 360,000,000 shares of HK$1.73 each to increase the general working capital of the Group and for the purpose of acquisition of additional lands in the PRC. Such placing agreement was completed on 15 July 2009.

(c) On 7 July 2009, the government informed the Group about a change in the use of a piece of land held by the Group with carrying amount of approximately RMB390,417,000 (including cost of land of RMB374,000,000 and approximately RMB16,417,000 incidental cost for development of the land) and offers this piece of land in an open auction held on 18 August 2009. The Group has participated in such auction but did not succeed in this auction. The cost of land will be refunded by the government and the management of the Group considers that most of the remaining incidental cost be recoverable from the government.

DIVIDEND

The Board has resolved that no interim dividend be paid for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") for the purpose of reviewing and providing supervision over the Group's internal control system and financial reporting matters. The audit committee has reviewed the unaudited financial report for the six months ended 30 June 2009.

COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. The Company has made enquiries of all the directors and all the directors confirmed that they have complied with the required standards during the six months ended 30 June 2009.

CORPORATE GOVERNANCE COMPLIANCE

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance especially the areas of internal control, fair disclosure and accountability to all shareholders.

For the six months ended 30 June 2009, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, with a deviation from the code provisions A.2.1 in respect of separate roles of chairman and chief executive officer. The Company's compliance with the provisions and recommended best practices of the CG Code together with reasons for the deviation are set out in the Corporate Governance Report contained in the 2008 Annual Report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (http://aoyuan.com.cn) and the Stock Exchange (http://www.hkex.com.hk). An interim report for the six months ended 30 June 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the said websites in due course.

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

Hong Kong, 28 August 2009

As at the date of this announcement, the directors comprising of (1) the executive directors namely Mr Guo Zi Wen, Mr Wu Jie Si, Mr Guo Zi Ning (Mr Guo Zi Ning is also the alternate director of Mr He Jian Bing), Mr Zheng Jian Jun and Mr Hu Da Wei; (2) the non-executive directors namely Mr Paul Steven Wolansky, Mr Leung Ping Chung, Hermann (Mr Leung Ping Chung, Hermann is also the alternate director of Mr Paul Steven Wolansky) and Mr He Jian Bing; (3) the independent non-executive directors namely Mr Song Xian Zhong, Mr Ma Kwai Yuen and Mr Tsui King Fai.