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 2017

HIGHLIGHTS

- Unaudited contracted sales for the period amounted to approximately RMB16,520 million, increased by 56.9% YoY.
- The revenue for the period amounted to approximately RMB8,154 million, representing an increase of 25.8% YoY.
- Gross profit for the period amounted to approximately RMB2,191 million, increased by 35.1% YoY; gross profit margin was approximately 26.9%, up 1.9 percentage point YoY.
- Net profit for the period amounted to approximately RMB858 million, increased by 42.8% YoY. Basic earnings per share for the period amounted to approximately RMB28.09 cents.
- Core net profit (excluding fair value gain on investment properties, loss on early redemptions of senior notes, net exchange gain and loss on change in fair value of derivative financial instruments) for the period amounted to approximately RMB832 million, increased by 27.4% YoY.
- Bank balances and cash (including restricted bank deposits) as at 30 June 2017 was approximately RMB14,814 million; cash collection rate was 86%, net gearing ratio was 63%.
- In the first half of 2017, acquired several high-quality lands in Guangdong, Beijing, Hubei, Jiangsu in China and Vancouver in Canada etc., resulting in newly added GFA approximately 3.70 million sq.m..

The board of directors (the "Board" or the "Directors") of China Aoyuan Property Group Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended	
	Notes	**30.6.2017** *RMB'000* **(unaudited)**	30.6.2016 *RMB'000* (unaudited)
Revenue	*3*	**8,154,290**	6,479,513
Cost of sales		**(5,962,865)**	(4,857,184)
Gross profit		**2,191,425**	1,622,329
Other income, gains and losses	*4*	**29,501**	(120,474)
Change in fair value of investment properties		**142,026**	129,692
Selling and distribution expenses		**(345,523)**	(191,564)
Administrative expenses		**(332,218)**	(237,609)
Share of results of joint ventures		**(39,472)**	(11,275)
Finance costs		**(118,129)**	(78,899)
Profit before tax		**1,527,610**	1,112,200
Income tax expense	*5*	**(669,129)**	(510,904)
Profit for the period	*6*	**858,481**	601,296
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net fair value gain on available-for-sale investments, net of income tax		**19,062**	–
Gain on disposal of available-for-sale investments reclassified to profit and loss		**(21,865)**	–
Exchange differences on translating foreign operations		**16,966**	20,419
		14,163	20,419
Profit and total comprehensive income for the period		**872,644**	621,715

		Six months ended	
		30.6.2017	30.6.2016
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**750,360**	566,622
Non-controlling interests		**108,121**	34,674
		858,481	601,296
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**760,046**	580,745
Non-controlling interests		**112,598**	40,970
		872,644	621,715
Earnings per share (RMB cents)	*8*		
Basic		**28.09**	20.46
Diluted		**28.07**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Notes	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**496,241**	505,983
Prepaid lease payments		**14,721**	14,939
Investment properties		**5,836,335**	5,424,507
Goodwill		**1,602**	1,602
Intangible assets		**2,647**	2,956
Interests in joint ventures		**123,600**	163,790
Available-for-sale investments		**–**	9,707
Deferred tax assets		**228,146**	183,279
Deposit paid for acquisition of a joint venture		**25,864**	–
Deposits paid for acquisition of a subsidiary		**492,430**	130,000
Amount due from a non-controlling shareholder of a subsidiary		**89,317**	–
Amounts due from joint ventures		**455,853**	152,009
		7,766,756	6,588,772
CURRENT ASSETS			
Properties for sale		**55,265,222**	43,486,574
Inventories		**91,973**	26,481
Trade and other receivables	*9*	**4,179,226**	3,604,457
Deposits paid for acquisitions of land use rights		**394,662**	147,053
Amounts due from non-controlling shareholders of subsidiaries		**918,331**	364,823
Amounts due from related parties		**89,196**	98,206
Amounts due from joint ventures		**393,204**	386,350
Tax recoverable		**844,896**	616,404
Prepaid lease payments		**435**	435
Derivative financial instruments		**–**	142,402
Restricted bank deposits		**1,079,868**	485,578
Bank balances and cash		**13,734,118**	10,470,878
		76,991,131	59,829,641
CURRENT LIABILITIES			
Trade and other payables	*10*	**8,222,422**	6,794,500
Deposits received for sale of properties		**24,860,775**	20,523,884
Amounts due to non-controlling shareholders of subsidiaries		**546,746**	163,098
Amounts due to joint ventures		**135,191**	132,819
Tax liabilities		**2,531,105**	2,592,685
Bank and other borrowings		**5,985,864**	2,997,390
Loan from non-controlling shareholders of subsidiaries		**252,100**	–
Senior notes and bonds		**3,775,353**	1,508,498
Provisions		**1,270,408**	1,429,723
		47,579,964	36,142,597
NET CURRENT ASSETS		**29,411,167**	23,687,044
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,177,923**	30,275,816

	Notes	30.6.2017 *RMB'000* (unaudited)	31.12.2016 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Other payable	*10*	**521,440**	–
Bank and other borrowings		**9,098,274**	3,795,392
Loan from non-controlling shareholders of subsidiaries		**1,235,300**	1,187,400
Deferred tax liabilities		**575,200**	582,560
Senior notes and bonds		**7,466,340**	10,079,171
		18,896,554	15,644,523
NET ASSETS		**18,281,369**	14,631,293
CAPITAL AND RESERVES			
Share capital		**25,292**	25,292
Reserves		**9,238,683**	8,892,801
Equity attributable to owners of the Company		**9,263,975**	8,918,093
Non-controlling interests		**9,017,394**	5,713,200
TOTAL EQUITY		**18,281,369**	14,631,293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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 and derivative financial instruments, 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied for the first time, the following 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 IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle

The application of the above 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 2017 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
External segment revenue	**7,675,045**	**50,709**	**428,536**	**8,154,290**
Segment profit	**1,451,397**	**172,826**	**86,417**	**1,710,640**
Other income, gains and losses				**29,501**
Unallocated corporate expenses				**(54,930)**
Finance costs				**(118,129)**
Share of results of joint ventures				**(39,472)**
Profit before tax				**1,527,610**

Six months ended 30 June 2016 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	6,306,474	45,385	127,654	6,479,513
Segment profit (loss)	1,266,150	159,415	(61,568)	1,363,997
Other income, gains and losses				(120,474)
Unallocated corporate expenses				(41,149)
Finance costs				(78,899)
Share of results of joint ventures				(11,275)
Profit before tax				1,112,200

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

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property development	**61,376,188**	47,750,943
Property investment	**5,874,154**	5,459,173
Others	**466,034**	419,596
Total segment assets	**67,716,376**	53,629,712

Others mainly include hotel operations, provision of property management services and sale of goods.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The balance comprises of:		
Bank interest income	**33,501**	31,754
Reclassification of fair value gain on disposal of AFS investment from revaluation reserve	**29,153**	–
Loss on change in fair value of derivative financial instruments	**(75,212)**	–
Loss on early redemptions of senior notes	**(148,029)**	–
Net exchange gain (loss)	**143,101**	(149,320)
Other interest income	**36,305**	1,234
Others	**10,682**	(4,142)
	29,501	(120,474)

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax in the People's Republic of China (the "PRC"):		
Enterprise income tax ("EIT")	**481,700**	295,172
Land appreciation tax	**238,404**	192,887
	720,104	488,059
Deferred tax:		
Current period	**(50,975)**	22,845
	669,129	510,904

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.

Under Australian tax law, the tax rate is 30% on taxable profits on Australian incorporated entities. No tax provision has been made in the condensed consolidated financial statements as there was no assessable profit arises in Australia for the current and prior periods.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging the following items:		
Interest on:		
Bank and other borrowings	**305,933**	301,430
Loan from non-controlling shareholders of subsidiaries	**70,654**	27,696
Senior notes and bonds	**461,335**	523,633
	837,922	852,759
Less: amounts capitalised to properties under development for sale	**(713,453)**	(773,860)
amounts capitalised to investment properties under construction	**(6,340)**	–
	118,129	78,899
Staff costs	**232,778**	168,134
Release of prepaid lease payments	**218**	218
Depreciation of property, plant and equipment	**22,667**	19,455
Amortisation of intangible assets	**309**	–
Loss on disposal of property, plant and equipment	**1,331**	2,407

7. DIVIDENDS

	Six months ended 30.6.2017 *RMB'000* (unaudited)	30.6.2016 *RMB'000* (unaudited)
2016 final dividend of RMB9.7 cents (six months ended 30 June 2016: 2015 final dividend of RMB8.8 cents) per share	**259,143**	244,978
2016 special dividend of RMB5.3 cents (six months ended 30 June 2016: nil) per share	**141,593**	–
	400,736	244,978

8. 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 30.6.2017 *RMB'000* (unaudited)	30.6.2016 *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	**750,360**	566,622

	Six months ended 30.6.2017 *'000*	30.6.2016 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,671,571**	2,769,257
Effect of dilutive potential ordinary shares on share options	**1,419**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,672,990**	2,769,257

No diluted earnings per share is presented for the six months ended 30 June 2016 as there were no potential ordinary shares outstanding.

9. TRADE AND OTHER RECEIVABLES

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**286,988**	244,018
Deferred rental receivables	**41,577**	34,062
Other receivables	**997,365**	1,402,205
Security deposits	**378,746**	363,054
Advance to constructors and suppliers	**374,374**	213,637
Deposits paid to respective local governments and third parties for the potential purchase of land use rights	**1,000,423**	536,171
Other tax prepayments	**1,099,753**	811,310
	4,179,226	3,604,457

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

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**158,241**	126,437
61 to 180 days	**23,527**	18,302
181 days to 365 days	**36,643**	22,969
1 to 2 years	**25,097**	34,533
2 to 3 years	**18,696**	19,659
Over 3 years	**24,784**	22,118
	286,988	244,018

10. TRADE AND OTHER PAYABLES

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**4,633,391**	4,568,181
Other payables	**2,360,063**	1,927,635
Dividend payable	**400,736**	–
Consideration payable	**593,480**	218,000
Other taxes payable	**234,752**	80,684
	8,222,422	6,794,500

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

	30.6.2017	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**1,762,280**	1,753,004
61 to 180 days	**1,033,526**	955,048
181 days to 365 days	**636,405**	482,286
1 to 2 years	**744,360**	600,527
2 to 3 years	**138,696**	366,545
Over 3 years	**318,124**	410,771
	4,633,391	4,568,181

Non-current other payable amounting to approximately RMB520 million (31 December 2016: nil) represents consideration payable arising from acquisition of two parcels of land in Canada from an independent third party, which is secured by the land acquired, carrying interest at Canadian Imperial Bank of Commerce Prime Rate plus 2.3% per annum and will mature on 1 June 2020.

11. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had following significant events took place:

(a) the Group has submitted a tender to acquire 22.0733% equity interests in 中體產業集團股份有限公司 China Sports Industry Group Co,. Ltd. ("China Sports") and has paid a refundable tender deposit of RMB50,000,000. China Sports is a company registered under the laws of the PRC and its shares of which are listed on the Shanghai Stock Exchange (SHA: 600158). It is mainly engaged in the property development, construction and operation of sports stadiums and sports facilities. Up to the date of approval of these condensed consolidated financial statements, the terms of the acquisition have not been mutually agreed by the Group and the seller, 國家體育總局體育基金管理中心, Fund Management Center of General Administration of Sport of China, and the tender will therefore not proceed and the tender deposit will be refunded accordingly.

(b) the Group acquired entire equity interests in 惠州市鴻泰昌實業有限公司 Huizhou Hongtaichang Industrial Co., Ltd. ("Hongtaichang") with cash consideration of approximately RMB783,616,000. Hongtaichang holds two parcels of land situated in Huizhou, the PRC, which is designated for residential properties development.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2017, the Group precisely captured the market demand with the adoption of a flexible and tactful sales strategy, having reaped good sales results and continuing to show a strong and steady development momentum.

As at 30 June 2017, the Group achieved total contracted sales of approximately RMB16,520 million, representing a substantial increase of approximately 56.9% year-on-year. Average selling price was RMB10,571 per sq.m., a year-on-year increase of 29.2%. In particular, residential properties and commercial properties (mainly comprising commercial apartments and retail shops) accounted for 67.8% and 32.2%, respectively.

Our sales in the first half of 2017 were mainly contributed by the following projects: Shenzhen Aoyuan Jade Bay, Shenzhen Aoyuan Fenghui, Guangzhou Aoyuan International Center, Zhuhai Aoyuan Plaza, etc.

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

Project	**Amount** *(RMB million)*	**Contracted Floor Area** *(sq.m.)*	**Average Selling Price** *(RMB/sq.m.)*
Shenzhen Aoyuan Jade Bay	1,841	65,000	28,559
Shenzhen Aoyuan Fenghui	1,712	71,000	24,212
Guangzhou Aoyuan International Center	1,026	72,000	14,232
Zhuhai Aoyuan Plaza	869	48,000	18,178
Foshan Aoyuan Central Parkview	826	61,000	13,467
Foshan Aoyuan The Prime Palace	732	45,000	16,168
Chengdu Chenghua Aoyuan Plaza	694	53,000	13,035
Guangzhou Aoyuan Lianfeng State	592	43,000	13,665
Aoyuan Cultural Tourism City Shaoguan Lingnan Impression	574	105,000	5,488
Foshan Aoyuan Peach City	534	44,000	12,200
Others	7,120	956,000	7,448
Total	16,520	1,563,000	

Cultivating overseas market intensively by making first move into Canada

In March, Aoyuan successfully acquired a 90% interest in a quality residential project in Vancouver, Canada, for CAD30.6 million (equivalent to approximately RMB161 million). The project involved a gross floor area of approximately 5,600 sq.m., scheduled to provide approximately 60 high-end residential units and retail shops. The project was located at the junction of Granville Street and 7th Avenue in West Vancouver, separated from Vancouver CBD by only a bridge and enjoying a superior geographical location. Aoyuan will model on the successful pattern for Australia by continuing to implement the localization strategy for overseas development to build Vancouver project, while steadily carrying out simultaneous development at home and abroad, exploring more sources of income and seeking to diversify asset portfolio and operations to generate desired returns for shareholders and investors.

Acquiring Afición represented a mighty launch of the cultural tourism sector

Aoyuan entered into a cooperation agreement in May with Afición Group which owned the first batch of featured towns in Zhejiang after both parties conducted a survey and research on each other. Upon completion of a controlling stake in Afición, Aoyuan will have the Afición brand, an independently created IP industry, transplanted from Jiashan in Zhejiang to Yingde in Guangdong and to the cities around Shanghai and Guangzhou, the two first-tier central cities, where Aoyuan's Afición IP featured towns will integrate the production, life and ecology sectors based on the chocolate culture as the core and will create the country's sole industrial monopolistic advantage in East and South China, becoming a triumphant pioneer in Aoyuan's cultural tourism sector to lay a solid foundation for further making a layout plan across the country.

Teaming up with strong partner to diversify new retail model

In May, Aoyuan's Aomygod entered into a strategic cooperation agreement with Shenzhen Qianhai Sannong Cloud Service Technology Co., Ltd., under which the two parties reached a consensus on the right to deal in cross-border products and imports of parallel automobile products. Sannong Cloud Service officially joined the Aomygod brand and assisted the company in expanding franchisees in Shandong, Hunan, Shaanxi and other regions. This move represented both the partnership between two strong leaders as well as mutually beneficial and win-win cooperation, and the first step taken by Aomygod to develop offline franchisees. In future, the two parties will step up closer ties and maintain a long-term strategic partnership to seek development together and vigorously develop the new retail franchise model.

II. LAND BANK

The acquisition of quality land is a prerequisite for the leapfrog development of the Company. The Group continues to apply a strategy of urban layout, chooses the appropriate regions for investment, consistently employs the approach of combined development and intensive regional cultivation while aggressively expanding districts with greater commercial and residential demand but less market restrictions. In the first half of 2017, the Group acquired a total of 20 high-quality commercial and residential projects in regions such as Guangdong, Beijing, Hubei, Jiangsu in China and Vancouver in Canada. Newly added gross GFA available for development was approximately 3.70 million sq.m.

As at 30 June 2017, the total land bank of the Group was approximately 17.12 million sq.m., with an average cost of approximately RMB1,992 per sq.m., among which 2.28 million sq.m. of properties were completed, 5.03 million sq.m. of properties were under construction and 9.81 million sq.m. were reserved for future development.

III. FUTURE OUTLOOK

In the second half of the year, we will strengthen the balanced layout of cities by focusing on the first- and second-tier cities and the surrounding urban agglomerations, continue cultivating the Guangdong – Hong Kong – Macau Big Bay Area intensively and focus on expanding the Yangtze River Delta to build a new growth pole in the central and western parts of China. We will strengthen these cities, raise the production capacity of a single city to achieve quality growth. We will closely follow the direction of government policy, proactively designate layout features for business development which feature sports and cultures, to create synergy effects between the platform and operational advantages of acquired projects and the Group brand to lay a foundation to build featured towns with a high degree of integration of city with industry for continuously upgrading Aoyuan's business structure and profitability.

IV. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2017, the Group's total revenue was approximately RMB8,154 million, representing an increase of approximately RMB1,674 million or 25.8% over approximately RMB6,480 million in the same period of 2016. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 94.1%, 5.3% and 0.6% respectively.

In the first half of 2017, the Group's revenue generated from property development amounted to approximately RMB7,675 million, representing an increase of approximately RMB1,369 million or 21.7% over approximately RMB6,306 million in the same period of 2016. The GFA of delivered properties increased by 35.4% to 1.11 million sq.m. from 822,000 sq.m. in the same period of 2016, while the average selling price exclusive of tax decreased by 10.1% to RMB6,893 per sq.m. from RMB7,670 per sq.m. in the same period of 2016. This was mainly attributable to the decrease in the proportion of retail shops and commercial apartments with higher selling prices in the properties delivered in the first half of 2017 from 39.6% in the same period of 2016 to 25.2%.

Breakdown of property development revenue in the first half of 2017 by product type was as follows:

Product	**Sold and Delivered** **Revenue** *(RMB million)*	 **Area** *('000 sq.m.)*
Residential apartments	5,483.8	964.6
Commercial apartments	357.8	26.0
Retail shops and others	1,588.2	95.8
Low-density residential	245.2	27.1
Total	7,675.0	1,113.5

Gross Profit and Margin

In the first half of 2017, the gross profit of the Group was RMB2,191 million, representing an increase of 35.1% from approximately RMB1,622 million in the same period of 2016. The Group's gross profit margin increased from 25.0% in the same period of 2016 to 26.9% primarily because the gross profit margin of residential apartments with the largest share increased by 2.9% over the same period in last year, while the share of retail shops with a higher gross margin increased from 15.8% to 20.5%.

Other Income, Gains and Losses

In the first half of 2017, the Group's other income, gains and losses mainly included a loss of approximately RMB148 million due to the early redemption of senior notes, a loss of approximately RMB75 million on change in fair value of derivative financial instruments, net exchange gain of approximately RMB143 million and interest income of approximately RMB70 million.

Selling and Administrative Expenses

In the first half of 2017, total selling and distribution expenses of the Group were approximately RMB346 million, representing an increase of 80.4% from approximately RMB192 million in the same period of 2016, which was mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in contracted sales amount during the year, boosted by the increase in the number of pre-sales properties during the year. Total administrative expenses increased by 39.8% from approximately RMB238 million in the same period of 2016 to approximately RMB332 million, which was 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%, mainly attributable to land appreciation tax of approximately RMB238 million.

Profit Attributable to Owners of the Company

In the first half of 2017, profit attributable to owners of the Company was approximately RMB750 million, representing an increase of 32.4% from approximately RMB567 million in the same period of 2016. Core net profit (excluding fair value gain on investment properties, loss on early redemptions of senior notes, net exchange gain and loss on change in fair value of derivative financial instruments) for the period amounted to approximately RMB832 million.

Financial Position

As at 30 June 2017, the Group's total assets amounted to approximately RMB84,758 million (as at 31 December 2016: approximately RMB66,418 million) and total liabilities were approximately RMB66,477 million (as at 31 December 2016: approximately RMB51,787 million).

Current ratio was 1.6 as at 30 June 2017 (as at 31 December 2016: 1.7).

Financial Resources and Liquidity

In the first half of 2017, the Group's sources of fund primarily included income generated from business operations, cash from bank and other borrowings, as well as 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 continue to be the main sources of funds in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and stringently control the cost and various expenses. Besides, the Group will continue to look for opportunities to cooperate with foreign and domestic investors, in order to provide other sources of funding for the expansion of projects and business development.

Cash Position

As at 30 June 2017, the Group had cash and bank deposits of approximately RMB13,734 million (as at 31 December 2016: approximately RMB10,471 million). As at 30 June 2017, the Group had restricted bank deposits of approximately RMB1,080 million (as at 31 December 2016: approximately RMB486 million) which were only reserved for obtaining bank loans.

As at 30 June 2017, cash, bank deposits and restricted bank deposits of the Group mentioned above totalled to approximately RMB14,814 million, of which 97.5% was denominated in Renminbi and 2.5% was denominated in other currencies (mainly HK dollar, US dollar, Australian dollar and Canadian dollar).

In the first half of 2017, cash collection ratio (total sales proceeds received in first half of 2017 divided by the contract sales amount for the first half of the year) for the Group's contracted sales was approximately 86%.

Borrowings, Senior Notes and Bonds and Net Gearing Ratio

Borrowings and Senior Notes and Bonds

As at 30 June 2017, the Group had bank and other borrowings of approximately RMB15,084 million (as at 31 December 2016: approximately RMB6,793 million) and senior notes and corporate bonds of approximately RMB11,242 million (as at 31 December 2016: approximately RMB11,588 million) as follows:

Repayment period

	30 June 2017 ***(RMB million)***	31 December 2016 *(RMB million)*
Repayment on demand	**808.8**	811.3
Within one year	**8,952.4**	3,694.6
More than one year, but not exceeding two years	**9,706.8**	6,633.6
More than two years, but not exceeding five years	**6,857.8**	7,229.6
More than five years	**–**	11.4
	26,325.8	18,380.5

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 an interest-rate risk associated with fair value. In the first half of 2017, the effective interest rate on borrowings, senior notes and corporate bonds was 7.6%, which was lower than 8.1% in 2016. The Group has implemented certain interest rate management policies which included, among others, the close monitoring of interest rate movements as well as the replacing of and the entering into new banking facilities when good pricing opportunities arise.

In January 2017, the Group successfully issued 3-year offshore senior notes of US$250 million for the Group's refinancing and general corporate purposes.

As at 30 June 2017, the Group had credit facilities of approximately RMB46,134 million (as at 31 December 2016: approximately RMB27,051 million) for short-term and long-term borrowings, of which approximately RMB29,963 million (as at 31 December 2016: approximately RMB13,250 million) were unutilized.

Net gearing ratio

Net gearing ratio is measured by the net borrowings (total amount of bank and other borrowings, senior notes and corporate bonds net of cash and cash equivalents and restricted bank deposits) over the total equity. As at 30 June 2017, the Group's net gearing ratio was 63.0%. The Group has implemented certain loan management policies, which mainly include the 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 2017, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures of the Group amounting to approximately RMB24,869 million (as at 31 December 2016: approximately RMB21,584 million).

The Group acted as guarantor to the banks in respect of the bank's mortgage loans granted to certain property purchasers of the Group and agreed to repurchase the properties upon the purchasers' default on the repayment of the outstanding mortgage loans and the loan interests accrual thereon. The fair value of the financial guarantee contracts is not significant at the initial recognition, and no provision has been made as the default rate is low.

As at 30 June 2017, the Group had outstanding financial guarantees issued to banks in respect of banking facilities granted to the joint ventures of the Group. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which approximately RMB600 million (31 December 2016: approximately RMB1,150 million) were utilised by the joint ventures as at the end of the reporting period.

Commitments

As at 30 June 2017, the Group's construction cost, land payments and payments for acquisition of subsidiaries contracted but not provided for amounted to approximately RMB10,748 million (as at 31 December 2016: approximately RMB11,227 million). The Group expects to fund these commitments principally with the proceeds from the property sales and 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, senior notes denominated in US dollar and bank loans denominated in US dollar and HK dollar, the Group's operating cash flow or liquidity is not directly subject to any other significant exchange rate fluctuations. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure when needed.

Pledge of Assets

As at 30 June 2017, the Group pledged its properties for sales, plant and equipment, investment properties and restricted bank deposit amounting to approximately RMB10,039 million (as at 31 December 2016: approximately RMB5,950 million) to various banks to secure project loans and general banking facilities granted to the Group.

INTERIM DIVIDEND

The directors of the Company (the "Directors") have resolved not to declare interim dividend for the six months ended 30 June 2017 (2016: nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the period ended 30 June 2017, the Company has complied with the code provisions of the CG Code, except for the deviation discussed below:

Pursuant to code provision F.1.2, a board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. During the period from 1 January 2017 to 30 June 2017, the changes in company secretary arrangement on 17 January 2017 and 18 May 2017 have been approved by the Board by way of written resolutions respectively, through which all Directors have fully considered these proposals and have not raised any issue of concern that requires further discussion at a physical meeting. Nevertheless, the Board took the opportunity to review and re-confirm the company secretary arrangement at its meetings held on 10 March 2017 and 16 August 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2017.

HUMAN RESOURCES

As of 30 June 2017, the Group had about 5,325 employees (31 December 2016: 4,460). The remuneration policy and package of the Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Cheung Kwok Keung as chairman as well as Mr. Tsui King Fai and Mr. Hu Jiang as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company. The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 16 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Ms. Zhong Ping and Mr. Ma Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.