奧園健康生活集團有限公司
AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3662)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 was approximately RMB392.0 million, representing a year-on-year increase of 46.7%.
- Gross profit for the six months ended 30 June 2019 was approximately RMB155.1 million, representing a year-on-year increase of 60.4%; gross profit margin was approximately 39.6%.
- Net profit for the six months ended 30 June 2019 was approximately RMB90.1 million, representing a year-on-year increase of 153.1%; net profit margin was approximately 23.0%.
- Basic earnings per share for the six months ended 30 June 2019 were approximately RMB14.06 cents, representing a year-on-year increase of 65.0%.
- As at 30 June 2019, bank balances and cash amounted to RMB996.6 million.
- During the period, the Group achieved an increase in the GFA under management of 2.1 million sqm under the property management service segment, representing a year-on-year increase of 21.2%; the Group achieved an increase in the number of commercial operation contracts with an aggregate contracted GFA of 288,000 sqm under the commercial operational service segment, representing a year-on-year increase of 21.5%.

The board of directors (the "**Board**") of Aoyuan Healthy Life Group Company Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 together with audited comparative figures as at 31 December 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended	
		30.6.2019	30.6.2018
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**391,961**	267,312
Cost of services		**(236,858)**	(170,586)
Gross profit		**155,103**	96,726
Other income	*5*	**20,554**	220
Impairment losses on trade receivables		**(1,158)**	(889)
Gain on deemed disposal of subsidiaries		**4,576**	–
Administrative expenses and other expenses		**(45,884)**	(36,226)
Selling and distribution expenses		**(1,376)**	(311)
Listing expenses		**(15,920)**	(6,548)
Finance costs		**(293)**	–
Profit before tax		**115,602**	52,972
Income tax expense	*6*	**(25,551)**	(17,344)
Profit and total comprehensive income for the period	*7*	**90,051**	35,628
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**89,941**	35,716
Non-controlling interests		**110**	(88)
		90,051	35,628
Earnings per share *(RMB cents)*	*9*		
Basic		**14.06**	8.52
Diluted		**14.05**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**20,004**	12,694
Right-of-use assets		**8,592**	–
Intangible assets		**2,580**	3,031
Goodwill		**3,491**	3,491
Deferred tax assets		**7,726**	7,389
Deposit paid for acquisition of property, plant and equipment		**–**	1,051
Deferred contract costs		**3,132**	2,306
		45,525	29,962
CURRENT ASSETS			
Inventories		**678**	77
Trade and other receivables	*10*	**98,139**	87,045
Deferred contract costs		**17,110**	9,492
Amounts due from fellow subsidiaries		**57,737**	175,933
Amount due from a non-controlling shareholder of a subsidiary		**215**	–
Amounts due from related parties		**7,672**	206
Amounts due from joint ventures		**13,155**	–
Bank balances and cash		**996,590**	200,331
		1,191,296	473,084
CURRENT LIABILITIES			
Trade and other payables	*11*	**262,561**	226,233
Contract liabilities		**168,899**	120,789
Amounts due to fellow subsidiaries		**470**	6,659
Amounts due to related parties		**293**	–
Tax liabilities		**18,280**	20,538
Lease liabilities		**3,236**	–
Bank borrowing		**1,779**	1,779
Obligation in excess of investment in a joint venture		**1,961**	–
		457,479	375,998
NET CURRENT ASSETS		**733,817**	97,086
TOTAL ASSETS LESS CURRENT LIABILITIES		**779,342**	127,048

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**645**	757
Lease liabilities	**5,440**	–
	6,085	757
NET ASSETS	**773,257**	126,291
CAPITAL AND RESERVES		
Share capital	**6,207**	–
Reserves	**766,324**	125,675
Equity attributable to owners of the Company	**772,531**	125,675
Non-controlling interests	**726**	616
TOTAL EQUITY	**773,257**	126,291

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2019

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 13 December 2016. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 March 2019.

The Company's immediate holding company is Main Trend Limited ("**Main Trend**"), a limited company which was incorporated as an exempted company with limited liability in the British Virgin Islands. Its ultimate holding company is Joy Pacific Limited, a limited liability company incorporated in the British Virgin Islands which is controlled by Mr. Guo Zi Wen. China Aoyuan, a company which was incorporated as an exempted company with limited liability in the Cayman Islands and with its shares listed on the Main Board of the Stock Exchange is an intermediate holding company of the Company.

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**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and the subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of services		
Property management services		
Property management services	**178,822**	141,409
Sales assistance services	**77,816**	39,964
Community value-added services	**29,256**	22,733
Others	**1,586**	–
	287,480	204,106
Commercial operational services		
Commercial operation and management services	**75,625**	44,170
Market positioning and business tenant sourcing services	**28,856**	19,036
	104,481	63,206
Total	**391,961**	267,312

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of customers		
Property management services		
External customers	**171,533**	127,819
Fellow subsidiaries	**111,727**	72,863
Other related parties	**4,220**	3,424
	287,480	204,106
Commercial operational services		
External customers	**62,413**	33,135
Fellow subsidiaries	**40,465**	30,071
Other related parties	**1,603**	–
	104,481	63,206
Total	**391,961**	267,312
Timing of revenue recognition		
Over time	**361,519**	248,276
A point in time	**30,442**	19,036
Total	**391,961**	267,312

4. SEGMENT INFORMATION

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

Six months ended 30 June 2019 (unaudited)

	Commercial operational services *RMB'000*	**Property management services** *RMB'000*	**Total** *RMB'000*
Segment revenue	104,481	287,480	391,961
Segment results	33,078	83,284	116,362
Net exchange gain			17,287
Central administrative costs			(6,410)
Gain on deemed disposal of subsidiaries			4,576
Listing expenses			(15,920)
Interest on lease liabilities			(223)
Interest on bank borrowing			(70)
Profit before tax			115,602

Six months ended 30 June 2018 (unaudited)

	Commercial operational services *RMB'000*	**Property management services** *RMB'000*	**Total** *RMB'000*
Segment revenue	63,206	204,106	267,312
Segment results	14,847	49,417	64,264
Net exchange gain			(103)
Central administrative costs			(4,641)
Listing expenses			(6,548)
Profit before tax			52,972

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

5. OTHER INCOME

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**2,349**	176
Net exchange gains (loss)	**17,287**	(103)
Others	**918**	147
	20,554	220

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**28,069**	20,200
Over provision on prior years	**(2,069)**	–
	26,000	20,200
Deferred tax	**(449)**	(2,856)
	25,551	17,344

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

According to the provisions of Caishui [2011] No.58 and Guoshui [2012] No.12, Chongqing Sui'ao Property Management Services Co., Ltd.* and Chongqing Aoyuan Square Commercial Management Co., Ltd.*, subsidiaries of the Group, enjoy preferential income tax policies for enterprises in the western development in 2019, and pay enterprise income tax at a reduced rate of 15% for the current period.

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

* *The English name is for identification purpose only*

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging the following items:		
Amortisation of deferred contract costs	**8,211**	7,905
Depreciation of property, plant and equipment	**2,667**	1,265
Depreciation of right-of-use assets	**1,461**	-
Amortisation of intangible assets (included in administrative expenses)	**451**	449
Staff costs	**147,695**	132,865

8. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended 31 December 2018 of RMB0.055 per share was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in current period amounted to RMB39,944,000.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the periods are based on the assumption that the capitalisation issue have been completed on 1 January 2018. No diluted earnings per share were presented for the six months period ended 30 June 2018 as there were no potential ordinary shares in issue during the prior period.

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	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**89,941**	35,716

	Six months ended	
	30.6.2019	30.6.2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**639,571,823**	419,115,331
Effect of dilutive potential ordinary shares:		
– Over-allotment option	**599,348**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**640,171,171**	N/A

10. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**68,524**	53,595
Less: impairment losses on trade receivables	**(6,332)**	(5,174)
Total trade receivables	**62,192**	48,421
Other receivables:		
Deposits	**10,393**	10,561
Payments on behalf of residents	**15,005**	15,080
Prepayments	**3,049**	2,019
Deferred share issue costs	**–**	5,780
Other tax prepayments	**595**	–
Others	**6,905**	5,184
	35,947	38,624
Total trade and other receivables	**98,139**	87,045

Property management service income under property management service segment and commercial operation and management services under commercial operational service segment are generally required to be settled by property owners and property developers within 60 days upon the issuance of demand note.

Generally, the counter-parties of market positioning and business tenant sourcing services under commercial operational service segment are required to make installment payments in accordance with the payment schedule as set out in contracts. However, depending on market conditions and bargaining power of the counter-parties, credit and payment terms may vary in accordance with the contracts.

The following is an aged analysis of trade receivables, presented based on the date of demand note:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**19,327**	16,389
61 to 180 days	**18,723**	13,476
181 to 365 days	**13,810**	11,263
1 to 2 years	**11,170**	6,933
2 to 3 years	**3,796**	3,192
Over 3 years	**1,698**	2,342
	68,524	53,595

11. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**40,712**	27,374
Other payables:		
Receipts on behalf of residents	**31,982**	20,729
Deposits received	**99,183**	92,520
Accrued staff costs	**31,947**	34,659
Accrued contribution to social insurance and housing provident funds	**11,620**	12,125
Accrued share issue cost/listing expenses	**9,391**	5,170
Other tax payables	**4,699**	7,107
Accrued expenses	**11,528**	7,509
Other payables	**21,499**	19,040
Total other payables	**221,849**	198,859
Total trade and other payables	**262,561**	226,233

The credit period granted by suppliers to the Group ranges from 30 days to 90 days during the period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 60 days	**21,346**	15,918
61 – 180 days	**13,964**	8,682
181 – 365 days	**4,984**	2,401
1 – 2 years	**315**	332
2 – 3 years	**71**	39
Over 3 years	**32**	2
	40,712	27,374

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a renowned property management service and commercial operational service provider in the People's Republic of China ("**the PRC**"), developing the general health and wellness industry with medical beauty, community healthcare, and healthcare management, and implementing its business strategy of diversifying service offerings to meet the evolving demands of customers. We offer diversified property management services for residential and non-residential properties, and a full range of commercial operational services for shopping malls, with a focus on mid to high-end properties and mixed-use property development projects, so as to create a quality, healthy, and livable environment, as well as an environment suitable for commercial and social activities while providing comprehensive, quality, and healthy life management services.

Property Management

As at 30 June 2019, the Group provided property management services to 75 properties in 29 cities across 12 provinces, municipalities, and autonomous regions in the PRC with a total Gross Floor Area ("GFA") under management of approximately 12.0 million sqm, of which the Group achieved an increase in the GFA under management of 2.1 million sqm under the property management service segment during the period, representing a year-on-year increase of 21.2%.

Commercial Operation

As at 30 June 2019, the Group contracted to provide commercial operational services to 34 shopping malls with contracted GFA of approximately 1.6 million sqm, among which the Group contracted to provide post-opening commercial operation and management services to 25 shopping malls with contracted GFA of approximately 1.2 million sqm. During the six months ended 30 June 2019 ("**the Reporting Period**"), the Group's commercial operational service segment achieved an increase in the number of commercial operational services contracts with an aggregate contracted GFA of 288,000 sqm, representing a year-on-year increase of 21.5%.

As at 30 June 2019, the Group provided commercial operational services to 12 shopping malls in operation with GFA under management of approximately 530,000 sqm in 8 cities in the PRC.

During the Reporting Period, the Group provided commercial operational services to 3 newly opened shopping malls.

The breakdown of newly opened shopping malls during the Reporting Period is given in the table below:

Shopping mall	Opening date	Location	Contract effective date [1]	Contract term (Year)	Contract GFA (sqm)	Occupancy rate as at 30 June 2019 [2]
Panzhou Aoyuan Plaza	January 2019	Panzhou	11 May 2018	10	45,000	96%
Luogang Aoyuan Plaza	May 2019	Guangzhou	3 January 2018	10	34,500	100%
Zhuhai Meixi Commercial Plaza	May 2019	Zhuhai	21 July 2018	From contract effective date to 31 December 2023	26,800	90.6%

(1) Contract effective date represents the date on which we began to provide commercial operational services pursuant to the relevant commercial operational services contract entered into between us and the property developer or owner.

(2) Occupancy rate is calculated as actual leased area divided by available lease area of a shopping mall as at the end of each relevant period based on our internal record. The occupancy rate may be higher or lower in different periods within a year.

Online to Offline ("O2O") Platforms

In order to satisfy demands from property developers, property owners, residents, and tenants, the Group has made efforts to optimise its business model and improve service quality. With the use of the Internet and mobile applications, the Group has built and launched O2O platforms to improve customer experience and satisfaction in 2017.

The Group's online platforms primarily comprise "Aoyuejia"（奥悦家）Android and iOS mobile application as well as WeChat official accounts. The Group launched "Aoyuejia" mobile application (previously known as "Jiayuan"（佳園）and "Aoyuan Property"（奥園物業）) with "Yue Activities"（悦活動）, "Yue Communities"（悦社區）, and "Yue Health"（悦健康）as three cores in June 2017 in order to build Yue Life（悦生活）ecosystem in Aoyuan communities, which are designed to meet the diversified demands of our residents and tenants in the residential and commercial communities we manage and enhance the experience of property owners. As at 30 June 2019, "Aoyuejia"（奥悦家）mobile application covered 77 residential and commercial properties managed by us, and had approximately 34,400 registered users in total.

Diversified Services

Medical Beauty and Traditional Chinese Medicine Services

For the six months ended 30 June 2019, the Group applied diversified services in two ecosystems of "lives in properties and commercial complex"and continuously integrated resources to provide medical beauty services and traditional Chinese medicine services for customers. The Group entered into a strategic cooperation agreement with Genius, a mature and leading medical beauty group in Korea, in order to introduce international medical team, modern medical system and service concept. With their mature management experience, the Group created a "light medical beauty" concept of "professional medical beauty is all around you" for the medical beauty business ("**Medical Beauty**") with the grand opening of the first MS ARORA Wanbo flagship store on 15 March 2019. The Group was dedicated to creating the service mode of "the Internet + traditional Chinese medicine" for the traditional Chinese medicine service, so as to introduce more healthy lifestyles and ideas of traditional Chinese medicine to communities, and to provide convenient, intelligent, and fascinating traditional Chinese medicine services.

To implement its business strategy of diversifying services to meet the evolving demands of customers, and to develop diversified health industry of "community + medical healthcare" and "commercial centre + medical beauty", the Group has established and is operating two traditional Chinese medicine centres and a medical beauty clinic in its managed properties. Through the operation of such centres and clinic, the Group expects to gain a better understanding of the demand for traditional Chinese medicine, medical beauty services, and consumer preferences at its managed properties and to enhance the experience of property owners, which will allow the Group to strategise its future plans.

The details of newly opened medical beauty clinic of the Group during the Reporting Period is given as below:

Centre	Location	Area (sqm)	Opening date	Type of service
A medical beauty clinic	Guangzhou Wanbo Aoyuan International Centre	1,800	15 March 2019	Skin treatments, micro cosmetics and plastic surgeries

Outlook

In the future, the Group will continue to provide commercial operational services for mid to high-end shopping malls as well as property management services for residential and non-residential properties. Meanwhile, leveraging on the innovative development model of "health + technology, health + ecology", the Group will actively develop the general health and wellness industry, explore new business opportunities in the industries of community elderly care and health management. The Group will continue to expand its business scope and strive to become a leading healthy life service group in the PRC.

Property Management

In respect of property management, the Group will expand its property management service portfolio by extending its services to various types of properties. In addition to providing property management services to residential properties, the Group also offers property management services to various non-residential properties such as serviced apartments, office buildings, and kindergartens. The Group will continue to expand its property management service portfolio to strengthen its expertise in managing different types of properties and build the Aoyuan healthy community ecosystem through the Internet. The Group will provide community life service, community asset service and other services through offline Yueguanjia（悦管家）and online Aoyuejia mobile applications. By extending services to various types of properties, the Group's revenue streams can be diversified while its competitiveness as a diversified service provider can be reinforced, thereby making full use of the compound industry resources of China Aoyuan Group Limited and forming diversified advantages for the development of various industries. Meanwhile, on the premise of maintaining the current proportion of labour cost, the Group will strive to enhance customer satisfaction, improve customer experience, and widen various sources of operating income, thereby increasing its overall income. The Group will also continue to promote the intellectualisation of the entrance and exit of the car parks as well as control center, and substitute manual labour with technology in response to the inelastic growth of labour cost in the future. In addition, the Group will also expand its property management service portfolio through strategic acquisitions, investments, and organic growth.

Commercial Operation

In respect of commercial operational segment, the Group will increase its market share of the commercial operational service industry by proactively obtaining new engagements from independent third party property developers and expanding the total GFA under management in existing and new markets. Leveraging on its established brand and the opportunities brought by rapid urbanisation, growth of emerging cities and rising purchasing power of ordinary households, the Group will continue to place its emphasis on third and fourth-tier cities in the PRC with high population and growth potentials. As compared to first and second-tier cities in the PRC, the operating costs of providing commercial operational services in these cities are relatively low, which enables the Group to achieve higher profit margins. In addition, in respect of commercial operational segment, the Group also provides business tenant sourcing service and output management for projects in the pipeline, and will extend its services in Guangdong-Hong Kong-Macao Greater Bay Area, Anhui, Jiangxi, Guizhou, and other areas. By that time, such segment will generate operational and management income for the Group. The Group is steadily expanding its management output of the commercial operational segment and planning to contract a group of asset-light operation and management projects for high-quality business districts in cities, including Chongqing, in the second half of 2019. Meanwhile, the Group is also planning to acquire and invest in commercial operational service providers which offer services in new markets, in order to realise higher profit margins.

Diversified Services

As customers' needs are constantly evolving, the Group will further diversify its service continuously to meet their needs and enhance customers' experience, thereby achieving future growth. As such, the Group will continue to expand the general health and wellness industry with medical beauty and community healthcare as its major businesses. In addition, the Group is also exploring business opportunities in the industries of community elderly care services and health management and actively exploring strategic alliance, investment, and acquisition targets, which can provide various services complementary to the property management and commercial operational services of the Group.

- *Medical beauty business*

  The Group will enhance service quality and customer experience through professional medical and non-medical training and continue to establish various medical beauty institutions in first-tier cities, such as Guangzhou and Shenzhen, and utilise quality international resources to bring more quality medical beauty experience to customers.

  The Group currently operates a "MS ARORA" branded medical beauty clinic in Guangzhou, offering a wide range of non-surgical services such as Botox, filler, thread, lasers, semi-permanent makeup, and skin management as well as a limited range of safe surgical services for eyes. MS ARORA derives its revenue mainly from laser and skin management services.

  Additionally, the Group is incubating cosmetics business by leveraging the clinic platform. In the first half of 2019, Medical Beauty has introduced the first functional cosmetic product – moisturising facial mask that can be widely used by the general public. In the second half of the year, Medical Beauty plans to launch additional functional cosmetic products with more advanced technologies to enhance customer experience.

- *Traditional Chinese medicine business*

  The Group will cooperate with "Chunyu Yisheng"（春雨醫生）online medical consultation service platform continuously and integrate it with the Group's O2O platforms, in order to promote healthy lifestyle, concept, and the healthcare service of traditional Chinese medicine in communities and to enhance the added value and satisfaction of the property owners.

- *The general health and wellness industry consultation and investment business*

  Leveraging on the business advantages in the general health and wellness industry, the Group will explore and develop a new asset-light business mode, namely the general health and wellness industry consultation and investment business. In response to the national policy on general health and wellness and meet customers' demand for the general health and wellness service, the Group will provide asset-light consultation services such as preliminary planning, market positioning and introduction of operation service providers of the general health and wellness industry.

  In order to explore resources as a quality operational service provider in the general health and wellne industry, the Group plans to cooperate with We Doctor Group（微醫集團）, a leading international medical health technology platform, Hudayi Doctor Group (Shenzhen) Co., Ltd.*（胡大一醫生集團（深圳）有限公司）, and Shu Tang Information Technology (Shenzhen) Co., Ltd.（舒糖訊息科技（深圳）有限公司）, to develop O2O health management and medical services, and jointly build an intelligent and healthy community; and cooperate with Gortune Investment Co., Ltd.（廣州民營投資股份有限公司）and Rophe Health*（拉法健康）to introduce overseas operation service providers of the health industry.

  * *The English name is for identification purpose only*

Looking forward, with property management and commercial operation as the foundation, the Group will continue to deepen and expand diversified healthcare services, develop mature community healthcare, medical beauty technology, and other businesses, so as to provide users with a healthy living and social environment, and build a comprehensive healthy life platform.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was derived from property management services and commercial operational services. For the six months ended 30 June 2019, the Group's total revenue was approximately RMB392.0 million, representing an increase of approximately RMB124.7 million or approximately 46.7% as compared to that of approximately RMB267.3 million for the six months ended 30 June 2018. Revenue generated from property management services and commercial operational services contributed 73.3% and 26.7% to the total revenue, respectively.

The following table sets forth a breakdown of total revenue for the periods indicated by business segment:

	Six months ended 30 June			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Property management service segment	**287,480**	**73.3**	204,106	76.4
Commercial operational service segment	**104,481**	**26.7**	63,206	23.6
Total	**391,961**	**100.0**	267,312	100.0

Property Management Services

The increase of revenue generated from property management segment was approximately RMB83.4 million, or about 40.9%, of which the revenue generated from property management services was approximately RMB37.4 million or approximately 26.4% and the increase in revenue generated from sales assistance services of approximately RMB37.9 million or approximately 94.8%. The increase of revenue generated from property management services was mainly due to the increase in the GFA under management from 9.9 million sqm as at 30 June 2018 to 12.0 million sqm as at 30 June 2019. The increase of revenue generated from sales assistance services was mainly due to the increase in the number of pre-sale display units and sales offices for which the Group provided services and the increase in the total contract sales of Aoyuan Group.

The following table sets forth the breakdown of revenue from the property management service segment by service category for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**178,822**	**62.2**	141,409	69.3
Sales assistance services	**77,816**	**27.1**	39,964	19.6
Community value added services	**30,842**	**10.7**	22,733	11.1
Total	**287,480**	**100.0**	204,106	100.0

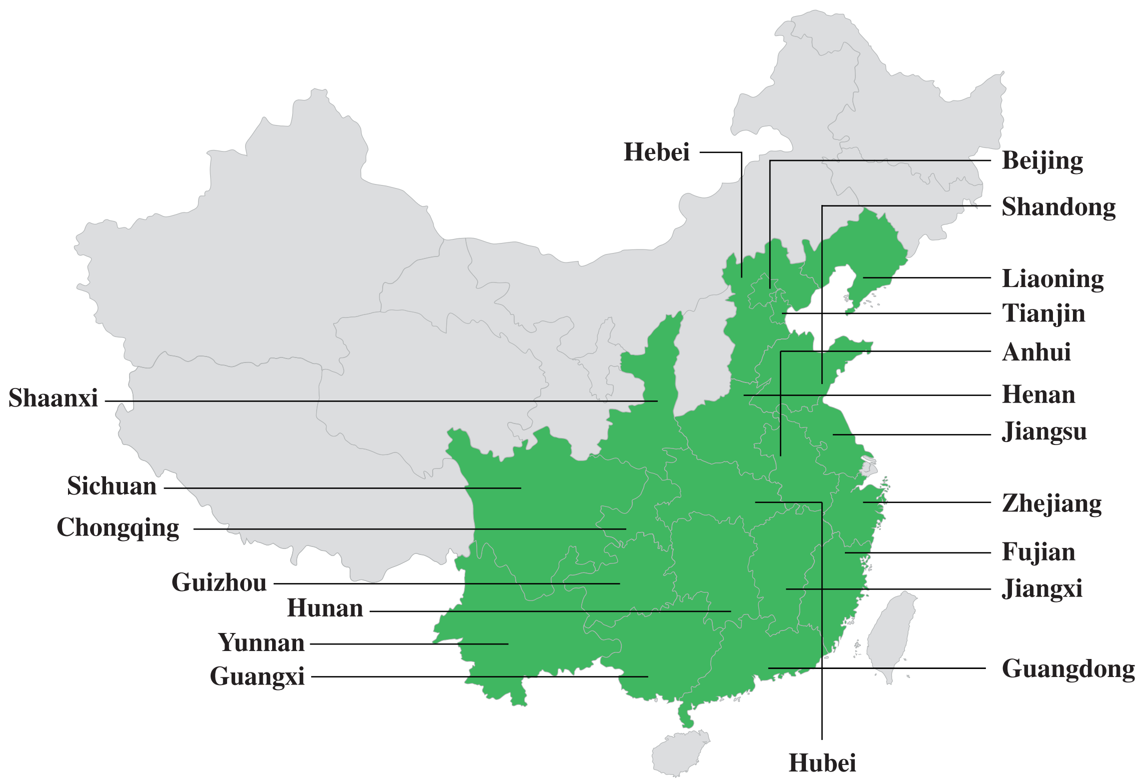
The following table sets forth the breakdown of the GFA under management as at the dates indicated and total revenue for the periods indicated generated from provision of property management services under the property management service segment by type of property developer:

	As at/six months ended 30 June					
	2019			2018		
	GFA	**Revenue**	**Revenue**	GFA	Revenue	Revenue
	('000 sqm)	***(RMB'000)***	***%***	*('000 sqm)*	*(RMB'000)*	*%*
The Parent Group and its related parties *(Note)*	**11,050**	**164,838**	**92.2**	9,280	136,295	96.4
Third party property developers	**927**	**13,984**	**7.8**	606	5,114	3.6
Total	**11,977**	**178,822**	**100.0**	9,886	141,409	100.0

Note: Related parties of the Parent Group include the Parent Group's fellow subsidiaries, joint ventures and associates.

Geographic Presence

The following map illustrates the location of the properties under our Group's management and properties it contracted to manage as at 30 June 2019:



The following table sets forth the breakdown of the GFA under management as at the dates indicated and total revenue from the property management service segment for the periods indicated by geographic regions:

	As at/six months ended 30 June					
	2019			2018		
	GFA *('000 sqm)*	Revenue *(RMB'000)*	Revenue *%*	GFA *('000 sqm)*	Revenue *(RMB'000)*	Revenue *%*
South China (1)	**6,887**	**178,691**	**62.1**	5,577	135,897	66.6
Southwest and Northwest China (2)	**1,930**	**40,458**	**14.1**	1,504	24,998	12.2
East China (3)	**1,365**	**27,805**	**9.7**	1,053	17,399	8.5
Northeast China (4)	**1,209**	**16,895**	**5.9**	1,197	15,485	7.6
Central and North China (5)	**586**	**23,631**	**8.2**	555	10,327	5.1
Total	**11,977**	**287,480**	**100.0**	9,886	204,106	100.0

Note:

(1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.

(2) Southwest and Northwest China comprises Chongqing Municipality, Sichuan, Yunnan, Guizhou and Shaanxi Provinces.

(3) East China comprises Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces.

(4) Northeast China comprises Liaoning Province.

(5) Central and North China comprises Hunan, Hubei, Hebei and Henan Provinces, Beijing Municipality and Tianjin Municipality.

COMMERCIAL OPERATIONAL SERVICE

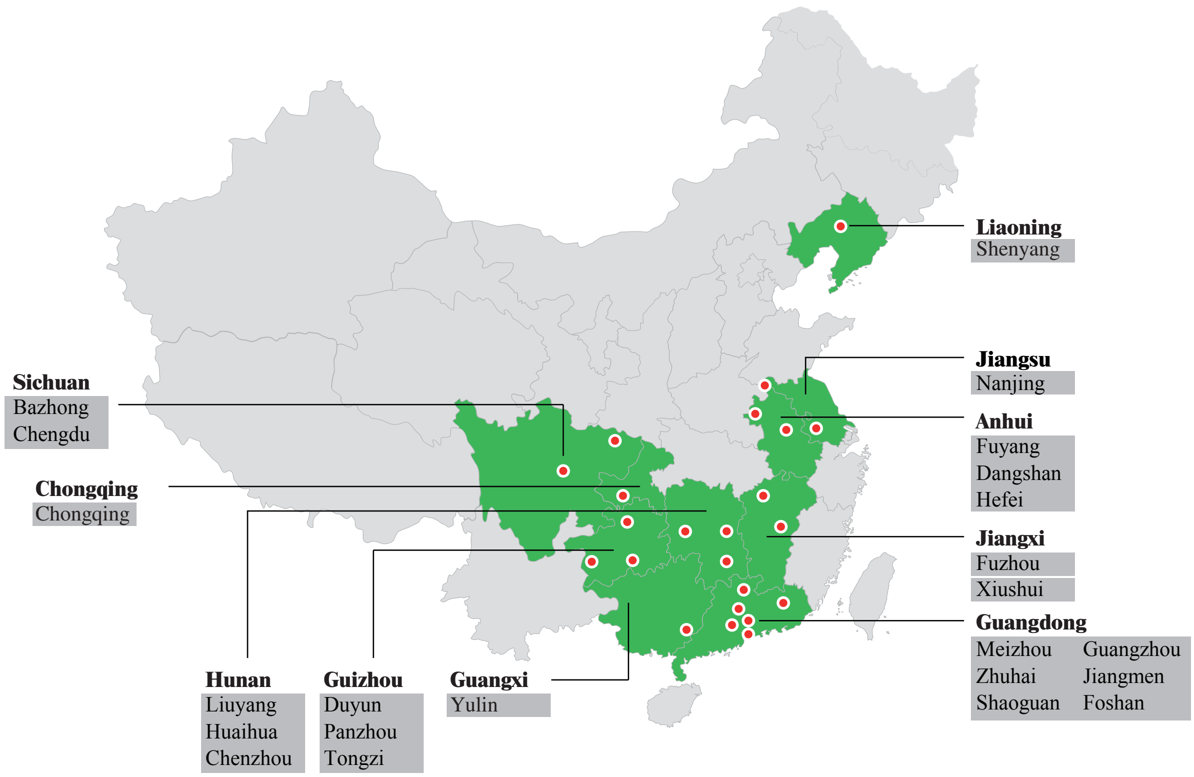
The increase of revenue generated from commercial operational services segment was approximately RMB41.3 million or about 65.3%, mainly due to the increase in revenue generated from commercial operation and management services of approximately RMB31.5 million or approximately 71.3%, and the increase in revenue generated from market positioning and business tenant sourcing services of approximately RMB9.8 million or approximately 51.6%. The fluctuation in the revenue generated from market positioning and business tenant sourcing services was primarily driven by the number of shopping mall openings during the respective periods. The increase of revenue generated from commercial operation and management services was mainly due to the increase in number of shopping mall we managed and operated from seven for the six months ended 30 June 2018 to twelve for the six months ended 30 June 2019. For the six months ended 30 June 2018, the revenue generated from market positioning and business tenant sourcing services was primarily attributable to the opening of Chongqing Chayuan Aoyuan Plaza（重慶茶園奧園廣場）. For the six months ended 30 June 2019, the revenue generated from market positioning and business tenant sourcing services was primarily attributable to Panzhou Aoyuan Plaza（盤州奧園廣場）, Luogang Aoyuan Plaza（蘿崗奧園廣場）and Zhuhai Meixi Commercial Plaza（珠海梅溪商業廣場）.

The following table sets forth the breakdown of revenue from commercial operational service segment by service category for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Commercial operation and management services	**75,625**	**72.4**	44,170	69.9
Market positioning and business tenant sourcing services	**28,856**	**27.6**	19,036	30.1
Total	**104,481**	**100.0**	63,206	100.0

Geographic Presence

The following map illustrates the location of the shopping malls under our Group's management and shopping malls it contracted to manage as at 30 June 2019:



The following table sets forth the breakdown of revenue from the commercial operational service segment for the periods indicated by geographic regions:

	As at/six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
South China[1]	**90,937**	**87.0**	35,595	56.3
Southwest China[2]	**12,940**	**12.4**	22,293	35.3
East China[3]	**489**	**0.5**	–	–
Northeast China[4]	**115**	**0.1**	5,318	8.4
Total	**104,481**	**100.0**	63,206	100.0

Note:

(1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.

(2) Southwest China comprises Chongqing Municipality and Guizhou Province.

(3) East China comprises Jiangxi Province and Anhui Province.

(4) Northeast China comprises Liaoning Province.

COST OF SERVICES

Our cost of services primarily consist of (i) labour costs which arose mainly from the security services, house-keeping services and maintenance services; (ii) cleaning and gardening expenses; (iii) utility expenses; (iv) maintenance costs; (v) marketing and promotion expenses and (vi) materials and consumables.

Our cost of services increased by approximately 38.9% from approximately RMB170.6 million for the six months ended 30 June 2018 to approximately RMB236.9 million for the six months ended 30 June 2019. This increase was primarily attributable to (i) the increase in labour costs from approximately RMB104.0 million for the six months ended 30 June 2018 to approximately RMB133.1 million for the six months ended 30 June 2019 as we employed more employees to cope with our business expansion; (ii) the increase in cleaning and gardening expenses from approximately RMB32.7 million for the six months ended 30 June 2018 to approximately RMB51.5 million for the six months ended 30 June 2019 as a result of our business expansion; and (iii) the increase in utility expenses from approximately RMB7.1 million for the six months ended 30 June 2018 to approximately RMB17.0 million for the six months ended 30 June 2019 due to the increase in number of shopping mall we managed and operated.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2019, the gross profit of the Group was approximately RMB155.1 million, representing an increase of approximately RMB58.4 million or approximately 60.4% as compared to approximately RMB96.7 million for the six months ended 30 June 2018. The gross profit margin for the six months ended 30 June 2019 was 39.6%, representing an increase of approximately 3.4 percentage points as compared to that of 36.2% for the six months ended 30 June 2018, such increase was mainly due to: (i) the increase in the proportion of revenue from commercial operational service to total revenue, and the higher gross profit margin of commercial operational service; (ii) the scale economies effect of property management service and the increase in the average unit price of property management fees.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Our selling and distribution expenses primarily consist of (i) salaries and allowances for our sales personnel; and (ii) marketing expenses. The total selling and distribution expenses of the Group for the six months ended 30 June 2019 was approximately RMB1.4 million.

Our administrative expenses and other expenses primarily consist of (i) salaries and allowances for our administrative and management personnel in our headquarters; (ii) professional fees; (iii) travelling expenses; (iv) rental expenses; and (v) office expenses.

For the six months ended 30 June 2019, the administrative expenses and other expenses of the Group was approximately RMB45.9 million, representing an increase of approximately RMB9.7 million or approximately 26.8% as compared to approximately RMB36.2 million for the six months ended 30 June 2018.

The proportion of administrative expenses of the Group is 11.7% to its revenue, representing a decrease of 1.8 percentage points as compared to the corresponding period of 2018. Such change was mainly due to the increase in administrative expenses as a result of the expansion of business scale, partially offset by the increased efforts made by the Group to control expenses.

OTHER INCOME

For the six months ended 30 June 2019, other income of the Group amounted to a net revenue of approximately RMB20.6 million, representing a significant increase as compared to that of approximately RMB20.3 million for the six months ended 30 June 2018, which was primarily attributable to the net exchange gain of approximately RMB17.3 million and bank interest income of approximately RMB2.3 million.

Income Tax

For the six months ended 30 June 2019, the income tax of the Group was approximately RMB25.6 million, representing an increase of approximately RMB8.3 million as compared to approximately RMB17.3 million for the six months ended 30 June 2018. For the six months ended 30 June 2019, the effective tax rate of the Group was approximately 22.1%, representing a decrease of approximately 10.5 percentage points as compared to approximately 32.6% for the six months ended 30 June 2018, mainly due to the preferential tax policies for development of China's western regions and foreign exchange gains.

Profit for the Year

For the six months ended 30 June 2019, the net profit of the Group was approximately RMB90.1 million, representing an increase of approximately RMB54.5 million or approximately 153.1% as compared to that of approximately RMB35.6 million for the six months ended 30 June 2018. For the six months ended 30 June 2019, profit attributable to equity Shareholders was approximately RMB89.9 million, representing an increase of 151.8% as compared to that of approximately RMB35.7 million for the six months ended 30 June 2018.

FINANCIAL POSITION

As at 30 June 2019, the total assets of the Group was approximately RMB1,236.8 million (as at 31 December 2018: approximately RMB503.0 million), and the total liabilities was approximately RMB463.6 million (as at 31 December 2018: approximately RMB376.8 million). As at 30 June 2019, the current ratio was 2.60 (as at 31 December 2018: 1.26).

Property, Plant and Equipment

The Group's property, plant and equipment consist of buildings, office equipment, motor vehicles and leasehold improvements. Our property, plant and equipment increased by approximately 57.5% to approximately RMB20.0 million as at 30 June 2019, primarily attributable to the addition of office equipment during the six months ended 30 June 2019.

Right-of-use Assets

Upon application of IFRS 16 *Leases* in 2019, the Group recognized right-of-use assets at the commencement date of the lease. As at 30 June 2019, the right-of-use assets were approximately RMB8.6 million (adjusted amount as at 1 January 2019: RMB9.1 million).

Intangible Assets

Our intangible assets represent the property management contracts we obtained upon the acquisition of Anhui Hanlin and Shenzhen Huazhong during the years ended 31 December 2016 and 2017, respectively. Our intangible assets decreased from approximately RMB3.0 million as at 31 December 2018 to approximately RMB2.6 million as at 30 June 2019, primarily due to the amortisation of the property management contract for the year.

Goodwill

Our goodwill represents the difference between the total consideration for the acquisitions of Anhui Hanlin and Shenzhen Huazhong and their respective total identifiable net assets as at the respective acquisition dates.

Trade and Other Receivables

As at 30 June 2019, the trade and other receivables was approximately RMB98.1 million, representing an increase of approximately RMB11.1 million or approximately 12.8% as compared to that of approximately RMB87.0 million as at 31 December 2018, which was mainly due to the increase in property management project under management and the increase in occupancy rate of the owners.

Amounts due from Related Parties and Fellow Subsidiaries

The Group's amounts due from related parties and fellow subsidiaries decreased from approximately RMB176.1 million as at 31 December 2018 to approximately RMB65.6 million as at 30 June 2019, mainly due to the Group's effort to collect the amounts due from related parties and fellow subsidiaries.

Trade and Other Payables

As at 30 June 2019, the trade and other payables was approximately RMB262.6 million, representing an increase of approximately RMB36.4 million or 16.1% as compared to that of approximately RMB226.2 million as at 31 December 2018, mainly due to the increase in GFA under management and more services subcontracted to independent third party service providers.

Bank Borrowing

As at 30 June 2019, we had (i) outstanding bank borrowing of approximately RMB1.8 million; and (ii) unutilised banking facilities for short term financing of approximately RMB98.2 million. Our bank borrowing was credit loans, repayable within one year from the drawdown date and carried at interest rate of 7% per annum.

Lease Liabilities

Upon application of IFRS 16 *Leases* in 2019 , lease liabilities of the Group due within one year were approximately RMB3.2 million and the balance of lease liabilities due above one year was RMB5.4 million as at 30 June 2019.

Contingent Liabilities

As at 30 June 2019, we did not have any material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated based on the total liabilities divided by the total assets. Gearing ratio was 0.75 for the year ended 31 December 2018 and 0.37 for the six months ended 30 June 2019, such change was mainly due to the proceeds from the Listing.

Pledge of Assets

As at 30 June 2019, none of the assets of the Group was pledged.

Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 18 March 2019 (the "Listing") and issued 175,000,000 new shares. On 2 April 2019, the over-allotment option was fully exercised to issue 26,250,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing and the exercise of the over-allotment option amounted to approximately HK$577.0 million and HK$93.7 million (approximately RMB493.1 million and RMB80.1 million, respectively), respectively. As at the date of this announcement, the Group has utilized approximately RMB59.1 million of the capital raised, of which RMB1.3 million was used to develop and upgrade our O2O platforms; approximately RMB0.5 million was used to develop intelligent service systems and upgrade our internal IT system; and approximately RMB57.3 million was used for working capital and general corporate purposes. Such proceeds were applied in the manner consistent with that in the prospectus of the Group dated 28 February 2019. The remaining unutilized proceeds will be applied in the following manner consistent with that in the prospectus:

- approximately 62.0%, will be used to pursue strategic acquisition and investment opportunities to acquire or invest in other commercial operational service and property management service providers;

- approximately 10.0%, will be used to pursue selective strategic acquisition and investment opportunities to acquire or invest in service providers which provide various services complementary to our property management services and commercial operational services;

- approximately 12.0%, will be used to continue to develop and upgrade our O2O platforms;

- approximately 6.0%, will be used to develop intelligent service systems and upgrade our internal IT system;

- approximately 10.0%, will be used for our working capital and general corporate purposes.

Subject to the requirements of relevant PRC laws and regulations, approximately HK$550.0 million of the proceeds from the Listing will be remitted to its bank accounts in the PRC for use, approximately HK$120.7 million from the Listing will be retained in overseas bank accounts for use.

The net proceeds are currently held as bank deposits and are planned to be used in the same manner of distribution as proposed in the Prospectus.

Significant Acquisitions and Disposals

During the six months ended 30 June 2019, the Group did not have any significant acquisitions and disposals.

Significant Investments

As at 30 June 2019, the Group did not have any major investments.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the Group had 3,474 employees. The staff cost was approximately RMB147.7 million in the first half of 2019. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. Pursuant to relevant laws and regulations in the PRC, the Group provides contributions to social insurance (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance) and housing provident funds for our employees in the PRC.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2019.

CORPORATE GOVERNANCE CODE

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 (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For the period from Listing Date and up to 30 June 2019, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Code of Conduct regarding securities transaction by the Directors ("**Codes of Securities Transaction**"). The Company has made specific enquiry to all directors and all directors have confirmed that they have complied with the Model Code and Codes of Securities Transaction from the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Hung Ka Hai Clement as chairman as well as Dr. Li Zijun and Mr. Wang Shao 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 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuanjksh.com). The interim report of the Company for the six months ended 30 June 2019 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
Aoyuan Healthy Life Group Company Limited
Mr. Guo Zining
Chairman

Hong Kong, 16 August 2019

As at the date of this announcement, the Board comprises Mr. Miao Sihua and Mr. Tao Yu as executive directors; Mr. Guo Zining and Mr. Chen Zhibin as non-executive directors; and Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao as independent non-executive directors.