中國奧園地產集團股份有限公司

China Aoyuan Property Group Limited

(Incorporated in Cayman Islands with limited liability)

(Stock code: 3883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

- The Group has been continuing and strengthening in developing our properties with innovative idea of composite property, bringing the quality living concept of healthy, regimen and low-carbon into residential communities, and has established its future direction to adhere to its development concept of "Building a healthy, low-carbon lifestyle", and to provide splendid products and quality services.
- Revenue for the six months ended 30 June 2010 amounted to RMB1,170.1 million, an increase of approximately 59.7% compared with the corresponding period in 2009.
- Profit and total comprehensive income for the period attributable to shareholders of the Company amounted to RMB167.3 million, representing an increase of approximately 214.4% compared with corresponding period in 2009.
- Gross profit margin for the period was 22.7% and net profit margin for the period was 14.2%.
- Earnings per share for the period increased from RMB2.36 cents in the corresponding period in 2009 to RMB6.40 cents, representing 171% increase.
- Net gearing ratio as at 30 June 2010 was 27.4%.
- Land bank of approximately 8.8 million sq.m. of GFA with the average cost of approximately RMB550 per sq.m.
- Contracted sales for the period amounted to approximately RMB1,197.1 million.

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 2010, together with the comparative figures for the corresponding period in 2009, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2010 together with audited comparative figures as at 31 December 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30.6.2010	30.6.2009
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,170,100**	732,630
Cost of sales		**(904,821)**	(594,116)
Gross profit		**265,279**	138,514
Other income		**72,636**	9,390
Change in fair value of investment properties		**148,797**	(33,584)
Fair value gain in respect of investment properties transferred from completed properties for sale		**19,054**	38,900
Selling and distribution expenses		**(35,707)**	(37,888)
Administrative expenses		**(75,502)**	(44,496)
Fair value loss on convertible notes	*4*	**(100,278)**	(11,124)
Finance costs		**(6,289)**	(3,277)
Share of profit (loss) of a jointly controlled entity		**17,734**	(162)
Profit before taxation		**305,724**	56,273
Income tax expense	*5*	**(139,044)**	(3,246)
Profit for the period	*6*	**166,680**	53,027
Total comprehensive income for the period		**166,680**	53,027
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**167,291**	53,211
Non-controlling interests		**(611)**	(184)
		166,680	53,027
Earnings per share	*8*		
— Basic		**RMB6.40 cents**	RMB2.36 cents
— Diluted		**RMB6.39 cents**	RMB2.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	**30.6.2010** *RMB'000* **(unaudited)**	31.12.2009 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**141,979**	144,446
Prepaid lease payments		**9,240**	12,377
Investment properties		**1,020,723**	791,078
Interest in a jointly controlled entity		**467,849**	466,831
Amount due from a venturer of a jointly controlled entity		**192,041**	140,488
Available-for-sale investments		**296,000**	296,000
Amount due from a jointly controlled entity		**1,132,343**	850,024
Other property interests		**86,952**	86,952
Restricted bank deposits		**345,000**	345,000
Deferred taxation assets		**17,039**	27,636
		3,709,166	3,160,832
CURRENT ASSETS			
Properties for sale		**5,920,553**	6,123,183
Trade and other receivables	*9*	**432,306**	745,512
Income tax recoverable		**4,660**	5,190
Prepaid lease payments		**6,275**	6,275
Restricted bank deposits		**644,806**	400,419
Bank balances and cash		**1,266,325**	1,283,930
		8,274,925	8,564,509

	NOTES	30.6.2010	31.12.2009
		RMB'000	*RMB'000*
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade and other payables	*10*	**1,225,079**	1,719,448
Sales deposits		**142,591**	552,115
Amount due to a minority shareholder		**31,120**	26,688
Taxation payable		**737,769**	681,358
Dividend payable	*7*	**130,625**	—
Derivative financial instruments		**—**	5,968
Secured bank loans		**1,043,787**	743,420
Convertible notes		**257,838**	—
		3,568,809	3,728,997
NET CURRENT ASSETS		**4,706,116**	4,835,512
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,415,282**	7,996,344
NON-CURRENT LIABILITIES			
Secured bank loans		**2,532,599**	1,842,945
Deferred taxation liabilities		**87,928**	74,589
Convertible notes		**—**	325,850
		2,620,527	2,243,384
NET ASSETS		**5,794,755**	5,752,960
CAPITAL AND RESERVES			
Share capital		**24,990**	24,990
Reserves		**5,744,724**	5,702,318
Equity attributable to owners of the Company		**5,769,714**	5,727,308
Non-controlling interests		**25,041**	25,652
TOTAL EQUITY		**5,794,755**	5,752,960

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 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised IFRSs") issued by the IASB.

The Group will apply IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary will also be applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the coming into effect of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no impact on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

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

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of those 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 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.

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	—	provision of consulting and management services in the PRC

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

Six months ended 30 June 2010 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**1,164,896**	**4,142**	**1,062**	**1,170,100**
Segment result	**206,313**	**149,626**	**(2,467)**	**353,472**
Unallocated corporate expenses				**(30,197)**
Bank interest income				**5,460**
Other income				**65,822**
Fair value loss on convertible notes				**(100,278)**
Finance costs				**(6,289)**
Share of profit of a jointly controlled entity				**17,734**
Profit before taxation				**305,724**

Six months ended 30 June 2009 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue	724,818	7,479	333	732,630
Segment result	72,139	8,659	(248)	80,550
Unallocated corporate expenses				(19,104)
Bank interest income				8,745
Other income				645
Fair value loss on convertible notes				(11,124)
Finance costs				(3,277)
Share of loss of a jointly controlled entity				(162)
Profit before taxation				56,273

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.

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

	30.6.2010 *RMB'000* **(unaudited)**	31.12.2009 *RMB'000* (audited)
Property development	**6,369,836**	6,893,618
Property investment	**1,020,723**	797,278
Others	**1,615**	363
Total segment assets	**7,392,174**	7,691,259
Unallocated assets:		
Interests in a jointly controlled entity	**467,849**	466,831
Amount due from a venturer of a jointly controlled entity	**192,041**	140,488
Available-for-sale investments	**296,000**	296,000
Amount due from a jointly controlled entity	**1,132,343**	850,024
Restricted bank deposits	**989,806**	745,419
Other property interests	**86,952**	86,952
Deferred taxation assets	**17,039**	27,636
Income tax recoverable	**4,660**	5,190
Bank balances and cash	**1,266,325**	1,283,930
Other unallocated assets	**138,902**	131,612
Consolidated assets	**11,984,091**	11,725,341

4. FAIR VALUE LOSS ON CONVERTIBLE NOTES

The Convertible notes (the "Convertible Notes") with an aggregate principal amount of US$60.0 million were issued by a subsidiary of the Group in 2007. The Convertible Notes have an interest rate of London InterBank Offer Rate plus 3.0% payable semi-annually. On 15 April 2010, the Group entered into an agreement with the noteholder to repurchase the Convertible Notes as follows:

(a) The Group repurchased US$25,000,000 in principal amount of the Convertible Notes in cash at a price equal to 105% of US$25,000,000, plus accrued and unpaid interest thereon up to 15 April 2010. On 15 April 2010, the Group paid a total sum of US$26,462,500 to the noteholder.

(b) The Group shall on 31 August 2010 or before repurchase all the then outstanding Convertible Notes, in cash at a repurchase price equal to the greater of:

  (i) the total amount in U.S. dollar equivalent to 108% of US$35,000,000 plus any interest earned in respect of such amount in designated bank accounts maintained by the subsidiary of the Group since 15 April 2010; and

  (ii) 108% of the principal amount of the Convertible Notes then outstanding, plus accrued and unpaid interest on such outstanding Convertible Notes up to 31 August 2010.

(c) On 15 April 2010, the Company deposited a total sum of US$37,800,000 (equivalent to approximately RMB257,830,000) to the said designated bank accounts of the subsidiary of the Company.

On 3 August 2010, the Company repurchased the remaining US$35,000,000 (equivalent to approximately RMB238,732,000) in principal amount of the Convertible Notes at the redemption price of US$38,370,000 (equivalent to approximately RMB261,718,000).

Based on the agreement, a loss of RMB100.3 million on repurchase of the Convertible Notes amounting to US$60.0 million was recognised in the consolidated financial statements of the Group for the half year ended 30 June 2010.

5. INCOME TAX EXPENSE

	Six months ended 30.6.2010 *RMB'000* **(unaudited)**	Six months ended 30.6.2009 *RMB'000* (unaudited)
The income tax expense comprises:		
Current tax		
— PRC enterprise income tax	**92,172**	710
PRC land appreciation tax	**22,936**	(2,603)
Deferred taxation	**23,936**	5,139
	139,044	3,246

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

6. PROFIT FOR THE PERIOD

	Six months ended 30.6.2010 *RMB'000* **(unaudited)**	Six months ended 30.6.2009 *RMB'000* (unaudited)
Profit for the period has been arrived at after charging:		
Interest on convertible notes	**14,146**	21,410
Interest expense on secured bank loans wholly repayable within five years	**52,241**	48,181
Interest expense on secured bank loans not wholly repayable within five years	**434**	—
Less: capitalised under properties under development for sale	**(60,532)**	(66,314)
	6,289	3,277
Release of prepaid lease payments	**3,137**	3,103
Depreciation of property, plant and equipment	**6,038**	5,520
Fair value loss on convertible notes	**100,278**	11,124
and crediting:		
Interest income	**(53,411)**	(8,745)
Net foreign exchange gain	**(16,367)**	(2,327)

7. DIVIDENDS

During the period ended 30 June 2010, a final dividend of RMB3.3 cents per share amounting to RMB86,213,000 and a special dividend of RMB1.7 cents per share amounting to RMB44,412,000 for the year ended 31 December 2009 was approved by shareholders in annual general meeting. These amounts were paid in July 2010.

The directors of the Company have resolved that no interim dividend to be paid for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

8. 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 30.6.2010 *RMB'000* **(unaudited)**	Six months ended 30.6.2009 *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	**167,291**	53,211
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**2,612,500,000**	2,252,500,000
Effect of dilutive potential ordinary shares on share options	**4,470,133**	4,523,243
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,616,970,133**	2,257,023,243

During the six months ended 30 June 2010 and 2009, the computation of diluted earnings per share has not taken into account the effect of certain share options granted because the exercise prices of those options were higher than the average market price of the Company's shares during the respective period. In addition, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes up to the repurchase date since its assumed exercise would result in an increase in earnings per share for the six months ended 30 June 2010 and 2009.

9. TRADE AND OTHER RECEIVABLES

	30.6.2010 *RMB'000* **(unaudited)**	31.12.2009 *RMB'000* (audited)
Trade receivables	**85,844**	294,568
Other receivables	**148,739**	269,633
Advance to suppliers	**99,718**	145,914
Deposits for purchase of properties	**81,005**	—
Deposits for purchase of land use rights	**10,000**	10,000
Prepayments and other deposits	**7,000**	25,397
	432,306	745,512

10. TRADE AND OTHER PAYABLES

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**968,043**	1,458,554
Other payables	**209,977**	193,729
Other taxes payables	**47,059**	67,165
	1,225,079	1,719,448

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The macro economy has shown a rapid growth in the first half of 2010. However, inflation trend has also arisen and the sustaining growth of domestic consumption and export has not caught up. Economic growth was relying largely by investment activities. It is expected that the China economy growth shall slow down in the second half of the year and the credit tightening policy shall be reduced significantly.

In the first half of the year, the total property development investment in China has recorded RMB1,974.7 billion, representing a year-to-year increase of 38.1%. Residential housing investment was RMB1,369.2 billion, representing a year-to-year increase of 34.4% and 69.3% of the total property development investment. The changes in macro policy resulted in the China property market experienced a downward trend in the first half of the year. This was especially obvious after the launch of the unprecedented tight control policy from mid-April. The overall property market of China has slowed down and the sales volume has shrunken.

China property market has shrunken into correction after the recent prosperity. In the long term, property market is supporting the rapid economic growth in China. Urbanization continues to keep a real demand for residential housing. We maintain a positive view on the future of property industry.

Facing the market changes, Aoyuan always adheres to its healthy, stable and sustaining growth development policy. The Group stays highly alert to the market sensitivity and adjusts its operating strategy proactively. The Group is improving its management and operation for up-keeping the core competitive strengths and brand name. Meanwhile, the Group maintains a reasonable sufficient cash flow and closely monitors the strategic opportunities arising from the industry adjustment. Our objective is to create a greater value to our shareholders utilizing our own strengths to secure new development opportunities.

When the Group is keeping its residential property development competitive strength, we have launched commercial property development. The parallel development policy of "Residential as core and supplemented by commercial properties development" is our strategy. The Group considers that such strategy helps the Group to achieve a balance of the impacts from the market cycle and the macro policy, and this shall generate both good investment returns and stable cash flow.

The government has been launching the policy of re-developing the old town, old factories and old village in the last two years and there are quite a lot of such opportunities in Guangdong Province. The Group is actively participating in the redevelopment program and has already entered into negotiation stage on several old town redevelopment projects. Up to date, we have entered into framework agreements with two respective parties for these redevelopment programs.

In the first half of 2010, the Group accelerated project development progress, and continued to launch new products. The total contracted sales amounted to approximately RMB1,197.1 million, with sales area of approximately 106,300 sq.m.

Land Bank

As at 30 June 2010, we have a land bank of approximately 8.8 million sq.m. of GFA. 38% and 36% of our land bank are located in Guangdong and Shenyang respectively.

The Group's strategy is to maintain a low cost and high quality land bank. The current average cost is approximately RMB550 per sq.m. of GFA. Amongst our land bank, about 0.5 million sq.m. is of completed properties, 1.4 million sq.m. is under development stage and 6.9 million sq.m. is held for future development. The management believes that the existing land bank can meet the Group's project development in the coming five to seven years.

During the first half of 2010, the Group entered into a framework agreement with an independent party (the "Vendor") for acquisition of commercial offices (the "Properties") located in Guangzhou, the PRC. The formal agreement was signed in July 2010. The Vendor has agreed to sell the Properties at a total consideration of approximately RMB161.5 million, which is subject to adjustment based on the actual floor area delivered.

Future Outlook

In anticipation of the future changing economic situation, we foresee more uncertainties in the China property market and accordingly will continue to implement our national development strategy of "Diversified landbank with regional focus" to adjust the product mix and development pace according to the local market changes. We focus on those residential property projects of strong demand to ensure a good cash flow return. The Group will also enhance its operating and management ability in terms of product innovation, marketing planning, cost control and others, to maintain strong growth in sales and profits, and improve asset turnover. Furthermore, the Group will boost its brand image, reinforce customer relationship management, and supply better products and services for meeting higher customer satisfaction.

To cope with a property market of higher level of competition and integration, the Group will leverage its excellence in marketing, design and R&D, as well as cost control, to ensure the stable growth and reinforce leading position in the industry. Meanwhile, the Group is always looking for merger and acquisition opportunities to increase its land bank with prudence; and actively explores participation in the "old town, old village and old factory" redevelopment projects.

FINANCIAL REVIEW

Revenue

The revenue is primarily generated from two business segments: property development and property investment. For the first half of 2010, the Group's total revenue was RMB1,170.1 million, representing an increase of RMB437.5 million or 59.7% over RMB732.6 million in 2009. Property development remained to be the main source of revenue.

In the first half of 2010, the Group's sales revenue generated from property development amounted to RMB1,164.9 million, representing an increase of RMB440.1 million or 60.7% over RMB724.8 million in the corresponding period of 2009, primarily due to an increase in the area of delivered properties from approximately 164,700 sq.m. in the corresponding period of 2009 to approximately 247,700 sq.m.. The revenue generated from property development in Chongqing Aoyuan • City of Health and Nansha Aoyuan totalled RMB812.1 million, remained as the main source of revenue of the Group. The sales revenue generated from property development attributable to Chongqing, Guangzhou and other cities represented 49%, 30% and 21% respectively.

Gross Profit and Margin

In the first half of 2010, the gross profit of the Group was RMB265.3 million, representing an increase of 91.6% over RMB138.5 million in the first half of 2009. The gross margin increased to 22.7% from 18.9% in the corresponding period of 2009.

Other Income

In the first half of 2010, other income of the Group increased 673.5% to RMB72.6 million from RMB9.4 million in the corresponding period of 2009.

Selling and Administrative Expenses

The selling expenses totalled RMB35.7 million, representing a decrease of 5.8% from RMB37.9 million in the corresponding period of 2009 and the selling expenses over revenue ratio decreased to 3.1% from 5.2% in the corresponding period of 2009, benefited from stringent cost control procedure and more effective sales strategy adopted by the Group. As a result of more projects commenced construction, including Zhongshan, Shenyang, Guangzhou and Jiangmen, this period, more staff were employed to speed up the project development. The total administrative expenses amounted to approximately RMB75.5 million, representing an increase of 69.7% from RMB44.5 million in the corresponding period of 2009. Indeed, the administrative expenses for each individual project were reduced and under stringent cost control.

Share of Result of a Jointly Controlled Entity

In the first half of 2010, the Group recorded revenue from share of result of a jointly controlled entity of RMB17.7 million, as compared to loss of RMB0.2 million in the corresponding period of 2009.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 45.5% is higher than standard PRC enterprise income tax of 25% is because of (a) land appreciation tax of approximately RMB22.9 million and (b) one-off non-cash item being fair value loss on convertible notes amounted to approximately RMB100.3 million be non-deductible item in tax computation.

Profits Attributable to Shareholders

In the first half of 2010, profits attributable to shareholders amounted to RMB167.3 million, representing an increase of 214.4% from RMB53.2 million in the corresponding period of 2009. Excluding loss of RMB100.3 million from change in fair value of convertible notes which is one-off non-cash accounting adjustment, profits attributable to shareholders increased to RMB267.6 million.

Financial Position

As at 30 June 2010, the Group's total assets amounted to approximately RMB11,984.1 million (as at 31 December 2009: RMB11,725.3 million) and total liabilities were approximately RMB6,189.3 million (as at 31 December 2009: RMB5,972.4 million).

Current ratio was 2.3 as at 30 June 2010 (as at 31 December 2009: 2.3).

Financial Resources and Liquidity

In the first half of 2010, 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. In June 2010, the Group entered into a loan agreement with a bank for borrowings of HKD500.0 million, to satisfy the Group's general working capital requirements.

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

Cash Position

As at 30 June 2010, the Group had cash and bank deposits of approximately RMB1,266.3 million (as at 31 December 2009: RMB1,283.9 million).

As at 30 June 2010, the Group had restricted bank deposits of approximately RMB989.8 million (as at 31 December 2009: RMB745.4 million), of which RMB937.0 million was only for acquiring bank loans, and others only for payments to construction contractors.

As at 30 June 2010, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled RMB2,256.1 million, of which 74.9% was denominated in Renminbi and 25.1% was denominated in other currency (mainly HK dollar and U.S. dollar).

Borrowings and Net Gearing Ratio

Bank borrowings

As at 30 June 2010, the Group had bank borrowings of approximately RMB3,576.4 million (as at 31 December 2009: RMB2,586.4 million) as follows:

Repayment period

	30 June 2010 ***RMB Million***	31 December 2009 *RMB Million*
Within one year	**1,043.8**	743.4
More than one year, but not exceeding two years	**860.3**	492.7
More than two years, but not exceeding five years	**1,493.8**	1,350.3
More than five years	**178.5**	—
	3,576.4	2,586.4

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 2010 was 3.7%, representing a decrease from 6.4% for the corresponding period of 2009. The Group has implemented certain interest rate management policies which mainly include, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As at 30 June 2010, the Group had banking facilities of approximately RMB5,966.0 million (as at 31 December 2009: RMB6,373.0 million) for short-term and long-term bank loans, of which approximately RMB4,353.2 million (as at 31 December 2009: RMB5,081.9 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 2010, the net gearing ratio of the Group was 27.4% (as at 31 December 2009: 15.4%).

Contingent liabilities

As at 30 June 2010, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB1,746.0 million (as at 31 December 2009: RMB1,859.3 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 2010 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 "Company") 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 Company because of the uncertainty about the validity of the Vendors' shareholding in the Target. The Vendors then claimed against the Company 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.

As at 30 June 2010, the Group had contingent liabilities relating to guarantees in respect of bank borrowings of approximately RMB590.0 million of Century Profit (as at 31 December 2009: RMB590.0 million). The fair value of the financial guarantee was not significant at initial recognition. No provision for the financial guarantee has been made at 30 June 2010 and 31 December 2009 as the default risk is low.

Commitments

As at 30 June 2010, the Group had construction cost contracted but not provided for of approximately RMB2,869.0 million (as at 31 December 2009: RMB2,367.0 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 denominated in foreign currencies, the convertible notes denominated in U.S. dollar 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 2010.

Pledge of assets

As at 30 June 2010, the Group pledged its property held for development and property under construction of approximately RMB2,653.3 million (as at 31 December 2009: RMB1,937.8 million) to various banks to secure project loans and general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION

As at 30 June 2010, the Group employed a total of 574 employees. The Group has adopted a performance based rewarding system to motivate its staff and such system was reviewed on a regular basis. In addition to a basic salary, year-end bonuses will be offered to those staff with outstanding performance. The Group is also subject to social insurance contribution plans organized by the PRC governments. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident fund.

Moreover, a share option scheme has been adopted in September 2007 to retain talents who made significant contribution to the Group. As at 30 June 2010, share options in respect of a total of 70,079,500 shares of the Company were granted to certain directors and employees. 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 2010 (six months ended 30 June 2009: Nil).

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

During the six months ended 30 June 2010, 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 2010.

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 2010.

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 2010, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, with a deviation from the code provisions A.2.1 in respect of separate roles of chairman and chief executive officer. The Company's compliance with the provisions and recommended best practices of the CG Code together with reasons for the deviation are set out in the Corporate Governance Report contained in the 2009 Annual Report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (http://aoyuan.com.cn) and the Stock Exchange (http://www.hkex.com.hk). An interim report for the six months ended 30 June 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the said websites in due course.

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

Hong Kong, 19 August 2010

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. Hu Da Wei, Mr. Lam Kam Tong and Ms. Xin Zhu; (2) the non-executive directors namely Mr. Wu Jie Si, Mr. Paul Steven Wolansky and Mr. Leung Ping Chung, Hermann (Mr. Leung Ping Chung, Hermann is also the alternate director of Mr. Paul Steven Wolansky); (3) the independent non-executive directors namely Mr. Ma Kwai Yuen, Mr. Song Xian Zhong and Mr. Tsui King Fai.