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 2012

HIGHLIGHTS

- Revenue for the six months ended 30 June 2012 amounted to RMB1,684.9 million, representing an increase of approximately RMB96.8 million or 6.1% as compared to RMB1,588.1 million for the corresponding period in 2011.

- Gross profit margin for the period was approximately 31.2% and net profit margin was approximately 16.8%.

- Profit and total comprehensive income for the period attributable to owners of the Company amounted to RMB283.7 million.

- Earnings per share for the period amounted to approximately RMB10.85 cents.

- Contracted sales for the period amounted to approximately RMB2,309.0 million with area sold of approximately 341,300 sq.m. As a result of the Group's successful strategy of developing commercial and residential properties in parallel, sales of commercial properties amounted to approximately 52% of the total contracted sales of the first six months of 2012.

- Bank balances and cash (including restricted bank deposits) as at 30 June 2012 was RMB3,959.8 million. The Group had a net gearing of 11.1% as at 30 June 2012.

- The Group had land acquisitions in Chongqing and Dongguan in the first six months of 2012 with total consideration of approximately RMB374 million. The Group's land bank increased to approximately 8.81 million sq.m. of GFA with average land cost of approximately RMB800 per sq.m. as of 30 June 2012.

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 2012, together with the comparative figures for the corresponding period in 2011, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 together with audited comparative figures as at 31 December 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended	
		30.6.2012	30.6.2011
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
			(restated)
Revenue	*3*	**1,684,880**	1,588,134
Cost of sales		**(1,159,397)**	(1,086,891)
Gross profit		**525,483**	501,243
Other income	*4*	**64,996**	87,911
Change in fair value of investment properties		**140,825**	61,659
Selling and distribution expenses		**(58,305)**	(59,422)
Administrative expenses		**(129,587)**	(120,065)
Finance costs		**(8,326)**	(9,421)
Share of result of a jointly controlled entity		**(7,404)**	(6,246)
Profit before taxation		**527,682**	455,659
Income tax expense	*5*	**(244,882)**	(173,052)
Profit and total comprehensive income for the period	*6*	**282,800**	282,607
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**283,731**	282,986
Non-controlling interests		**(931)**	(379)
		282,800	282,607
Earnings per share (cents)			
– Basic	*7*	**10.85**	10.82
– Diluted	*7*	**10.85**	10.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	**30.6.2012**	31.12.2011
		RMB'000	*RMB'000*
		(unaudited)	(audited)
			(restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**501,553**	491,730
Prepaid lease payments		**3,081**	3,115
Investment properties		**1,609,829**	1,382,701
Interest in a jointly controlled entity		**–**	506,934
Available-for-sale investment		**22,370**	22,370
Amount due from a jointly controlled entity		**–**	1,413,872
Deposits to acquire equity interest in a company		**–**	86,000
Deferred taxation assets		**108,523**	85,381
		2,245,356	3,992,103
CURRENT ASSETS			
Properties for sale		**9,032,868**	8,335,980
Amount due from a jointly controlled entity		**1,243,737**	–
Trade and other receivables	*8*	**648,890**	611,425
Amount due from a non-controlling shareholder		**112,471**	–
Income tax recoverable		**72,245**	148,802
Prepaid lease payments		**69**	2,987
Restricted bank deposits		**3,383,918**	2,945,946
Bank balances and cash		**575,856**	877,228
		15,070,054	12,922,368
Assets classified as held for sale		**499,530**	–
		15,569,584	12,922,368
CURRENT LIABILITIES			
Trade and other payables	*9*	**1,370,972**	1,408,652
Sales deposits		**3,846,977**	3,288,802
Amount due to non-controlling shareholders		**126,084**	89,320
Taxation payable		**1,043,407**	1,116,644
Secured bank loans		**2,757,823**	2,615,832
		9,145,263	8,519,250
NET CURRENT ASSETS		**6,424,321**	4,403,118
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,669,677**	8,395,221

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
		(restated)
NON-CURRENT LIABILITIES		
Secured bank loans	**1,900,086**	2,015,714
Deferred taxation liabilities	**239,522**	150,730
	2,139,608	2,166,444
NET ASSETS	**6,530,069**	6,228,777
CAPITAL AND RESERVES		
Share capital	**25,015**	25,015
Reserves	**6,284,045**	6,134,167
Equity attributable to owners of the Company	**6,309,060**	6,159,182
Non-controlling interests	**221,009**	69,595
TOTAL EQUITY	**6,530,069**	6,228,777

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied for the first time, the following amendments to International Accounting Standards ("IASs") issued by the IASB.

IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's and jointly controlled entity's investment property portfolios and concluded that the Group's and jointly controlled entity's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is not rebutted.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
Increase in share of result of a jointly controlled entity	**4,298**	8,152
Increase in income tax expense	**(19,409)**	(3,724)
Net (decrease) increase in profit for the period	**(15,111)**	4,428

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31 December 2011, is as follows:

	31.12.2011	Adjustments	31.12.2011
	RMB'000	*RMB'000*	*RMB'000*
	(originally stated)		(restated)
Interest in a jointly controlled entity	602,251	(95,317)	506,934
Deferred tax liabilities	(111,898)	(38,832)	(150,730)
Total effects on net assets	490,353	(134,149)	356,204
Retained profits, total effects on equity	1,651,131	(134,149)	1,516,982

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, 1 January 2011, is as follows:

	1.1.2011	Adjustments	1.1.2011
	RMB'000	*RMB'000*	*RMB'000*
	(originally stated)		(restated)
Interest in a jointly controlled entity	699,875	(100,706)	599,169
Deferred tax liabilities	(91,390)	(18,034)	(109,424)
Total effects on net assets	608,485	(118,740)	489,745
Retained profits, total effects on equity	1,304,427	(118,740)	1,185,687

Impact on basic earnings per share

	Six months ended	
	30.6.2012	30.6.2011
	RMB cents	*RMB cents*
Basic earnings per share before adjustments	**11.43**	*10.66*
Adjustments arising from change in accounting policy (see Note 2) in relation to:		
– application of amendments to IAS 12 in respect of deferred taxes on investment properties	**(0.58)**	0.16
Reported basic earnings per share	**10.85**	10.82

Impact on diluted earnings per share

	Six months ended	
	30.6.2012	30.6.2011
	RMB cents	*RMB cents*
Diluted earnings per share before adjustments	**11.43**	10.64
Adjustments arising from change in accounting policy (see Note 2) in relation to:		
– application of amendments to IAS 12 in respect of deferred taxes on investment properties	**(0.58)**	0.16
Reported diluted earnings per share	**10.85**	10.80

The Group has not early applied new and revised standards or amendments that have been issued but are not yet effective. The following amendments to IFRSs have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
IFRS 10, 11 & 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[1]

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

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 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 operating segments are as follows:

Property development – developing and selling properties in the PRC

Property investment – leasing of investment properties in the PRC

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

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

Six months ended 30 June 2012 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
External segment revenue	**1,666,531**	**2,512**	**15,837**	**1,684,880**
Segment results	**404,863**	**137,474**	**(5,114)**	**537,223**
Other income				**64,996**
Unallocated corporate expenses				**(58,807)**
Finance costs				**(8,326)**
Share of result of a jointly controlled entity				**(7,404)**
Profit before taxation				**527,682**

Six months ended 30 June 2011 (unaudited) (restated)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
External segment revenue	1,580,249	5,265	2,620	1,588,134
Segment results	389,708	62,440	(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				(6,246)
Profit before taxation				455,659

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

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, 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

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income comprises of:		
Bank interest income	**43,422**	22,443
Interest income on amount due from a jointly controlled entity	**–**	22,245
Exchange gain	**–**	38,607
Reversal of accruals (note)	**17,638**	–
Others	**3,936**	4,616
	64,996	87,911

Note: The accrual of construction costs outstanding over 3 years were not required to pay and reversed as income accordingly.

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
Income tax expense recognised comprises of:		
Enterprise Income Tax in the PRC	**86,435**	99,393
Hong Kong Profits Tax	**–**	1,069
Deferred taxation	**65,650**	5,578
Land appreciation tax	**92,797**	67,012
	244,882	173,052

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

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Interest expense on secured bank loans wholly repayable within five years	**171,086**	86,834
Interest expense on secured bank loans not wholly repayable within five years	**20,963**	17,729
Less: Capitalised under properties under development for sale	**(183,723)**	(95,142)
	8,326	9,421
Release of prepaid lease payments	**2,952**	3,172
Depreciation of property, plant and equipment	**16,206**	12,590
Net exchange loss	**12,721**	–

For the six months ended 30 June 2012 and 2011, cost of properties for sales recognised as an expense approximate to cost of sales as shown in the condensed consolidated statement of comprehensive income statement.

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:

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**283,731**	282,986
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**2,615,500,000**	2,612,500,000
Effect of dilutive potential ordinary shares on share options	**–**	5,107,570
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,615,500,000**	2,617,607,570

During the six months ended 30 June 2012 and 2011, the computation of diluted earnings per share has not accounted for the effect of share options whereby the exercise price of those options was higher than the average market price of the Company's shares.

8. TRADE AND OTHER RECEIVABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**36,733**	84,514
Other receivables	**102,186**	117,259
Advance to suppliers	**245,480**	182,437
Deposits paid to respective local government for purchase of land use rights	**77,000**	108,670
Other tax prepayments	**187,491**	118,545
	648,890	611,425

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:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**2,700**	33,009
61-180 days	**218**	6,470
181 days-1 year	**4,407**	24,866
1-2 years	**28,560**	17,844
2-3 years	**80**	115
Over 3 years	**768**	2,210
	36,733	84,514

9. TRADE AND OTHER PAYABLES

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**1,066,005**	1,031,398
Other payables	**236,788**	331,799
Other taxes payables	**68,179**	45,455
	1,370,972	1,408,652

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

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**421,156**	374,939
61-180 days	**294,840**	345,646
181 days-1 year	**194,023**	165,337
1-2 years	**116,128**	115,436
2-3 years	**28,859**	1,086
Over 3 years	**10,999**	28,954
	1,066,005	1,031,398

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2012, with the market under the control measures of the Central Government, the Group grasped the opportunities and focus of the market, with stringent cost control and promoted sales activities actively. As the Group formulated the plan at early stage, we could response to the market with proper product strategy. In addition to the residential properties launched in response to the rigid demand, the Group launched more commercial properties for sale that were not subjected to the purchase restrictions. Although the market was relatively sluggish for the first half of the year, the Group still recorded a satisfactory result which was similar to that of last year. The contracted sales of the Group reached approximately RMB2.3 billion for the first half of 2012, of which the sales of commercial properties showed an obvious increase accounting for approximately 52% of the total amount.

During the period, the Group achieved a satisfactory contracted sales result, with Guangdong Province and Shenyang City as the main source of sales revenue. Among which: Shenyang Aoyuan • The Metropolis and Shenyang Aoyuan • Convention Plaza ranked top ten in terms of the sales amount and sales area of commodity residential housing during the first half of the year; and Zhongshan Aoyuan was ranked Top 10 in property sales within the Zhongshan property market for the first half of the year.

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

Project	**Contracted Sales**	
	Amount	**Area**
	(RMB million)	*('000 sq.m.)*
Shenyang Aoyuan • The Metropolis	401.8	73.4
Zhongshan Aoyuan	322.6	63.4
Aoyuan Health Plaza	322.3	16.6
Shenyang Aoyuan • Convention Plaza	254.9	52.0
Aoyuan • Jinyu	147.1	18.9
Jiangmen Aoyuan	128.2	19.2
Aoyuan Plaza	127.2	10.5
Guangzhou Aoyuan	118.1	8.3
Others	486.8	79.0
Total	2,309.0	341.3

The strategy of developing commercial and residential properties in parallel has been further implemented. Focusing on our core commercial property, Aoyuan Plaza, the specialized team for commercial properties of the Group has been expanding and has been endeavoring to build Aoyuan Plaza as the core commercial brand of Aoyuan. Aoyuan Plaza is expected to open during the year and so far its leasing is very satisfactory. Nearly a hundred of famous brands have signed contracts with the Group, which has made Aoyuan Plaza as a regional commercial landmark. In respect of hotel, the trial operation of the Aoyuan Golf Hotel has been actively undergoing, which will formally open for operation in the second half of the year. With further implementation of the strategy of developing commercial and residential properties in parallel, the commercial development business will play the same important role as residential property development business in the future.

Land Bank

By virtue of its healthy financial position, Aoyuan actively grasps the development opportunity in the land market. The Group's strategy is as follows: based on the development in Pearl River Delta and existing project companies to gradually radiate the development into other areas and focusing on the investment in such areas with strong rigid demand and high growing potential as well as qualifying commercial projects. During the period, the Group acquired a commercial and residential project located in Jiulongpo District of Chongqing municipality through auction sale by listing, the Group also acquired a quality commercial and residential project with site area of 52,000 sq.m. and gross floor area of 103,000 sq.m. located in Houjie, Dongguan. The Company is planned to develop such land into an ecological boutique residential property.

As of 30 June 2012, the Group had a total of 26 projects and a land bank with total GFA of approximately 8,811,000 sq.m., and of which 850,000 sq.m. represents completed property, 2,154,000 sq.m. is under development and 5,807,000 sq.m. is held for future development purpose. 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 2012 is approximately RMB800 per sq.m.. The management believes that existing land reserve can satisfy the Group's property development needs in the next five years.

The Group will continue with prudent expansion strategy and carefully to acquire reasonably priced quality land in the second half of the year.

Future Outlook

Despite the fact that market experienced a gradual and limited rebound under the impact of moderately easing monetary policy and developers' strategy of trading price for volume during the first half of 2012, we consider that there are still lots of uncertainties over the real estate related policy and the market competition among property developers will remain fierce for the second half of the year.

However, the strongest grows through every challenge. The Group will continue with its prudent financial policy to secure healthy financial position and cash flow so as to grasp the market opportunities from time to time.

In the second half of 2012, Aoyuan will continue with the strict implementation of standardized project development model to accelerate the project development. The Group will focus on the idea of "strict cost control and promote sales" to further strengthen the market competitiveness of each business segment throughout cost management, project management, sales management and commercial operation, to appropriately control over development cost and administrative cost, to facilitate the return of funds from sales, to enhance the research and design of standardized products, to improve the marketing and sales management of the Group and its regional project companies and to consolidate the resources through which stimulates the sales of project companies (especially the brand of the Group) and increases the value of commercial properties by highly efficient commercial operation. In addition, the Group will adopt the brand philosophy of "Building a healthy lifestyle" for its entire property development, express the same to the property owners through a series of themed activities, try to satisfy the customers by quality products and services and to enhance our brand reputation and loyalty.

FINANCIAL REVIEW

Revenue

The revenue is primarily generated from two business segments: property development and other revenue from operation of hotel. For the first half of 2012, the Group's total revenue was approximately RMB1,684.9 million, representing an increase of RMB96.8 million or 6.1% over RMB1,588.1 million in the same period of 2011. Property development revenue, other revenue from operation of hotel and property investment revenue accounted for 98.9%, 1% and 0.1% respectively.

In the first half of 2012, the Group's sales revenue generated from property development amounted to approximately RMB1,666.5 million, representing a 5.5% or RMB86.3 million increase compared with RMB1,580.2 million in the same period of 2011. Sales revenue generated from property development increased mainly because the delivered area of property development increased from 143,500 sq.m. or 9.3% to 156,900 sq.m. from the same period of 2011. The average selling price for revenue recognized from property development amounted to RMB10,621 per sq.m., representing a slight decrease of 3.6% as compared to RMB 11,012 per sq.m. recorded in the same period of 2011.

As of 30 June 2012, due to successful execution of the strategy of developing commercial and residential properties in parallel by the Group, the proportion of the sales revenue from commercial properties over the total sales revenue from property development significantly increased from 36.7% in the same period of 2011 to 49.5%, while the sales revenue from villas accounted for 30.0%, remaining stable as compared to 32.0% of the same period of 2011. Revenue of property development of Aoyuan Plaza (commercial project) and Shenyang Aoyuan • The Metropolis (mainly villa project) amounted to RMB1,238.2 million in total and were the Group's main revenue contributors. Revenue of property development from Guangzhou city, Shenyang city and other city accounted for 61%, 33% and 6% of the total revenue.

Revenue from property development by products for the first half of 2012 are as follows:

Product	**Revenue**	**Sold and Delivered Area**
	(RMB million)	*('000 sq.m.)*
Apartments	342.6	54.0
Commercial properties	824.3	50.0
Villas	499.6	52.9
Total	1,666.5	156.9

Gross Profit and Margin

In the first half of 2012, the gross profit of the Group was approximately RMB525.5 million, representing an increase of 4.8% over RMB501.2 million in the first half of 2011. The average selling price for the revenue recognized from property development amounted to RMB10,621 per sq.m., and was comparable to that recorded in the same period of 2011 of RMB11,012 per sq. m.. The gross profit margin for the period was 31.2%, almost the same as compared to 31.6% for the same period of 2011, which was attributable to the Group's successful commercial properties development and sales model as well as effective cost control.

Other Income

In the first half of 2012, other income of the Group decreased by approximately RMB22.9 million to approximately RMB65.0 million from RMB87.9 million in the corresponding period of 2011, mainly due to the absence of foreign exchange gain of RMB38.6 million recorded in the same period of 2011.

Selling and Administrative Expenses

In the first half of 2012, the selling and administrative expenses of the Group was approximately RMB187.9 million, representing a 4.7% increase compared with RMB179.5 million in the corresponding period of 2011. The selling expenses amounted to approximately RMB58.3 million, representing a slight decrease of 1.9% compared with RMB59.4 million in the corresponding period of 2011. This was because the Group strictly implemented cost control policy and more efficient sales strategy. The total administrative expenses amounted to approximately RMB129.6 million, representing an increase of 7.9% from RMB120.1 million in the corresponding period of 2011. This was mainly due to the commencement of construction of all projects acquired by the Group in 2011 and 2012 in this year, which increased the number of employees correspondingly to accelerate the development progress of the projects.

Share of Result of a Jointly Controlled Entity

In the first half of 2012, the Group recorded loss from share of result of a jointly controlled entity of approximately RMB7.4 million, as compared to loss of RMB6.2 million in the corresponding period of 2011.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 46.4% is higher than the standard PRC enterprise income tax of 25% because of land appreciation tax of approximately RMB92.8 million.

Profits Attributable to Owners of the Company

In the first half of 2012, profits attributable to owners of the Company amounted to approximately RMB283.7 million, representing an increase of 0.2% from RMB283.0 million in the corresponding period of 2011.

Financial Position

As at 30 June 2012, the Group's total assets amounted to approximately RMB17,814.9 million (as at 31 December 2011: RMB16,914.5 million) and total liabilities were approximately RMB11,284.9 million (as at 31 December 2011: RMB10,685.7 million).

Current ratio was 1.7 as at 30 June 2012 (as at 31 December 2011: 1.5).

Financial Resources and Liquidity

In the first half of 2012, 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 2012, the Group had cash and bank deposits of approximately RMB575.9 million (as at 31 December 2011: RMB877.2 million).

As at 30 June 2012, the Group had restricted bank deposits of approximately RMB3,383.9 million (as at 31 December 2011: RMB2,945.9 million), of which RMB2,316.0 million was only for acquiring bank loans, and others only for payments to construction contractors.

As at 30 June 2012, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled to RMB3,959.8 million, of which 98.5% was denominated in Renminbi and 1.5% was denominated in other currencies (HK dollar and U.S. dollar).

Borrowings and Net Gearing Ratio

Bank borrowings

As at 30 June 2012, the Group had bank borrowings of approximately RMB4,657.9 million (as at 31 December 2011: RMB4,631.6 million) as follows:

Repayment period

	30 June 2012 ***(RMB million)***	31 December 2011 *(RMB million)*
Within one year	**2,757.8**	2,615.8
More than one year, but not exceeding two years	**1,023.9**	1,077.5
More than two years, but not exceeding five years	**517.5**	516.0
More than five years	**358.7**	422.3
	4,657.9	4,631.6

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 for the first half of 2012 was 7.9%, representing an increase as compared to 6.15% for the same period of 2011, mainly due to new long-term lending rates increased in the second half of 2011 and the interest rates of the People's Bank of China increased in the second half of 2011. 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 2012, the Group had banking facilities of approximately RMB7,222.0 million (as at 31 December 2011: RMB6,285.0 million), of which approximately RMB2,564.1 million (as at 31 December 2011: RMB1,653.4 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 owners of the Company. As at 30 June 2012, the Group's net gearing ratio was 11.1%. 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 30 June 2012, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB3,247.5 million (as at 31 December 2011: RMB2,841.3 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 2012 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 "Vendor") 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 Vendor's shareholding in the Target. The Vendor then claims the Subsidiary 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 Group and the Group's legal counsel, the likelihood that the Subsidiary is required to pay the compensation is remote.

Commitments

As at 30 June 2012, the Group had construction cost contracted but not provided for of approximately RMB3,499.1 million (as at 31 December 2011: RMB3,503.5 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 the 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 30 June 2012.

Pledge of assets

As at 30 June 2012, the Group pledged its property held for development and property under construction of approximately RMB1,207.2 million (as at 31 December 2011: RMB1,113.0 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER THE REPORTING PERIOD

On 16 July 2012, the Group and two independent parties entered into (i) Agreement I pursuant to which the Group agreed to acquire 70% equity interest in one project company at a consideration of RMB49,000,000 and bears a bank loan of RMB60,000,000; and (ii) Agreement II pursuant to which the Group agreed to acquire 70% equity interest in another project company at a consideration of RMB35,000,000 and bears a bank loan of RMB50,000,000. These two project companies are registered in PRC and their principal activities are property development. The above transactions have not been completed up to the date of these condensed consolidated financial statements were authorized for issuance.

EMPLOYEES AND REMUNERATION

As at 30 June 2012, the Group employed a total of 1,743 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 30 June 2012, share options in respect of a total of 13,200,000 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 for employees 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 2012 (six months ended 30 June 2011: Nil).

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

During the six months ended 30 June 2012, 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 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 2012.

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 2012.

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 2012, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (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 2011 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 2012 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, 21 August 2012

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