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 2011

HIGHLIGHTS

- **Revenue for the six months ended 30 June 2011 amounted to RMB1,588.1 million, an increase of approximately 35.7% compared with the corresponding period in 2010. It was mainly the result of the Group implemented and successfully executed the strategy of developing commercial and residential properties in parallel. In the first six months of 2011, the average selling price for the recognised revenue from property development increased significantly to RMB11,012 per sq.m.**
- **Gross profit margin for the period was 31.6% and net profit margin was approximately 17.5%.**
- **Profit and total comprehensive income for the period attributable to shareholders of the Company amounted to RMB278.6 million, representing an increase of approximately 66.5% compared with corresponding period in 2010.**
- **Earnings per share for the period increased from RMB6.40 cents in the corresponding period in 2010 to RMB10.66 cents, representing an increase of approximately 66.6%.**
- **Contracted sales for the period amounted to approximately RMB2,341.6 million, representing an increase of approximately 95.6% over the same period last year. Total contracted sales amount of approximately RMB1,124.7 million was recorded for the Group's three major commercial and residential comprehensive projects – Shenyang Aoyuan • The Metropolis, Aoyuan • Hai Jing Cheng and Aoyuan Plaza, making great contribution to the Group.**
- Bank balances and cash (including restricted bank deposits) as at 30 June 2011 was RMB3,776.6 million. The Group was in net cash position as at 30 June 2011.
- The Group had land acquisitions in Zhongshan, Guangzhou and Jiangsu Province in the first six months of 2011 with total considerations of RMB1,073.7 million. Land bank increased to approximately 8.263 million sq.m. of GFA with an average land cost of approximately RMB590 per sq.m. as of 30 June 2011.

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 2011, together with the comparative figures for the corresponding period in 2010, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 together with audited comparative figures as at 31 December 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30.6.2011	30.6.2010
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,588,134**	1,170,100
Cost of sales		**(1,086,891)**	(904,821)
Gross profit		**501,243**	265,279
Other income	*4*	**87,911**	72,636
Change in fair value of investment properties		**61,659**	148,797
Fair value gain in respect of investment properties transferred from completed properties for sale		**–**	19,054
Selling and distribution expenses		**(59,422)**	(35,707)
Administrative expenses		**(120,065)**	(75,502)
Loss on convertible notes		**–**	(100,278)
Finance costs		**(9,421)**	(6,289)
Share of results of a jointly controlled entity		**(14,398)**	17,734
Profit before taxation		**447,507**	305,724
Income tax expense	*5*	**(169,328)**	(139,044)
Profit and total comprehensive income for the period	*6*	**278,179**	166,680
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**278,558**	167,291
Non-controlling interests		**(379)**	(611)
		278,179	166,680
Earnings per share (cents)			
– Basic	*7*	**10.66**	6.40
– Diluted	*7*	**10.64**	6.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**449,532**	448,417
Prepaid lease payments		**3,115**	6,102
Investment properties		**1,151,539**	1,099,339
Interest in a jointly controlled entity		**662,181**	699,875
Amount due from a jointly controlled entity		**712,391**	666,524
Other property interests		**86,952**	86,952
Restricted bank deposits		**140,000**	140,000
Deferred taxation assets		**56,390**	44,373
		3,262,100	3,191,582
CURRENT ASSETS			
Properties for sale		**6,438,462**	5,523,986
Trade and other receivables	*8*	**884,035**	622,190
Amount due from the Venturer		**29,599**	29,599
Income tax recoverable		**163,134**	92,828
Prepaid lease payments		**6,090**	6,275
Restricted bank deposits		**2,308,607**	1,495,978
Bank balances and cash		**1,328,041**	2,203,128
		11,157,968	9,973,984
Assets held for sale		**–**	85,840
		11,157,968	10,059,824
CURRENT LIABILITIES			
Trade and other payables	*9*	**1,326,421**	1,075,403
Sales deposits		**2,352,653**	1,614,396
Amount due to a non-controlling shareholder		**13,034**	21,620
Taxation payable		**1,064,042**	997,538
Secured bank loans		**1,688,421**	1,359,629
		6,444,571	5,068,586
NET CURRENT ASSETS		**4,713,397**	4,991,238
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,975,497**	8,182,820

	NOTE	30.6.2011	31.12.2010
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Secured bank loans		**1,699,603**	2,114,302
Deferred taxation liabilities		**105,261**	91,390
		1,804,864	2,205,692
NET ASSETS		**6,170,633**	5,977,128
CAPITAL AND RESERVES			
Share capital		**24,990**	24,990
Reserves		**6,095,039**	5,901,155
Equity attributable to owners of the Company		**6,120,029**	5,926,145
Non-controlling interests		**50,604**	50,983
TOTAL EQUITY		**6,170,633**	5,977,128

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 "SEHK") from 9 October 2007.

The condensed consolidated financial statements have been prepared in accordance 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") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Revenue recognition on hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB.

FRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised 2009)	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 above new or revised IFRSs has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied new and revised standards or amendments that have been issued but are not yet effective. The following new or revised standards or amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 July 2012

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, 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 it's involvement with the investee, and (c) 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. Overall, the application of IFRS 10 requires a lot of judgement. The directors of the Company do not expect the application of IFRS 10 to have any material impact on the results and the financial position of the Group.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. Thee classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: jointly 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. The directors of the Company do not expect the application of IFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

Other than disclosed above, the directors of the Company anticipate that the application of other new and revised standards, amendments 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"). Information regularly discussed, analyzed and reported to the management 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 operating segments are as follows:

Property development – developing and selling properties in the PRC

Property investment – leasing of investment properties in the PRC

Others represents other non-reportable operating segments, including – provision of consulting services, hotel operation and management operation

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

Six months ended 30 June 2011 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Total reportable segment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
External segment revenue	**1,580,249**	**5,265**	**1,585,514**	**2,620**	**1,588,134**
Segment results	**389,708**	**62,440**	**452,148**	**(9,820)**	**442,328**
Other income					**87,911**
Unallocated corporate expenses					**(58,913)**
Finance costs					**(9,421)**
Share of result of a jointly controlled entity					**(14,398)**
Profit before taxation					**447,507**

Six months ended 30 June 2010 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Total reportable segment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
External segment revenue	1,164,896	4,142	1,169,038	1,062	1,170,100
Segment results	206,313	149,626	355,939	(2,467)	353,472
Other income					71,282
Unallocated corporate expenses					(30,197)
Fair value loss on convertible notes					(100,278)
Finance costs					(6,289)
Share of result of a jointly controlled entity					17,734
Profit before taxation					305,724

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

The accounting policies of the reportable 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.

4. OTHER INCOME

	1.1.2011 to 30.6.2011 *RMB'000* **(unaudited)**	1.1.2010 to 30.6.2010 *RMB'000* (unaudited)
Other income comprises of:		
Bank interest income	**22,443**	5,463
Imputed interest income on trade receivables	**–**	1,354
Interest income on amount due from a jointly controlled entity	**22,245**	24,371
Interest income on amount due from a venturer of a jointly controlled entity	**–**	22,223
Exchange gain	**38,607**	16,367
Others	**4,616**	2,858
	87,911	72,636

5. INCOME TAX EXPENSE

	1.1.2011 to 30.6.2011 *RMB'000* **(unaudited)**	1.1.2010 to 30.6.2010 *RMB'000* (unaudited)
Income tax expense recognised comprises of:		
Enterprise Income Tax in the PRC	**99,393**	84,939
Hong Kong Profits Tax	**1,069**	7,233
Deferred taxation	**1,854**	23,936
Land appreciation tax	**67,012**	22,936
	169,328	139,044

The Enterprise Income Tax in the PRC is calculated at 25% of the estimated assessable profit for the current and prior periods.

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

6. PROFIT FOR THE PERIOD

	1.1.2011 to 30.6.2011 *RMB'000* (unaudited)	1.1.2010 to 30.6.2010 *RMB'000* (unaudited)
Profit for the period has been arrived at after charging:		
Interest on convertible notes	**–**	14,146
Interest expense on secured bank loans wholly repayable within five years	**86,834**	52,241
Interest expense on secured bank loans not wholly repayable within five years	**17,729**	434
Less: capitalised under properties under development for sale	**(95,142)**	(60,532)
	9,421	6,289
Amortization of prepaid lease payments	**3,172**	3,137
Depreciation of property, plant and equipment	**12,590**	6,038

7. EARNINGS PER SHARE

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

	1.1.2011 to 30.6.2011 *RMB'000* (unaudited)	1.1.2010 to 30.6.2010 *RMB'000* (unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share being profit for the period attributable to owners of the Company	**278,558**	167,291
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**2,612,500,000**	2,612,500,000
Effect of dilutive potential ordinary shares on share options	**5,107,570**	4,470,133
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,617,607,570**	2,616,970,133

During the six months ended 30 June 2011 and 2010, the computation of diluted earnings per share 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.

During the six months ended 30 June 2010, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes since its assumed exercise would result in an increase in earnings per share for the six months ended 30 June 2010.

8. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**149,063**	276,050
Other receivables	**160,852**	136,092
Advance to suppliers	**173,274**	111,256
Deposits paid to local land bureau	**10,000**	10,000
Deposits for purchase of land use rights	**261,450**	–
Other tax prepayments	**129,396**	88,792
	884,035	622,190

Normally the average credit period on sale of properties is 60 days. The following is an analysis of trade receivables presented based on the date of the properties delivered and sales is recognised:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**78,452**	250,143
61-180 days	**20,853**	17,621
181 days-1 year	**43,960**	4,424
1-2 years	**3,450**	1,612
2-3 years	**344**	630
Over 3 years	**2,004**	1,620
	149,063	276,050

9. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**946,369**	794,702
Other payables	**310,736**	147,043
Other taxes payables	**69,316**	133,658
	1,326,421	1,075,403

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**380,076**	254,207
61-180 days	**288,267**	249,598
181 days-1 year	**75,623**	56,795
1-2 years	**56,594**	93,282
2-3 years	**82,354**	94,766
Over 3 years	**63,455**	46,054
	946,369	794,702

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2011, the world's overall economic growth showed signs of slowdown, the worsening of the Euro Zone sovereignty debt crisis, the corresponding slow down of the US economy and the inflation problem around the world became even more severe. Under the economic uncertainty around the world, although the economy of China maintained a stable growth, inflationary pressure were still notable. The Central government is determined to suppress the rising property price and inflation and tightening measures on the property market continued, such as the "Eight Measures of the State Council", the pilot programme on property tax reform and new rounds of properties purchase restrictions. The tightening measures introduced by the Central government are seen to have effects and the soaring property price is suppressed basically. The transaction volume in major cities returns to a lower level and the land market has been cooled down effectively.

In the midst of tightening measures imposed by the government and purchase restrictions, the Group was responsive to the market conditions and promptly adjusted its marketing strategy, resulting in a significant increase and a record high in contracted sales in the first half of the year. The total contracted sales of the Group exceeded RMB2,341.6 million, representing a significant increase of approximately 95.6% as compared with the corresponding period last year. The average selling price for the contracted sales was approximately RMB9,220 per sq.m. The Group maintained a strong sales momentum with a 141% increase in total contracted sale areas to approximately 254,000 sq. m in the first half of the year. Details of contracted sales breakdown by major projects are as follows:

Project	**Sales Area** *('000 sq.m.)*	**Sales Revenue** *(RMB million)*
Shenyang Aoyuan • The Metropolis	48.8	407.8
Aoyuan • Hai Jing Cheng	44.0	379.5
Zhongshan Aoyuan	43.4	358.0
Aoyuan Plaza	11.5	337.4
Nansha Aoyuan	16.9	241.8
Jiangmen Aoyuan	25.4	184.7
Yulin Aoyuan	24.2	112.9
Others	39.8	319.5
Total	254.0	2,341.6

At the same time, by virtue of the strong financial position, the Group proactively grasped the development opportunity in the property market. The Company made several land acquisitions during the first half of the year, including new projects in Panyu in Guangzhou, Zhongshan, and Kunshan in Jiangsu of total GFA of approximately 574,000 sq.m. of land bank, speeding up its countrywide development.

The strategic advantages of property projects with regimen and health themes advocating by Aoyuan have become more apparent in the diversifying property market. Aoyuan Health City, a representative of Aoyuan's healthy and low-carbon concept of development commenced operation in June. The brand concept of the Group of "Building a healthy, low-carbon lifestyle" was realized and ascribed with a new interpretation.

Land Bank

As of 30 June 2011, the Group had a total of 21 projects and a land bank with total GFA of approximately 8,263,000 sq.m. and is mainly located in Guangdong, Shenyang, Jiangsu, Beijing, Guangxi, Chongqing and Jiangxi etc.

It is the Group's strategy to maintain a superior land reserve with low cost. The average cost per GFA for the land bank as of 30 June 2011 is approximately RMB590 per sq.m., and of which 675,000 sq.m. represents completed property, 1,502,000 sq.m. is under development and 6,086,000 sq.m. is held for future development purpose. The management believes that existing land reserve can satisfy the Group's property development needs in the next five to seven years.

The Group strives to seize excellent mergers and acquisitions opportunities in the market and continues to focus in areas with strong rigid demand and huge growth potentials. By actively coordinating with the "Three Redevelopment Work" carried out by the government, the Group strives to acquire those land parcels with huge potential at lower consideration in order to build up a reserve for prime developments.

Future Outlook

Facing with the pessimistic economic environment around the world, the continuing government tightening measures in China in the second half of the year and the tremendous pressure created accordingly, the Group will insist on its established annual operation plan and project for the purpose of maximizing its overall profit margin. The Group will continue to develop commercial and residential properties in parallel and effectively utilize this concept to ensure the sales growth of the Group.

During the year, the Group acquired several commercial and residential projects at prime locations and great appreciation potential, to continue the success of the commercial sales model of Aoyuan Plaza. The Shenyang Aoyuan • Convention Plaza in Shenyang, the Aoyuan Health Plaza in Guangzhou and the Kunshan Aoyuan in Jiangsu acquired in the first half of the year will be launched for sales in the second half of the year, in line with the rapid development mode of Aoyuan, and will make a significant contribution to the sales performance of the Group.

With the opening of Aoyuan Health City, the Group will step up the promotion of the brand so as to implement the brand concept of "Building a healthy, low-carbon lifestyle" and bring a quality living style of regimen and low-carbon into the Aoyuan residential community.

In response to the tightening financial and monetary policy, the Group continues to adhere to the principle of a prudent financial management policy, to enhance the financial management, accelerate the return of funds, ensure sound cash flow, raise the turnover rate of funds, and expand its funding channels, so as to provide strong support for the rapid and sustainable development of the Group.

FINANCIAL REVIEW

Revenue

The revenue is primarily generated from two business segments: property development and property investment. For the first half of 2011, the Group's total revenue was RMB1,588.1 million, representing an increase of RMB418.0 million or 35.7% over RMB1,170.1 million in 2010. Property development revenue and property investment revenue accounted for 99.5% ad 0.5% respectively.

In the first half of 2011, the Group's sales revenue generated from property development amounted to RMB1,580.2 million, representing a 35.7% or RMB415.3 million increase compared with RMB1,164.9 million in the same period of 2010. Sales revenue generated from property development increased mainly because the average sales price of revenue recognized in property development increased significantly to RMB11,012 per sq.m. The increase in average sales price was mainly due to the implementation and successful execution of development of commercial and residential properties in parallel by the Group, and the ratio of sales of commercial properties and villas increased significantly. The following table shows the product mix of property development of the Group in the first half of 2011:

Product	**Sold and Delivered Area**	**Revenue**
	('000 sq.m.)	*(RMB million)*
Apartments	64.6	435.4
Commercial properties	29.6	580.6
Villas	49.3	564.2
Total	143.5	1,580.2

Gross Profit and Margin

In the first half of 2011, the gross profit of the Group was RMB501.2 million, representing an increase of 88.9% over RMB265.3 million in the first half of 2010. The average selling price for the revenue recognized from property development increased significantly to RMB11,012 per sq.m., while the gross margin increased to 31.6% from 22.7% in the corresponding period of 2010. The significant increase of gross margin of the Group was attributable to the success of the Group's commercial projects development and sales model and the increased ratio of villa sales. In the first half of 2011, the average sales price and gross margin of delivered commercial projects delivered such as Aoyuan Plaza and villa projects such as Nansha Aoyuan • Mountains Sea No. 1 were higher than previously.

Other Income

In the first half of 2011, other income of the Group increased 21.1% to RMB87.9 million from RMB72.6 million in the corresponding period of 2010, including mainly interest income of RMB44.7 million and exchange gain of RMB38.6 million.

Selling and Administrative Expenses

In the first half of 2011, the selling and administrative expenses of the Group was RMB179.5 million, representing a 61.4% increase compared with RMB111.2 million in the corresponding period of 2010. The selling expenses amounted to RMB59.4 million, representing a 66.4% increase compared with RMB35.7 million in the corresponding period of 2010. This was mainly because the contracted sales amount increased significantly by approximately 95.6% in the first half of 2011 compared with the same period of 2010. The total administrative expenses amounted to approximately RMB120.1 million, representing an increase of 59.1% from RMB75.5 million in the corresponding period of 2010. This was mainly due to the commencement of construction of all projects acquired by the Group in 2010 and 2011 in this year, which increased the employee number correspondingly to accelerate the development progress of the projects.

Share of Results of a Jointly Controlled Entity

In the first half of 2011, the Group recorded loss from share of results of a jointly controlled entity of RMB14.4 million, as compared to revenue of RMB17.7 million in the corresponding period of 2010.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 37.8% is higher than the standard PRC enterprise income tax of 25% because of land appreciation tax of approximately RMB67.0 million.

Profits Attributable to Owners of the Company

In the first half of 2011, profits attributable to owners of the Company amounted to RMB278.6 million, representing an increase of 66.5% from RMB167.3 million in the corresponding period of 2010.

Financial Position

As at 30 June 2011, the Group's total assets amounted to approximately RMB14,420.1 million (as at 31 December 2010: RMB13,251.4 million) and total liabilities were approximately RMB8,249.4 million (as at 31 December 2010: RMB7,274.3 million).

Current ratio was 1.7 as at 30 June 2011 (as at 31 December 2010: 2.0).

Financial Resources and Liquidity

In the first half of 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 stringent control of cost and various expenses. In addition, the Group will continue to explore opportunities of cooperation with foreign and domestic investors to provide other sources of funding for the expansion of projects and business development.

Cash Position

As at 30 June 2011, the Group had cash and bank deposits of approximately RMB1,328.0 million (as at 31 December 2010: RMB2,203.1 million).

As at 30 June 2011, the Group had restricted bank deposits of approximately RMB2,448.6 million (as at 31 December 2010: RMB1,636.0 million), of which RMB1,227.2 million was only for acquiring bank loans, and others only for payments to construction contractors.

As at 30 June 2011, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled to RMB3,776.6 million, of which 98.0% was denominated in Renminbi and 2.0% was denominated in other currencies (mainly HK dollar and U.S. dollar).

Borrowings and Net Gearing Ratio

Bank borrowings

As at 30 June 2011, the Group had bank borrowings of approximately RMB3,388.0 million (as at 31 December 2010: RMB3,473.9 million) as follows:

Repayment period

	30 June 2011 ***(RMB million)***	31 December 2010 *(RMB million)*
Within one year	**1,688.4**	1,359.6
More than one year, but not exceeding two years	**807.6**	1,045.2
More than two years, but not exceeding five years	**416.3**	855.0
More than five years	**475.7**	214.1
	3,388.0	3,473.9

The majority of bank borrowings of the Group are variable-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 for the first half of 2011 was 6.15%, compared to 3.7% for the corresponding period of 2010. The Group has implemented certain interest rate management policies which mainly include, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As at 30 June 2011, the Group had banking facilities of approximately RMB8,281.3 million (as at 31 December 2010: RMB6,333.0 million) for short-term and long-term bank loans, of which approximately RMB4,903.2 million (as at 31 December 2010: RMB4,780.5 million) were unutilized.

Net 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 holders. As at 30 June 2011 and 31 December 2010, the Group was in a net cash position.

Contingent liabilities

As at 30 June 2011, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB2,304.5 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 30 June 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.

During the year ended December 31, 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 claims the Group for compensation of approximately RMB61,096,000. The legal case is in legal proceeding. However, 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.

The Group has provided a guarantee to a bank (the "Bank") for a banking facility (the "Banking facility") granted to its 52.69% jointly controlled entity ("the JCE") amounting to HK$670,000,000 (the "Loan") (equivalent to approximately RMB557,172,000 (31 December 2010: RMB570,103,000)) as at 30 June 2011 and 31 December 2010, respectively. The fair value of the financial guarantee was not significant at initial recognition. No provision for financial guarantee has been provided at 30 June

2011 and 31 December 2010 as the default risk is low. According to the Company's announcement dated 31 July 2011, the other venture of the JCE (the "Venturer") has been in default its obligations to the bank under the frame documents to the Banking facility. Due to default of the Venturer's obligation, the Group acquired the Loan together with accrued interest thereon from the Bank at a consideration of HK$713,430,000 on 28 July 2011 and the Group becomes the lender of the Loan on the same date. On 29 July 2011, the Group appointed receivers and managers to enforce the security of the Loan which is 47.13% issued share capital of the JCE owned by the Venturer. On the same date, two directors appointed by the Venturer were resigned and 2 new directors were appointed by the receivers and managers.

Commitments

As at 30 June 2011, the Group had construction cost contracted but not provided for of approximately RMB3,449.9 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.

On 10 May 2011, the Group entered into a sales and purchase agreement with an independent third party (the "Existing Shareholder") for the acquisition of 60% equity interest in 安徽省高速地產集團(蘇州)有限公司 Anhui Province Gao Su Property Group (Suzhou) Company Limited ("Gao Su Property"), a company holding a piece of land for future development of properties for sale, by way of capital injection amounting to RMB450,000,000 as registered capital of Gao Su Property. At 30 June 2011, the transaction is pending to be approved by the State Property Management Community in the PRC and the Group has not yet injected any funding into Gao Su Property. Gao Su Property will become a jointly controlled entity of the Group upon completion of acquisition.

During the period ended 30 June 2011, the Group entered into a sales and purchase agreement with Guangzhou Land Bureau to acquire a piece of land located in Guangzhou at a consideration of RMB522,900,000. As at 30 June 2011, RMB261,450,000 was paid as deposit for such acquisition and the outstanding balance will be settled in December 2011.

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 and the bank loans denominated in HK dollar, 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 30 June 2011.

Pledge of assets

As at 30 June 2011, the Group pledged its property held for development and property under construction of approximately RMB1,004.0 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.

EMPLOYEES AND REMUNERATION

As at 30 June 2011, the Group employed a total of 852 employees. In September 2007, the Group adopted a performance based rewarding system to motivate its staff and such system was reviewed on a regular basis. As at 30 June 2011, share options in respect of a total of 53,200,000 shares of the Company were granted to certain directors and employees. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. At the same time, in accordance with the relevant national and local government labour laws and regulations, the Group also paid on behalf of the employees a social insurance premium and other insurance benefits. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

DIVIDEND

The Board has resolved that no interim dividend to be paid for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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

During the six months ended 30 June 2011, 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 2011.

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 2011.

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 2011, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules. The Company's compliance with the provisions and recommended best practices of the CG Code are set out in the Corporate Governance Report contained in the 2010 Annual Report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (http://www.aoyuan.com.cn) and the Stock Exchange (http://www.hkex.com.hk). An interim report for the six months ended 30 June 2011 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

Hong Kong, 11 August 2011

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.