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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 2014

HIGHLIGHTS

- Unaudited contracted sales for the period amounted to approximately RMB5,151.5 million, up 38% YoY, and contracted sales area was approximately 538,800 sq.m., up 16% YoY. Average selling price was approximately RMB9,561 per sq.m., up 19% YoY.
- Revenue for the six months ended 30 June 2014 amounted to RMB2,658.2 million, representing an increase of approximately RMB507.8 million or 23.6% as compared to RMB2,150.4 million for the corresponding period in 2013.
- Gross profit for the period increased by RMB146.6 million to RMB811.8 million and gross profit margin for the period was approximately 30.5%.
- Net profit of the Group for the period amounted to RMB319.6 million, while core net profit (excluding after tax fair value gain on investment properties and non-recurring income) for the period amounted to RMB305.9 million.
- Basic earnings per share for the period amounted to approximately RMB11.12 cents.
- Bank balances and cash (including restricted bank deposits) as at 30 June 2014 was RMB6,284.6 million; net gearing was 70.4%.
- The Group had 5 land acquisitions during the period with total GFA of approximately 1,453,512 sq.m.. The Group's land bank increased to approximately 11.96 million sq.m. of GFA with average land cost of approximately RMB1,105 per sq.m. as of 30 June 2014.

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 profit or loss and other comprehensive income of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 together with audited comparative figures as at 31 December 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Revenue	3	2,658,210	2,150,443
Cost of sales		<u>(1,846,420)</u>	<u>(1,485,245)</u>
Gross profit		811,790	665,198
Other income, gains and losses	4	15,432	31,569
Change in fair value of investment properties		18,300	52,149
Selling and distribution expenses		(99,671)	(43,343)
Administrative expenses		(142,671)	(110,170)
Share of profit of joint ventures		634	–
Finance costs		<u>(34,784)</u>	<u>(12,288)</u>
Profit before tax		569,030	583,115
Income tax expense	5	<u>(249,421)</u>	<u>(221,732)</u>
Profit and total comprehensive income for the period	6	<u>319,609</u>	<u>361,383</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		309,470	348,286
Non-controlling interests		<u>10,139</u>	<u>13,097</u>
		<u>319,609</u>	<u>361,383</u>
Earnings per share (cents)			
– Basic	7	<u>11.12</u>	<u>13.32</u>
– Diluted	7	<u>11.12</u>	<u>13.31</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>NOTES</i>	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		418,606	415,336
Prepaid lease payments		15,463	167,527
Investment properties		2,450,348	2,419,399
Interests in joint ventures		54,451	4,925
Available-for-sale investment		25,000	25,000
Deferred tax assets		122,630	118,214
		<u>3,086,498</u>	<u>3,150,401</u>
CURRENT ASSETS			
Properties for sale		21,035,984	19,437,238
Deposits paid for acquisition of land use rights		50,000	1,063,890
Trade and other receivables	8	2,113,671	1,063,515
Amounts due from non-controlling shareholders of subsidiaries		17,834	193,506
Amounts due from related parties		157,282	164,113
Amount due from a joint venture		151,955	–
Tax recoverable		193,939	146,863
Prepaid lease payments		415	415
Restricted bank deposits		2,540,734	1,899,230
Bank balances and cash		3,743,900	2,812,335
		<u>30,005,714</u>	<u>26,781,105</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,319,539	2,952,522
Sales deposits		7,892,452	6,463,074
Amounts due to non-controlling shareholders of subsidiaries		182,313	185,552
Amount due to a related party		60,000	68,002
Amount due to a joint venture		163,000	–
Tax liabilities		1,516,304	1,488,462
Bank and other borrowings		2,994,302	2,411,281
Provision		1,423,929	1,394,404
		<u>16,551,839</u>	<u>14,963,297</u>
NET CURRENT ASSETS		<u>13,453,875</u>	<u>11,817,808</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,540,373</u>	<u>14,968,209</u>

	30.6.2014	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Bank and other borrowings	5,361,994	5,741,996
Deferred tax liabilities	331,560	331,790
Senior notes	3,266,478	1,370,567
	<u>8,960,032</u>	<u>7,444,353</u>
NET ASSETS	<u>7,580,341</u>	<u>7,523,856</u>
CAPITAL AND RESERVES		
Share capital	26,355	26,347
Reserves	7,284,446	7,192,699
	<u>7,310,801</u>	<u>7,219,046</u>
Equity attributable to owners of the Company	7,310,801	7,219,046
Non-controlling interests	269,540	304,810
	<u>7,580,341</u>	<u>7,523,856</u>
TOTAL EQUITY	<u>7,580,341</u>	<u>7,523,856</u>

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 International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost 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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied for the first time, the following new and revised interpretation and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

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

3. SEGMENT INFORMATION

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

Six months ended 30 June 2014 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
External segment revenue	<u>2,583,579</u>	<u>27,305</u>	<u>47,326</u>	<u>2,658,210</u>
Segment profit (loss)	<u>585,813</u>	<u>36,224</u>	<u>(23,189)</u>	<u>598,848</u>
Other income, gains and losses				15,432
Unallocated corporate expenses				(11,100)
Finance costs				(34,784)
Share of profit of joint ventures				<u>634</u>
Profit before tax				<u><u>569,030</u></u>

Six months ended 30 June 2013 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
External segment revenue	<u>2,093,021</u>	<u>27,495</u>	<u>29,927</u>	<u>2,150,443</u>
Segment profit (loss)	<u>551,370</u>	<u>68,546</u>	<u>(30,777)</u>	<u>589,139</u>
Other income, gains and losses				31,569
Unallocated corporate expenses				(25,305)
Finance costs				<u>(12,288)</u>
Profit before tax				<u><u>583,115</u></u>

Others mainly include hotel operation, provision of consulting services and management services. There was no inter-segment revenue for six months ended 30 June 2014 and 2013.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
The balance comprises of:		
Bank interest income	25,939	11,230
Interest income from a related party	3,864	–
Net exchange (loss) gain	(23,184)	14,014
Others	8,813	6,325
	<u>15,432</u>	<u>31,569</u>

Others mainly represents the government subsidy income recognised during the interim periods.

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014	30.6.2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax in the People's Republic of China (the "PRC"):		
EIT	150,610	160,588
LAT	105,046	52,226
	<u>255,656</u>	<u>212,814</u>
Deferred tax:		
Current period	(6,235)	8,918
	<u>249,421</u>	<u>221,732</u>

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

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014 <i>RMB '000</i> (unaudited)	30.6.2013 <i>RMB '000</i> (unaudited)
Profit for the period has been arrived at after charging the following items:		
Interest on bank borrowings		
– wholly repayable within five years	382,378	230,279
– not wholly repayable within five years	3,132	12,267
Interest on senior notes	193,223	91,398
Interest on amounts due to non-controlling shareholders of subsidiaries	4,124	8,003
Less: Amount capitalised under properties under development for sale	<u>(548,073)</u>	<u>(329,659)</u>
	<u>34,784</u>	<u>12,288</u>
Staff cost	89,427	48,904
Release of prepaid lease payments	35	35
Depreciation of property, plant and equipment	10,765	17,256
Loss on disposal of property, plant and equipment	<u>81</u>	<u>96</u>

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2014 <i>RMB '000</i> (unaudited)	30.6.2013 <i>RMB '000</i> (unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<u>309,470</u>	<u>348,286</u>
	30.6.2014 '000	30.6.2013 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,783,179	2,615,500
Effect of dilutive potential ordinary shares on share options	<u>20</u>	<u>474</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,783,199</u>	<u>2,615,974</u>

The computation of diluted earnings per share for the six months ended 30 June 2014 and 2013 has accounted for the effect of those share options granted where the exercise price of the options was lower than the average market price of the Company's shares.

8. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Trade receivables	(a)	96,816	169,096
Accrued rental receivables		29,961	40,606
Other receivables	(b)	696,670	317,865
Advance to suppliers		290,886	82,121
Deposits paid to local government and third parties for the potential purchase of land use rights	(c)	655,710	201,900
Other tax prepayments		343,628	251,927
		2,113,671	1,063,515

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
0 – 60 days	50,933	84,437
61 – 180 days	18,939	79,101
181 days – 365 days	22,061	1,971
1 – 2 years	1,528	–
2 – 3 years	–	88
Over 3 years	3,355	3,499
	96,816	169,096

(b) Included in the balance is an amount of RMB210,000,000 and RMB90,000,000 (31 December 2013: nil) which is paid to local court and a third party, respectively, for the potential acquisition of properties under development for sale. The amount will be fully refundable if the Company could not acquire the properties under development for sale upon the agreement entered.

(c) The balance as at 30 June 2014 mainly represents the deposit amounting to RMB210,757,000 and RMB193,500,000 paid by the Group to local government for purchase of two parcels of land in Chongqing and six parcels of land in Shaoguan, the PRC, respectively. The transactions have not been completed up to the date these condensed consolidated financial statements were authorized for issuance.

9. TRADE AND OTHER PAYABLES

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
Trade payables	1,708,425	2,355,170
Other payables	574,008	557,036
Other taxes payable	37,106	40,316
	<hr/> 2,319,539 <hr/>	<hr/> 2,952,522 <hr/>

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

	30.6.2014 <i>RMB'000</i> (unaudited)	31.12.2013 <i>RMB'000</i> (audited)
0 – 60 days	687,104	1,052,076
61 – 180 days	225,637	576,594
181 days – 365 days	270,959	311,033
1 – 2 years	271,485	279,103
2 – 3 years	153,987	98,657
Over 3 years	99,253	37,707
	<hr/> 1,708,425 <hr/>	<hr/> 2,355,170 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2014, the Group achieved contracted sales amount of approximately RMB5.151 billion and contracted sales area of approximately 538,800 sq.m., representing an increase of approximately 38% and 16%, respectively, as compared with the same period of last year. Average selling price per sq.m. amounted to RMB9,561, representing an increase of approximately 19% as compared with the same period of last year. The sales of commercial properties accounted for approximately 55% of total contracted sales amount.

Details of sales breakdown of major projects in the first half of 2014 are as follows:

Project	Contracted sales amount <i>(RMB million)</i>	Contracted sales area <i>(sq.m.)</i>	Average selling price <i>(RMB/sq.m.)</i>
Guangzhou Aoyuan Beyond Era	808	34,200	23,602
Guangzhou Aoyuan City Plaza	757	29,800	25,416
Guangzhou Aoyuan Kangwei Plaza	420	40,100	10,493
Chongqing Aoyuan The Metropolis	349	53,100	6,571
Zhongshan Aoyuan	270	50,700	5,327
Luogang Aoyuan Plaza	248	12,500	19,773
Jiangmen Aoyuan Yicheng International Plaza	235	28,600	8,216
Chongqing Aoyuan Shuiyunjian	232	26,900	8,618
Zhuzhou Aoyuan Plaza	199	37,500	5,309
Yulin Aoyuan	184	42,200	4,369
Others	1,449	183,200	7,911
Total	5,151	538,800	9,561

In January 2014, the Group successfully issued offshore US\$300,000,000 senior notes, which were well-received by the international capital markets and were oversubscribed by 4.2 times. The issue further optimized the debt structure and provided healthier and solid environment for the Group's further development.

Land bank

Based on the solid financial position, the Group, adhering to the conservative and balanced position, adopts a prudent attitude in exploring land and gives a preferential consideration of cities and regions which has been explored and where projects with good sales achievements are located. The Group successively acquired five plots of high quality projects for commercial and residential purposes in Luogang of Guangzhou, Chongqing, Yingde and Yunfu, and the newly acquired gross floor area ("GFA") amounted to approximately 1.45 million sq.m.

The strategy of the Group is to maintain high quality land bank with relatively low cost. As at 30 June 2014, the total GFA of the land bank of the Group was approximately 11.96 million sq.m. and the average cost per square meter amounted to approximately RMB1,105, among which, 1.56 million sq.m. of properties was completed, 4.00 million sq.m. was under construction and 6.40 million sq.m. was reserved for future development. The land bank further enhanced the foundation of the Group for further growth in results. The businesses of the Group have expanded to 15 cities.

Financial Review

Operating Results

The revenue is primarily generated from two business segments: property development and other revenue such as hotel operation. In the first half of 2014, the Group's total revenue was RMB2,658.2 million, representing an increase of RMB507.8 million or 23.6% over RMB2,150.4 million in the same period of 2013. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 97.2%, 1.8% and 1.0% respectively.

In the first half of 2014, the Group's revenue generated from property development amounted to RMB2,583.6 million, representing an increase of RMB490.6 million or 23.4% over RMB2,093.0 million in the same period of 2013. The GFA of delivered properties slightly decreased by 1.6% to 300,608 sq.m. from 305,643 sq.m. in the same period of 2013, while the average selling price increased by 25.5% to RMB8,595 per square meter from RMB6,848 per square meter in the same period of 2013. This was mainly attributable to a higher proportion of the revenue in the first half of 2014 of 42.6% was derived from a relative high average selling price of retail shops and other projects against 23.9% in the same period of 2013. Overall, the revenue generated from property development of Guangzhou Aoyuan City Plaza (commercial apartments and retail shops project), Guangzhou Aoyuan Health Plaza (commercial apartments and retail shops project), Zhongshan Aoyuan (residential apartment, retail shops and low-density residential integrated project) and Chongqing Aoyuan The Metropolis (residential apartment and retail shops project) were the main source of property development revenue for the Group in the first half of 2014, with sales revenue amounting to RMB1,749.8 million in total. The revenue generated from property development attributable to Guangzhou, Chongqing, Zhongshan and other cities accounted for 45%, 18%, 14% and 23% respectively.

Breakdown of property development revenue in the first half of 2014 by product type:

Product	Sold and Delivered	
	Revenue <i>(RMB million)</i>	Area <i>('000 sq.m.)</i>
Residential apartments	1,161.0	233.2
Commercial apartments	262.0	23.0
Retail shops and others	1,099.7	34.5
Low-density residential	60.9	9.9
Total	<u>2,583.6</u>	<u>300.6</u>

Gross Profit and Margin

In the first half of 2014, the gross profit of the Group was RMB811.8 million, representing an increase of 22.0% over RMB665.2 million in the first half of 2013. The gross profit margin for the period was 30.5%, substantially the same as compared to 30.9% for the same period of 2013, which was attributable to the Group's successful commercial properties development and sales model as well as effective cost control.

Other Income, Gains and Losses

In the first half of 2014, other income, gains and losses of the Group decreased by 51% to RMB15.4 million from RMB31.6 million in the corresponding period of 2013. Other income, gains and losses mainly included interest income of RMB29.8 million, net exchange loss of RMB23.2 million and other income of RMB8.8 million.

Selling and Administrative Expenses

In the first half of 2014, total selling and distribution expenses of the Group were RMB99.7 million, representing a significant increase of 130.3% from RMB43.3 million in the same period of 2013, which is mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in the number of pre-sales properties during the period, resulting in the increase in contracted sales amount during the period. Total administrative expenses increased by 29.5% from RMB110.2 million in the same period of 2013 to RMB142.7 million, mainly due to the increase in staff expenses and other management costs resulting from the expansion of operation scale of the Group.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 43.8% is higher than the standard PRC enterprise income tax rate of 25%, primarily due to the inclusion of land appreciation tax of approximately RMB105.0 million.

Profit Attributable to Owners of the Company

In the first half of 2014, profit attributable to owners of the Company amounted to RMB309.5 million, representing a decrease of 11.1% from RMB348.3 million in the corresponding period of 2013.

Financial Position

As at 30 June 2014, the Group's total assets amounted to approximately RMB33,092.2 million (as at 31 December 2013: RMB29,931.5 million) and total liabilities were approximately RMB25,511.9 million (as at 31 December 2013: RMB22,407.7 million).

Current ratio was 1.8 as at 30 June 2014 (as at 31 December 2013: 1.8).

Financial Resources and Liquidity

In the first half of 2014, the Group's sources of fund primarily included income generated from business operations, cash from bank borrowings and issuance of senior notes in US dollar, which were used in our business operations and investment in development projects.

The Group expects that income generated from business operations and borrowings will 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 2014, the Group had cash and bank deposits of approximately RMB3,743.9 million (as at 31 December 2013: RMB2,812.3 million).

As at 30 June 2014, the Group had restricted bank deposits of approximately RMB2,540.7 million (as at 31 December 2013: RMB1,899.2 million), which was only for payments to construction contractors.

As at 30 June 2014, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled to RMB6,284.6 million, of which 82.0% was denominated in Renminbi and 18.0% was denominated in other currencies (mainly HK dollar).

Borrowings, Senior Notes and Net Gearing Ratio

Borrowings and Senior Notes

As at 30 June 2014, the Group had bank and other borrowings of approximately RMB8,356.3 million (as at 31 December 2013: RMB8,153.3 million) and senior notes of approximately RMB3,266.5 million (as at 31 December 2013: RMB1,370.6 million) as follows:

Repayment period

	30 June 2014	31 December 2013
	<i>(RMB million)</i>	<i>(RMB million)</i>
Within one year	2,994.3	2,411.3
More than one year, but not exceeding two years	2,933.2	3,672.6
More than two years, but not exceeding five years	5,612.1	3,194.2
More than five years	83.2	245.8
	<hr/> 11,622.8 <hr/>	<hr/> 9,523.9 <hr/>

The majority of borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on borrowings and senior notes in the first half of 2014 was 10.2% per annum, which was lower than 11.4% in 2013. The Group has implemented certain interest rate management policies which mainly included, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

In January 2014, the Group successfully issued offshore US\$300,000,000 5-year senior notes, which was to refinance the Group's existing indebtedness and for general corporate purposes.

As at 30 June 2014, the Group had credit facilities of approximately RMB16,508.3 million (as at 31 December 2013: RMB14,294.8 million) for short-term and long-term borrowings, of which approximately RMB3,150.0 million (as at 31 December 2013: RMB2,750.0 million) were unutilized.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total amount of borrowings and senior notes net of cash and cash equivalents and restricted bank deposits) over the total equity. As at 30 June 2014, the Group's net gearing ratio was 70.4% (as at 31 December 2013: 64.0%). 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 2014, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB7,524.3 million (as at 31 December 2013: RMB6,432.6 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 2014 were to be discharged upon the earlier of: (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

Commitments

As at 30 June 2014, the Group had construction cost and land payments contracted but not provided for of approximately RMB10,352.3 million (as at 31 December 2013: RMB8,280.8 million). The Group expects to fund these commitments principally from sale proceeds of the properties, bank borrowings and senior notes.

Foreign Currency Risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, senior notes denominated in US dollar and bank loans denominated in Hong Kong dollars, 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 2014.

Pledge of Assets

As at 30 June 2014, the Group pledged its properties for sales, property, plant and equipment, investment properties and restricted bank deposit of approximately RMB5,715.7 million (as at 31 December 2013: RMB3,395.8 million) to various banks to secure project loans and general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION

As at 30 June 2014, the Group employed a total of 2,702 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 2014, share options in respect of a total of 12,249,000 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. In accordance with the relevant national and local labour laws and regulations, the Group is required to pay employees social insurance and other insurance benefits. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

EVENT AFTER THE REPORTING PERIOD

In 3 July 2014, the Group has acquired through auction six parcels of land situated in Shaoguan, the PRC, at a consideration of RMB955,560,000. The Group has paid deposits amounting to RMB193,500,000 for the land. The land in Shaoguan are designated for commercial and residential properties for sale. The transactions have not been completed up to the date these condensed consolidated financial statements were authorized for issuance.

DIVIDEND

The Board has resolved that no interim dividend to be paid for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

During the six months ended 30 June 2014, 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 2014.

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 2014.

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 2014, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code (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 2013 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 2014 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.

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

Hong Kong, 22 August 2014

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. Zhong Ping; the non-executive director of the Company is Mr. Paul Steven Wolansky; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.