CHINA AOYUAN PROPERTY GROUP LIMITED

中國奧園地產集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

- Revenue for the six months ended 30 June 2008 amounted to RMB484.0 million, an increase of approximately 546.2% compared with the corresponding period in 2007.
- Profit attributable to equity holders of the Company amounted to RMB167.5 million, representing a growth of approximately 426.0% compared with the corresponding period in 2007.
- Gross profit margin for the period was 37.3%, a decrease from 64.1% in the corresponding period in 2007.
- Net profit margin for the period was 34.6%, a decrease from 42.5% in the corresponding period in 2007.
- Earnings per share for the period amounted to RMB7.4 cents, an increase from RMB2.1 cents in the corresponding period in 2007.

INTERIM RESULTS

The board of directors (the "Board") of China Aoyuan Property Group Limited ("Aoyuan") or (the "Company") is pleased to announce the unaudited condensed consolidated income statement of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007, the unaudited condensed consolidated balance sheet of the Group as at 30 June 2008 together with audited comparative figures as at 31 December 2007, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30.6.2008	30.6.2007
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	*4*	**484,004**	74,929
Cost of sales		**(303,348)**	(26,930)
Gross profit		**180,656**	47,999
Other income		**62,671**	22,557
Change in fair value of investment properties		**-**	8,104
Fair value gain in respect of investment properties transferred from completed properties for sale		**92,260**	55,142
Selling and distribution expenses		**(70,538)**	(11,909)
Administrative expenses		**(103,875)**	(30,251)
Change in fair value of embedded derivatives component of convertible note		**70,656**	(16,931)
Finance costs		**(3,485)**	(28,448)
Share of losses of jointly controlled entities		**-**	(232)
Profit before taxation		**228,345**	46,031
Income tax expense	*5*	**(60,858)**	(14,208)
Profit for the period	*6*	**167,487**	31,823
Attributable to:			
Equity holders of the Company		**167,544**	31,854
Minority interests		**(57)**	(31)
		167,487	31,823
Dividends	*7*	**123,888**	—
Earnings per share	*8*		
— Basic		**RMB 7.4 cents**	RMB 2.1 cents
— Diluted		**RMB 3.5 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**68,730**	63,969
Investment properties	9	**479,750**	353,750
Prepaid lease payments		**22,356**	24,927
Deferred taxation assets	13	**14,139**	5,939
Long term trade receivables	10	**57,221**	—
		642,196	448,585
CURRENT ASSETS			
Inventories		**-**	12
Properties for sales		**3,379,261**	2,593,119
Other property interests		**86,952**	86,952
Trade and other receivables	10	**2,888,526**	2,299,322
Prepaid lease payments		**6,282**	6,275
Restricted bank deposits		**132,410**	148,246
Bank balances and cash		**1,618,522**	2,658,201
		8,111,953	7,792,127
CURRENT LIABILITIES			
Trade and other payables	11	**678,356**	823,913
Sale deposits		**465,997**	234,890
Tax payable		**705,440**	641,367
Derivative financial instruments	14	**9,395**	80,051
Secured bank loans	12	**252,840**	74,912
		2,112,028	1,855,133
NET CURRENT ASSETS		**5,999,925**	5,936,994
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,642,121**	6,385,579

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Secured bank loans — due after one year	12	**1,067,340**	808,900
Deferred taxation liabilities	13	**169,736**	226,173
Convertible note	14	**305,056**	306,400
		1,542,132	1,341,473
		5,099,989	5,044,106
CAPITAL AND RESERVES			
Share capital	15	**21,838**	21,838
Reserves		**5,068,208**	5,022,268
Equity attributable to equity holders of the Company		**5,090,046**	5,044,106
Minority interests		**9,943**	—
		5,099,989	5,044,106

Notes:

1. GENERAL INFORMATION

The Company was incorporated on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9 October 2007. The Company's ultimate holding company then was Ace Rise Profits Limited, incorporated in the British Virgin Islands. The address of the registered office and the principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands and Nanguo Aoyuan, Hanxi Road, Zhong Cun Town, Panyu, the People's Republic of China (the "PRC"), respectively.

2. BASIS OF PREPARATION

Pursuant to a series of group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company issued shares in exchange for the entire issued share capital of Add Hero Holdings Limited ("Add Hero") and thereby became the holding company of the Group on 6 September 2007. Details of the Group Reorganisation are set out in the prospectus dated 21 September 2007 issued by the Company. The Group resulting from the Group Reorganisation is regarded as a continuing entity.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, new interpretations (the "new Interpretations") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new Interpretations had no material effect on how the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

4. REVENUE AND BUSINESS SEGMENTS

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

Principal activities are as follows:

Property development — developing and selling of properties in the PRC

Property investment — leasing of investment properties in the PRC

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

The Group's revenue and contribution to profit analysed by business segments are as follows:

Six months ended 30 June 2008 (unaudited)

	Property development	**Property investment**	**Others**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**477,410**	**4,792**	**1,802**	**484,004**
Segment result	**72,459**	**93,503**	**497**	**166,459**
Unallocated corporate expenses				**(67,956)**
Other income				**62,671**
Change in fair value of embedded derivative components of convertible note				**70,656**
Finance costs				**(3,485)**
Profit before taxation				**228,345**
Income tax expense				**(60,858)**
Profit for the period				**167,487**

Six months ended 30 June 2007 (unaudited)

	Property development	Property investment	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	67,791	3,662	3,476	74,929
Segment result	22,183	63,550	1,763	87,496
Unallocated corporate expenses				(18,411)
Other income				22,557
Change in fair value of embedded derivative components of convertible note				(16,931)
Finance costs				(28,448)
Share of losses of jointly controlled entities				(232)
Profit before taxation				46,031
Income tax expense				(14,208)
Profit for the period				31,823

5. INCOME TAX EXPENSE

	Six months ended 30.6.2008	Six months ended 30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
The income tax expense comprises:		
Current tax		
— PRC enterprise income tax	**97,334**	8,900
— PRC land appreciation tax	**28,161**	9,374
	125,495	18,274
Deferred taxation *(note 13)*		
— current period	**(64,637)**	8,395
— attributed to change in tax rate	**-**	(12,461)
	(64,637)	(4,066)
	60,858	14,208

Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the Enterprise Income Tax for both domestic and foreign-invested enterprises has been unified at 25% effective from 1 January 2008. The Group's PRC Enterprise Income Tax is calculated at 33% of the estimated assessable profit for the period ended 30 June 2007. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights and all property development expenditures.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30.6.2008 *RMB'000* *(unaudited)*	Six months ended 30.6.2007 *RMB'000* *(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**2,564**	3,020
Depreciation of property, plant and equipment	**5,833**	1,813
Net foreign exchange loss (gain) included in administrative and selling and distribution expenses	**34,862**	(15,840)
Interest on convertible note	**27,320**	57,821
Interest expense on bank borrowings	**33,839**	10,674
Less: capitalised under properties under development	**(57,674)**	(40,047)
	3,485	28,448
Interest income	**(30,957)**	(2,619)

7. DIVIDEND

During the period, a dividend of RMB5.5 cents (2007: Nil) per share was paid to shareholders as final dividend for the year ended 31 December 2007.

The Board has resolved that no interim dividend be paid for six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30.6.2008	Six months ended 30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings:		
Earnings for the purpose of basic earnings per share	**167,544**	31,854
Effect of dilutive potential ordinary shares in respect of		
— Interest on convertible note net of amount capitalised	**3,485**	—
— Change in fair value of embedded derivatives component of convertible note	**(70,656)**	—
— Exchange difference	**(19,108)**	—
Earnings for the purposes of diluted earnings per share	**81,265**	31,854
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,252,500,000**	1,500,000,000
Effect of dilutive potential ordinary shares on		
— Convertible note	**89,769,231**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**2,342,269,231**	1,500,000,000

During the six months period ended 30 June 2007, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible note since its exercise would result in an increase in earnings per share during the six months period ended 30 June 2007. The calculation of basic and diluted earnings per share for six months period ended 30 June 2007 is assuming that 1,500,000,000 shares of the Company had been in issue throughout the period.

No diluted earnings per share for share options has been presented because the exercise price of the Company's option was higher than the average market price of shares for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The fair value of the Group's investment properties transferred from properties for sales during the period was performed by external valuers, American Appraisal China Limited, at 30 June 2008. The excess of fair value of these investment properties of RMB126,000,000 over their carrying amount of RMB33,740,000 when they were classified as properties for sales, amounting to RMB92,260,000 (six months ended 30 June 2007: RMB55,142,000) has been recognised directly in the condensed consolidated income statement. The remaining investment properties of the Group of RMB353,750,000 are also measured using the fair value model and their fair values as at 30 June 2008 have also been determined by American Appraisal China Limited by reference to market evidence of transaction prices of similar properties, which approximate to their previous carrying amounts as at 31 December 2007.

During the period, the Group acquired certain plant and equipment at a cost of approximately RMB10,594,000 (six months ended 30 June 2007: RMB1,625,000).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**915,904**	1,371,508
Receivable for disposal of property, plant and equipment	**-**	58,517
Receivable for disposal of investment properties	**-**	80,697
Other receivable	**291,952**	141,824
Advance to suppliers	**573,365**	381,855
Deposits paid for properties under development	**1,096,551**	259,773
Prepayments and other deposits	**10,754**	5,148
Trade and other receivables shown under current assets	**2,888,526**	2,299,322
Long term trade receivables shown under non-current assets	**57,221**	—
	2,945,747	2,299,322

The following is an aging analysis of trade receivables at the balance sheet date:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0–60 days	**145,079**	1,038,351
61–180 days	**1,274**	263,964
181 days–1 year	**809,556**	2,442
1–2 years	**16,671**	66,201
2–3 years	**545**	550
	973,125	1,371,508

The trade receivables is analysed as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Current assets	**915,904**	1,371,508
Non-current assets *(note)*	**57,221**	—
	973,125	1,371,508

Note: According to sales and purchase agreement entered into with the customer, certain balances of the trade receivable will not be settled within twelve months after the balance sheet date.

11. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**342,992**	500,588
Other payables	**277,378**	211,137
Other taxes payables	**57,986**	112,188
	678,356	823,913

The following is an aged analysis of trade payables at the balance sheet date:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0–60 days	**123,190**	141,418
61–180 days	**66,540**	195,530
181 days–1 year	**61,186**	48,353
1–2 years	**38,480**	48,535
2–3 years	**20,262**	27,538
Over 3 years	**33,334**	39,214
	342,992	500,588

12. BANK BORROWINGS

During the period, the Group obtained new bank borrowings amounting to RMB561,660,000. The proceeds were used to finance the development of properties.

Except for borrowings of RMB175,840,000 which are denominated in Hong Kong dollars (foreign currency), all the remaining borrowings as at 30 June 2008 are denominated in Renminbi.

Majority of the bank borrowings are fixed rate borrowings, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings for the period is 7.06% per annum (2007: 6.9% per annum).

13. DEFERRED TAX LIABILITIES (ASSETS)

The following is the major deferred tax liabilities (assets) recognised and movement thereon during the current accounting period:

	Change in fair value of investment properties	Revaluation of properties	Temporary difference on revenue recognition and related cost of sales	Tax losses	Other temporary difference	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	19,557	26,364	173,948	(5,028)	5,393	220,234
Charge(credit) to condensed consolidated income statement	**23,065**	**-**	**(77,960)**	**(9,111)**	**(631)**	**(64,637)**
At 30 June 2008	**42,622**	**26,364**	**95,988**	**(14,139)**	**4,762**	**155,597**

For the purpose of balance sheet presentation, certain deferred tax assets have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Deferred tax assets	**(14,139)**	(5,939)
Deferred tax liabilities	**169,736**	226,173
	155,597	220,234

14. CONVERTIBLE NOTE

The convertible note ("Convertibles Note") issued by Add Hero entitles the noteholder ("Noteholder") to convert it into the Company's ordinary shares at any time prior to 13 February 2012 (the "Maturity Date") at a conversion price as set out in the Note Purchase Agreement.

During 18 months following the Initial Public Offering ("IPO") and prior to the Maturity Date, if the volume weighted average price of the Company's share has equaled or exceeded 130% of the conversion price in effect on 20 of the last 30 trading days, Add Hero shall have the option to redeem all the Convertible Note at its principal amount plus accrued and unpaid interest up to the date of redemption in cash.

Interest of London Inter Bank Offer Rate ("LIBOR") plus 3% is paid in the event that IPO occurs by 15 July 2008. If IPO fails to occur by July 2008, interest of LIBOR plus 5.75% shall be paid.

Noteholder shall have the right to request redemption upon occurrence of certain events, including a) a change of control of the Company; b) adoption of by shareholders of Add Hero of a plan or proposal for the liquidation, dissolution or winding up of Add Hero; c) IPO of the Company; or (d) an Event of Default, at 102% of the outstanding principal amount of the Convertible Note plus accrued and unpaid interest.

Convertible Note contains liability component stated at amortised cost and conversion option, issuer redemption option (collectively the "embedded derivatives component") which are not closely related to the host contract and are stated at fair value. The embedded derivatives component is presented on a net basis as the terms and conditions of options under the embedded derivatives component are inter-related.

The fair value of the embedded derivatives of the Convertible Note comprises:

(a) The fair value of option of the Noteholder to convert the convertible note into equity of the Company; and

(b) The fair value of the option of the Company to redeem the convertible note.

Binomial model is used in the valuation of these embedded derivatives.

A decrease of approximately RMB70,656,000 (six months ended 30 June 2007: increase of RMB16,931,000) in respect of the fair value of embedded derivatives of the Convertible Note was recognised during the six months period ended 30 June 2008.

15. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$000
Authorised:		
At 1 January 2008 and 30 June 2008	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	2,252,500,000	22,525
		RMB'000
Shown in the consolidated balance sheet		21,838

16. COMMITMENTS

At balance sheet date, the Group had the following commitments:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Construction cost commitment contracted for but not provided	**3,500,092**	2,783,252
Other commitments *(Note)*	**-**	931,198
	3,500,092	3,714,450

Note: On 23 November 2007 and 6 December 2007, the Group entered into two sales and purchase agreements with Guangzhou Land Bureau (廣州市國土資源局) for the acquisition of two pieces of land located in Guangzhou for a total consideration of RMB1,021,290,000. As at 31 December 2007, RMB90,092,070 was paid as deposit for such acquisition and the remaining balance was settled during the six months period ended 30 June 2008.

17. CONTINGENCIES

The Group had the following contingent liabilities as at 30 June 2008:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Guarantees given to banks in connection with facilities granted to third parties	**358,161**	333,476

The Group acted as guarantor to the mortgage bank loans granted to purchasers of the Group's properties and agreed to repurchase the properties upon the purchasers default the repayment of bank loans. In the opinion of directors of the Company, the fair value of the financial guarantee contracts is not significant.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	Six months ended	Six months ended
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Rental income	**-**	3,632
Construction fee paid	**-**	16,999
Interest income	**-**	2,360

The above transactions were entered into with the companies in which a director of the Company, Mr. Guo Ziwen, has beneficial interests.

The remuneration of key management (excluding remunerations of directors) during the year is as follows:

	Six months ended	Six months ended
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Salaries and other allowance	**2,675**	1,880
Share-based payment	**52**	—
	2,727	1,880

The retirement benefit contributions of the directors of the Company during the periods were not material and paid by other related companies.

MANAGEMENT DISCUSSION AND ANALYSIS

China Property Market overview

In the first half of 2008, China's economy remained relatively fast growth despite the Chinese Government adopted a tight monetary policy. According to initial estimates, GDP maintained relatively rapid development and increased by 10.4% year on year to RMB13,061.9 billion. The per capita disposable income of urban residents increased by 14.4% to RMB8,065 over last year, representing a real growth of 6.3%, net of price factors, 7.9 percentage points lower than the same period last year. Meanwhile, the per capita cash income of rural residents increased by 19.8% to RMB2,528, representing a real growth of 10.3%, net of price factors.

In the first half of 2008, property investments in China amounted to RMB1,319.6 billion, representing a year-on-year growth of 33.5%. Residential housing investments increased by 36.5% to RMB949.7 billion, of which, investments in economically-affordable housing projects increased by 31.2% to RMB38.2 billion and land development area increased by 9.9% year on year to 130 million square meters. During the first half of 2008, area of commercial units sold nationwide decreased by 7.2% year on year to 259 million square meters, and sales of commercial units nationwide decreased by 3% year on year to RMB1,032.5 billion.

The implementation of the austerity measures by the Chinese Government in the last quarter of 2007, which aimed to regulate the demand and supply as well as to cool down the overheated property market, creates uncertainties in the China property market in the first half of 2008. In the short run, the austerity measures have impact, which varies from city to city, on the property market such as softening of property prices. Under the austerity measures, the China property market is undergoing a consolidation period and moving towards a healthy operating environment in the long run.

Facing a fast growing market and the austerity measures implemented by the government, the Group believes that there are still several fundamental factors underpinning the development of the real estate market in China, and only those market players with strong brand name, operational expertise and financial strengths can survive and prosper in the long run. As one of the leading real estate developers, the Group is confident that it is well positioned to take advantage of the current market condition and will explore strategic opportunities in industry consolidation.

BUSINESS REVIEW

After successfully implemented our development strategy nationwide in 2007, we have achieved a remarkable performance in Guangdong and Chongqing in the first half of 2008.

Guangzhou remains an important market of the Group, where approximately 70.0% of the total sales in the first half of 2008 were derived therefrom. The market responded especially favorably to the new flats of 嶺壹號 launched by the Group's Nanguo Aoyuan project in May 2008. Over 90% of the first phase of 果嶺壹號 was sold in the first half of 2008.

Property business in Chongqing is one of the Group's strategic areas in 2008. The Chongqing Aoyuan began its pre-sale in June 2008 and results were remarkable with over 80,000 sq.m. in terms of GFA with a value of approximately RMB301.7 million were sold in the first month. Total saleable area of Chongqing Aoyuan is over 500,000 sq.m. We are confident that Chongqing Aoyuan will make significant contribution to the sales of the Group in the second half of 2008.

In May 2008, the Group entered into a shareholders' agreement with MGP Asia III Holdings (BVI) Limited, pursuant to which both parties agreed to develop commercial properties in Panyu held by a joint venture company. The conditions precedent will soon be fulfilled and the joint venture would commence development in the second half year. We believed that the development of this project would strongly support our total revenues and profits in the coming years.

Our project development is driven by sales and demand in the market in order to maintain a healthy cash flow. In the first half of 2008, 27,648 sq.m. were completed and 414,711 sq.m. were newly put into construction. We have also achieved a total sales of 83,808 sq.m. with sales revenue of approximately RMB477.4 million and details are as follows:

Projects	**Sold Area**	**Revenue**
	sq.m.	*RMB Million*
Yu Zhong Ming Jun	43,850	137.4
Nansha Aoyuan	16,170	115.2
Aoyuan Hai Jing Cheng	629	11.9
Nanguo Aoyuan	18,222	202.7
Panyu Aoyuan	691	4.7
Jiangxi Aoyuan	4,246	5.5
Total	83,808	477.4

In the first half of 2008, the Group continued to prosper as a result of our strategy of sustainable growth and financial prudence. We focused on development projects with low market risks and high and fast returns. The land bank of the Group as at 30 June 2008 was over 5 million sq.m. which is sufficient to meet our development needs in the coming four to five years. Therefore, we could slightly slow down the pace of land acquisition without affecting our project development.

FUTURE OUTLOOK

As the China property market is undergoing a consolidation period in the coming years, a lot of opportunities of merger and acquisition will evolve in the market. We will increase our land bank by capturing the opportunities of merger and acquisition with a prudent and cautious attitude although we do not have any urgency to increase our land bank.

The Group will continue to look for the co-operation opportunities with foreign as well as domestic investors with an aim to expand the network with financial institutions in the market for additional funding sources although the Group is currently in a healthy financial position.

With the appointment of more senior management to the Group, our management capacity is strengthen. The Group is undergoing a re-engineering with the objective to enhance the operation efficiency of the Group.

In the second half of 2008, the Group will further implement the development strategy nationwide and expand beyond Guangdong. We will place more emphasis on developing projects at the city centres in our target cities. In the same time we will continue to implement our long established successful strategy of investing properties in the suburbs. We will adjust our development pace and continue to launch innovative products to meet the changing market needs.

FINANCIAL REVIEW

Revenue

The revenue is primarily generated from two business segments: property development and property investment. The total revenue of the Group for the six months ended 30 June 2008 was approximately RMB484.0 million, representing an increase of approximately RMB409.1 million or 546.2% over approximately RMB74.9 million in the corresponding period of 2007. It was mainly attributable to the increase in sales of properties.

Property development

Revenue generated from property development increased by 604.1% to approximately RMB477.4 million in the first half of 2008 from approximately RMB67.8 million in the corresponding period of 2007, is primarily due to a 576.4% increase in total GFA delivered to 83,808 sq.m. in the first half of 2008 from 12,390 sq.m. in the corresponding period of 2007. The average selling price of the properties delivered increased from RMB5,471 per sq.m. to RMB5,696 per sq.m., being an increase of 4.1%.

The following table shows the product mix which the Group achieved in the first half of 2008.

Product	**Sold Area**	**Amount**
	sq.m.	*RMB'000*
Commercial properties	6,977	39,774
Apartments	70,416	366,828
Villas	6,415	70,808
	83,808	477,410

Property investment

Revenue derived from property investment increased by approximately 29.7% to approximately RMB4.8 million in the first half of 2008 from approximately RMB3.7 million in the corresponding period of 2007, primarily attributable to the increase in GFA for rental purpose.

Cost of sales

Cost of sales included land and construction cost, decoration cost, capitalized interest and amortization of land premium. Cost of sales for the six months ended 30 June 2008 increased by 1,027.5% from approximately RMB26.9 million to approximately RMB303.3 million, being in line with the significant growth in revenue. The rising costs of construction materials and labour also contribute to the increase of total cost of sales.

Gross profit and margin

Gross profit increased by 276.5% to approximately RMB180.7 million for the six months ended 30 June 2008 from approximately RMB48.0 million for the corresponding period of 2007, while the margin decreased from 64.1% to 37.3%. It was due to the fact that the major portion of revenue in the first half of 2007 was derived from commercial properties, which generated a comparatively high margin, and the cost of construction materials and labour kept rising but the average selling price remained relatively steady.

Other income

Other income for the six months ended 30 June 2008 included bank interest income of approximately RMB8.5 million, interest income derived from account receivable of approximately RMB22.5 million and the reversal of other payable of approximately RMB29.0 million. Other operating income for the corresponding period of 2007 mainly included foreign exchange gain of approximately RMB15.8 million.

Selling and administrative expenses

Selling and administrative expenses increased by 313.2% to approximately RMB174.4 million for the six months ended 30 June 2008 from approximately RMB42.2 million for the corresponding period in 2007. The increase was mainly due to exchange loss of approximately RMB34.9 million recognized in the first half of 2008 while exchange gain was recorded in the corresponding period of 2007. At the same time, massive advertisement campaigns for new properties for sale were launched resulting in the increase in selling expenses by 492.4% to approximately RMB70.5 million for the six months ended 30 June 2008 from approximately RMB11.9 million for the corresponding period in 2007. The increase in headcount as a result of the Group's expansion also led to an increase in expenses.

Financial position

Shareholders' fund attributable to equity holders of the Company as at 30 June 2008 was approximately RMB5,100.0 million (31 December 2007: RMB5,044.1 million). The change was mainly due to (1) the net profit retained by the Group amounted RMB167.5 million for the six months ended 30 June 2008; and (2) the dividend for 2007 paid in June 2008 amounted RMB123.9 million, resulting in an increase in the total shareholders' fund.

Total assets amounted to approximately RMB8,754.1 million as at 30 June 2008 (31 December 2007: RMB8,240.7 million) and total liabilities amounted to approximately RMB3,654.2 million (31 December 2007: RMB3,196.6 million).

Current ratio was 3.8 as at 30 June 2008 (31 December 2007: 4.2).

Financial resources and liquidity

In the first half of 2008, the Group derived its sources of fund primarily from income generated from business operations, bank borrowings, cash proceeds raised from the Global Offering, which were used to finance its business operations and investment in development projects. The Group expects income generated from business operations and bank borrowings will continue to be the main sources of funding in the coming year. In addition, the Group will continue to explore the opportunities of co- operation with foreign and domestic investors which provides another source of funding to the Group.

As at 30 June 2008, the Group's bank balance and cash amounted to approximately RMB1,618.5 million (31 December 2007: RMB2,658.2 million), of which 83.4% of the cash and bank deposits was denominated in Renminbi and 16.6% in Hong Kong dollars. The Group's total borrowings amounted to approximately RMB1,320.2 million (31 December 2007: RMB883.8 million), excluding the outstanding liability component of convertible note of RMB305.1 million (31 December 2007:RMB306.4 million) as at 30 June 2008.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents) over the total capital and reserves attributable to equity owners. As at 30 June 2008 and 31 December 2007, we were in a net cash position.

Borrowings

Bank borrowings

The Group had bank borrowings of approximately RMB1,320.2 million as at 30 June 2008 (31 December 2007: RMB883.8 million), and the repayment profile is as follows:

	30 June 2008	31 December 2007
	RMB Million	*RMB Million*
Within one year	**252.8**	74.9
More than one year, but not exceeding two years	**380.4**	115.0
More than two years, but not exceeding five years	**687.0**	693.9
	1,320.2	883.8

The majority of bank borrowings are fixed rate borrowings, subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. The effective interest rate on bank borrowings increased to 7.1% for the six months ended 30 June 2008 from 6.6% for the corresponding period in 2007. The Group has implemented certain interest rate management policies which mainly include, among the others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

As of 30 June 2008, the Group had banking facilities of approximately RMB2,034.8 million (31 December 2007: RMB1,023.9 million) for short-term and long-term bank loans, of which RMB638.0 million (31 December 2007: RMB185.0 million) were unutilized.

Convertible note

Convertible note with an aggregate principal amount of US$60.0 million were issued by the Company in 2007. The convertible notes are subject to an interest of London Inter Bank Offer Rate plus 3.0% payable semi-annually. The Group did not use any financial instruments for hedging purpose as at 30 June 2008.

Contingent liabilities

As at 30 June 2008, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers amounting to approximately RMB358.2 million (31 December 2007: RMB333.5 million).

This represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for the repayment of outstanding mortgage principals together with accrued interest and penalty owed by defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The amounts as at 30 June 2008 was to be discharged upon earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Commitment

As at 30 June 2008, the Group has approximately RMB3,500.1 million (31 December 2007: RMB2,783.3 million) projects contracted but not provided for. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

As at 31 December 2007, the Group also had approximately RMB931.0 million of commitment in respect of acquisitions of land.

Foreign currency risks

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the Global Offering were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. However, most of the proceeds from Global Offering were remitted to the PRC in the first half of 2008. For the six months ended 30 June 2008, the Group has recorded net exchange loss of approximately RMB34.9 million. The Group's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2008.

Pledge of assets

As at 30 June 2008, the Group pledged its property of approximately RMB737.7 million for development, properties under development and investment properties to various banks to secure project loans and general banking facilities granted to the Group (31 December 2007: RMB305.4 million).

Material acquisition and disposal of subsidiaries

The Group does not have any acquisition or disposal of subsidiaries during the six months ended 30 June 2008.

EMPLOYEES AND REMUNERATION

As at 30 June 2008, the Group employed a total of 602 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 salaries, 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 government. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund.

Moreover, a share option scheme has been adopted in September 2007 to retain talents who made significant contribution to the Group. As at 30 June 2008, share option in respect of a total of 11,929,000 shares of the Company was granted to certain directors and employees (of which 2,444,000 shares have lapsed). The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates.

INTERIM RESULTS AND DIVIDEND

The Board of Directors is pleased to announce the unaudited consolidated profit attributable to equity holders of the Group for the six months ended 30 June 2008 amounted to RMB167.5 million of the Company. Basic earnings per share amounted to RMB7.4 cents.

The Board has resolved that [no interim dividend] be paid for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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

During the six months ended 30 June 2008, 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 2008.

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 2008.

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 2008, 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 2007 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 (www.hkex.com.hk). An interim report for the six months ended 30 June 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 17 September 2008

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