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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

2019 RESULTS HIGHLIGHTS

- For the year ended 31 December 2019, the Group's total revenue was approximately RMB900.8 million, representing an increase of approximately RMB282.0 million or about 45.6% as compared to that of approximately RMB618.8 million for the year ended 31 December 2018. For the year ended 31 December 2019, revenue generated from property management services and commercial operational services contributed approximately 71.8% and 28.2% to the total revenue, respectively.
- The revenue generated from property management service segment was approximately RMB646.4 million, representing an increase of approximately 42.6% as compared with last year. The gross profit of the segment was approximately RMB223.9 million and the gross profit margin was approximately 34.6%. The GFA under management increased by approximately 4.7 million sq.m. to a total of 15.1 million sq.m..
- The revenue generated from commercial operational service segment was approximately RMB254.4 million, representing an increase of approximately 53.6% as compared with last year. The gross profit of the segment was approximately RMB113.2 million and the gross profit margin was approximately 44.5%. Nine out of ten newly opened shopping malls in 2019 were under the commercial operation and management services by the Group. Such newly opened shopping malls increased commercial operational services contracted GFA under management by approximately 366,900 sq.m..
- The gross profit of the Group was approximately RMB337.1 million, representing an increase of approximately 61.4%, and the gross profit margin was approximately 37.4%.
- The Group achieved net profit of approximately RMB163.1 million, representing an increase of 108.3% as compared to that of last year and net profit margin was approximately 18.1%.
- As at 31 December 2019, the net assets of the Group was approximately RMB846.3 million and the return on equity (ROE) was approximately 33.5%.
- The Board recommends the payment of final dividend of RMB0.09 per Share for the year ended 31 December 2019.

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**", "**we**", "**our**" or "**us**") for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	NOTES	**RMB'000**	*RMB'000*
Revenue	*3*	**900,800**	618,835
Cost of services		**(563,746)**	(410,082)
Gross profit		**337,054**	208,753
Other income	*4*	**29,662**	6,629
Impairment losses under expected credit loss model, net of reversal		**(3,547)**	(987)
Gain on deemed disposal of subsidiaries		**4,576**	–
Administrative expenses and other expenses		**(125,975)**	(89,045)
Selling and distribution expenses		**(2,470)**	(1,331)
Listing expenses		**(15,919)**	(15,513)
Share of results of joint ventures		**(2,434)**	–
Finance costs		**(2,334)**	(11)
Profit before tax		**218,613**	108,495
Income tax expense	*5*	**(55,503)**	(30,240)
Profit and total comprehensive income for the year	*6*	**163,110**	78,255
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**162,478**	78,144
– Non-controlling interests		**632**	111
		163,110	78,255
Earnings per share *(RMB cents)*			
– Basic	*7*	**23.78**	16.54
– Diluted	*7*	**23.77**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**20,248**	12,694
Right-of-use assets		**100,783**	–
Intangible assets		**4,320**	3,031
Goodwill		**3,491**	3,491
Interests in joint ventures		**8,455**	–
Deferred tax assets		**2,576**	7,389
Deposits paid for acquisition of property, plant and equipment		**–**	1,051
Trade and other receivables		**209,400**	–
Deferred contract costs		**2,882**	2,306
		352,155	29,962
Current assets			
Inventories		**653**	77
Trade and other receivables	*9*	**106,921**	87,045
Deferred contract costs		**4,971**	9,492
Amount due from a non-controlling shareholder of a subsidiary		**593**	–
Amounts due from fellow subsidiaries		**64,394**	175,933
Amounts due from related parties		**14,276**	206
Amounts due from joint ventures		**19,491**	–
Bank balances and cash		**822,891**	200,331
		1,034,190	473,084

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*10*	**297,641**	226,233
Contract liabilities		**93,941**	120,789
Amounts due to fellow subsidiaries		**–**	6,659
Amounts due to related parties		**834**	–
Tax liabilities		**30,075**	20,538
Lease liabilities		**3,313**	–
Bank borrowings		**100,313**	1,779
		526,117	375,998
Net current assets		**508,073**	97,086
Total assets less current liabilities		**860,228**	127,048
Non-current liabilities			
Deferred tax liabilities		**1,080**	757
Lease liabilities		**12,832**	–
		13,912	757
Net assets		**846,316**	126,291
Capital and reserves			
Share capital		**6,207**	–
Reserves		**838,861**	125,675
Equity attributable to owners of the Company		**845,068**	125,675
Non-controlling interests		**1,248**	616
Total equity		**846,316**	126,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 consolidated financial statements are presented in Renminbi ("RMB"), the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs")

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the"IASB") for the first time in the current year.

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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current period. IFRS 16 superseded IAS 17 "Leases" ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities was 3.875% for underlying assets located at Hong Kong and range from 6.55% to 8.94% for underlying assets located at the mainland China, respectively.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**11,430**
Lease liabilities discounted at relevant incremental borrowing rates	**10,274**
Less: Recognition exemption – short-term leases	**(1,050)**
Recognition exemption – low value assets	**(140)**
Lease liabilities relating to operating leases recognised upon application of IFRS 16 at 1 January 2019	**9,084**
Analysed as	
Current	**3,058**
Non-current	**6,026**
	9,084

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases upon application of IFRS 16	9,084
By class:	
Office premise	8,637
Staff quarters	447
	9,084

The application of IFRS 16 does not have a material impact on the retained profits at 1 January 2019. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under IFRS 16 at 1 January 2019** ***RMB'000***
Non-current Assets			
Right-of-use assets	–	9,084	**9,084**
Current Liabilities			
Lease liabilities	–	3,058	**3,058**
Non-current liabilities			
Lease liabilities	–	6,026	**6,026**

New and amendments to IFRSs in issue but not yet effective

The Group has not early adopted the following new and amendments to IFRSs that have been issued but not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of services		
Property management services		
Property management services	**390,122**	305,997
Sales assistance services	**172,876**	98,907
Community value-added services	**66,924**	48,324
Others	**16,465**	–
	646,387	453,228
Commercial operational services		
Commercial operation and management services	**160,902**	102,577
Market positioning and business tenant sourcing services	**93,511**	63,030
	254,413	165,607
Total	**900,800**	618,835

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of customers		
Property management services		
External customers	**380,357**	282,561
Fellow subsidiaries	**256,402**	163,961
Other related parties	**9,628**	6,706
	646,387	453,228
Commercial operational services		
External customers	**156,881**	80,836
Fellow subsidiaries	**85,284**	84,771
Other related parties	**12,248**	–
	254,413	165,607
Total	**900,800**	618,835
Timing of revenue recognition		
Over time	**852,178**	555,805
A point in time	**48,622**	63,030
Total	**900,800**	618,835

The Group's operating segments are determined based on information reported to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group for the purposes of resource allocation and assessment of segment performance, focuses on types of services provided.

The Group's operating and reportable segments are as follows:

a. *Property management services*

The Group engaged in the provision of property management services, sales assistance services and community value-added services for both residential and non-residential units to property developers, property owners and residents.

b. *Commercial operational services*

The Group engaged in the provision of market positioning and business tenant sourcing services and commercial operation and management services to commercial property developers and commercial property lessees.

No analysis of segment assets and segment liabilities is presented as these information are not regularly provided to the CODM for review.

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

	Property management services *RMB'000*	Commercial operational services *RMB'000*	Total *RMB'000*
Year ended 31 December 2019			
Segment revenue	**646,387**	**254,413**	**900,800**
Segment results	**163,473**	**73,553**	**237,026**
Net exchange gain			**18,994**
Gain on deemed disposal of subsidiaries			**4,576**
Central administrative costs			**(21,296)**
Share of results of joint ventures			**(2,434)**
Listing expense			**(15,919)**
Interest on lease liabilities			**(817)**
Interest on bank borrowings			**(1,517)**
Profit before tax			**218,613**

	Property management services *RMB'000*	Commercial operational services *RMB'000*	Total *RMB'000*
Year ended 31 December 2018			
Segment revenue	453,228	165,607	618,835
Segment results	111,213	30,397	141,610
Net exchange gain			5,474
Central administrative costs			(23,065)
Listing expense			(15,513)
Interest on bank borrowing			(11)
Profit before tax			108,495

Other segment information

	Property management services *RMB'000*	Commercial operational services *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2019				
Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	**3,722**	**1,271**	**2,465**	**7,508**
Amortisation of intangible assets	**1,076**	**–**	**–**	**1,076**
Depreciation of right-of-use assets	**868**	**1,079**	**1,605**	**3,552**
Amortisation of deferred contract costs	**–**	**29,067**	**–**	**29,067**
Impairment losses on trade receivables recognised in profit or loss	**3,161**	**386**	**–**	**3,547**
Year ended 31 December 2018				
Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	2,062	742	115	2,919
Amortisation of intangible assets	898	–	–	898
Amortisation of deferred contract costs	–	34,687	–	34,687
Impairment losses on trade receivables recognised in profit or loss	987	–	–	987

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in the PRC, and over 97% of the non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Fellow subsidiaries (note)	**341,686**	248,732

Note: The revenue was derived from property management services and commercial operational services. The fellow subsidiaries are the subsidiaries of China Aoyuan Group Limited ("**China Aoyuan**", together with its subsidiaries (excluding the Group), the "**China Aoyuan Group**").

4. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**4,824**	320
Net exchange gain	**18,994**	5,474
Others	**5,844**	835
	29,662	6,629

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**52,407**	36,199
Overprovision in prior years	**(1,450)**	–
	50,957	36,199
Deferred tax	**4,546**	(5,959)
	55,503	30,240

No provision for Hong Kong profits tax has been made as the Group did not have any assessable income subject to Hong Kong profits tax for both years.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

6. PROFIT FOR THE YEAR

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**2,630**	1,880
Directors' emoluments	**3,292**	2,449
Other staff's salaries and other benefits	**291,645**	238,695
Other staff's contributions to retirement benefit scheme	**48,301**	37,572
Other staff's contributions to housing provident funds	**11,142**	9,402
Total staff costs	**354,380**	288,118
Amortisation of deferred contract costs	**29,067**	34,687
Depreciation for property, plant and equipment	**7,508**	2,919
Depreciation for right-of-use assets	**3,552**	–
Amortisation of intangible assets (included in cost of services)	**1,076**	898
Late charge for tax filing (included in other expenses)	**–**	5,293
Late charge for retirement benefit scheme and housing provident funds	**–**	518

7. EARNINGS PER SHARE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, as appropriate (Profit for the year attributable to owners of the Company)	**162,478**	78,144

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**683,267,123**	472,496,809
Effect of dilutive potential ordinary shares:		
– Over-allotment option	**297,211**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**683,564,334**	N/A

The calculation of basic and diluted earnings per share were based on the assumption that the capitalisation issue had been completed on 1 January 2018. No diluted earnings per share were presented for the year ended 31 December 2018 as there were no potential ordinary shares in issue during that year.

8. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends, recognised as distribution during the year:		
2018 final dividend of RMB0.055 per share	**39,944**	–
2017 dividend declared by the subsidiary *(note)*	**–**	132,600
	39,944	132,600

Note: Prior to the completion of Group Reorganisation, Aoyuan Healthy Life (Guangzhou) Group Company Limited（奧園健康生活（廣州）集團有限公司）formerly known as Guangdong Aoyuan Commercial Property Management Limited（廣東奧園商業物業管理有限公司）declared a dividend of RMB132,600,000 to China Aoyuan and settled through the current account with its fellow subsidiaries on 1 July 2018.

For dividend declared by the subsidiary, the rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not considered meaningful having regard to the purpose of the consolidated financial statements.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB0.09 per ordinary share, in an aggregate amount of RMB65,362,500, taking into account the 726,250,000 ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period have not been recognised as liabilities in these consolidated financial statements.

9. TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Trade receivables		**76,271**	53,595
Less: impairment losses under expected credit loss model, net of reversal		**(8,721)**	(5,174)
Total trade receivables		**67,550**	48,421
Other receivables:			
Deposits	*(a)*	**27,806**	10,561
Payments on behalf of residents	*(b)*	**18,221**	15,080
Prepayments	*(c)*	**197,346**	2,019
Deferred share issue costs		**–**	5,780
Others		**5,398**	5,184
		248,771	38,624
Total trade and other receivables		**316,321**	87,045
Analysed for reporting purpose as:			
Non-current assets		**209,400**	–
Current assets		**106,921**	87,045
		316,321	87,045

Notes:

(a) The balance represented the amount paid to the service providers as deposit.

(b) The balance represented the amount paid on behalf of residential communities and business tenants to the utilities service provider for the service provided.

(c) The balance mainly represented the advance payment to contractors for the development of a healthcare and medical beauty industrial complex on the newly acquired leasehold land and for the development of the commercial operational projects at RMB100,000,000 and RMB90,000,000, respectively, which are expected to be recovered after 12 months from the year-end date and are classified as non-current assets accordingly.

Property management service income under property management service segment and commercial operation and management service income 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.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB71,829,000.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 to 60 days	**22,744**	16,389
61 to 180 days	**18,282**	13,476
181 to 365 days	**17,172**	11,263
1 to 2 years	**10,967**	6,933
2 to 3 years	**4,134**	3,192
Over 3 years	**2,972**	2,342
	76,271	53,595

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB53,527,000 (2018: RMB37,206,000) as at 31 December 2019, which are past due at the end of the reporting period. Out of the past due balances, RMB8,433,000 (2018: RMB5,119,000) has been provided for the impairment losses under expected credit loss model. The Group does not hold any collateral over these balances.

The following table shows the movements in the allowances for trade receivables that has been recognised for trade receivables during the year:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Balance at beginning of the year	**5,174**	4,187
Allowances of loss recognised on trade receivables	**3,547**	987
Balance at end of the year	**8,721**	5,174

10. TRADE AND OTHER PAYABLES

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Trade payables		**59,082**	27,374
Other payables:			
Receipts on behalf of residents	*(a)*	**29,900**	20,729
Deposits received	*(b)*	**100,613**	92,520
Accrued staff costs		**59,014**	34,659
Accrued contribution to social insurance and housing provident funds		**11,382**	12,125
Accrued share issue cost/listing expenses		**–**	5,170
Other tax payables		**9,685**	7,107
Accrued expenses		**12,168**	7,509
Other payables		**15,797**	19,040
Total other payables		**238,559**	198,859
Total trade and other payables		**297,641**	226,233

Notes:

(a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.

(b) The balances mainly represented by the utility deposits received from the community residents and commercial tenants.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 to 60 days	**41,541**	15,918
61 to 180 days	**13,742**	8,682
181 to 365 days	**2,951**	2,401
1 to 2 years	**763**	332
2 to 3 years	**62**	39
Over 3 years	**23**	2
	59,082	27,374

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

Aoyuan Healthy Life Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is a renowned property management service and commercial operational service provider in the People's Republic of China ("the **PRC**"). It develops the general health and wellness business in the segments of medical beauty, community healthcare and healthcare management, with a business strategy of delivering diverse service to meet customer's evolving demands. The Group offers diverse 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 and mixed-use property development projects. The Group aims to create a quality healthy living and business social environment whilst providing comprehensive quality healthy life management services.

Property Management

As of 31 December 2019, the Group provided property management services to 94 properties in 38 cities across 13 provinces, municipalities, and autonomous regions in the PRC with a total gross floor area ("**GFA**") under management of approximately 15.1 million square metre (sq.m.), of which the Group achieved an increase in the GFA under management of 4.7 million sq.m. under the property management service segment for the year ended 31 December 2019 (the "**Year**"), representing a year-on-year growth of 45.2%.

Commercial Operation

As of 31 December 2019, the Group was contracted to provide commercial operational services to 37 shopping malls with a contracted GFA of approximately 1.8 million sq.m.. Among them, contracts provided for post-opening commercial operation and management services to 28 shopping malls represented a contracted GFA of approximately 1.5 million sq.m.. During the Year, the Group achieved an increase in aggregate contracted GFA of 493,000 sq.m. under commercial operational service segment, representing a year-on-year growth of 38.8%.

As of 31 December 2019, the Group provided commercial operational services to 17 shopping malls in operation in 11 cities in the PRC, with a total GFA under management of approximately 775,000 sq.m..

During the Year, the Group had a total of 10 newly opened shopping malls.

The breakdown of newly opened shopping malls during the Year is set out in the table below:

No.	Shopping malls	Opening date	Location	Contract effective date[1]	Contract term (Year)	Contracted GFA (sq.m.)	Occupancy rate as at 31 December 2019[2]
1	Panzhou Aoyuan Plaza (盤州奧園廣場)	January 2019	Panzhou	11 May 2018	10	45,000	98.1%
2	Guangzhou Luogang Aoyuan Plaza (廣州蘿崗奧園廣場)	May 2019	Guangzhou	3 January 2018	10	34,500	99.3%
3	Zhuhai Meixi Commercial Plaza (珠海梅溪商業廣場)	May 2019	Zhuhai	21 July 2018	From contract effective date to 31 December 2023	26,800	82.6%
4	Shunde Aoyuan Plaza (順德奧園廣場)	September 2019	Foshan	1 July 2019	9.5	66,700	88.2%
5	Hefei Aoyuan City Tiandi (合肥奧園城市天地)	September 2019	Hefei	10 June 2019	8	45,900	95.5%
6	Aoyuan International Centre (奧園國際中心)	December 2019	Guangzhou	1 April 2019	10.5	28,000	86.9%
7	Nanjing Baolong Times Plaza Commercial Street (南京寶隆時代廣場商業街)	December 2019	Nanjing	25 June 2019	3	14,000	100.0%
8	Xiushui Happy Coast Aoyuan Plaza (修水歡樂海岸奧園廣場)	December 2019	Xiushui	8 June 2018	11	50,000	70.7%
9	Yulin Aoyuan Plaza (玉林奧園廣場)	December 2019	Yulin	25 May 2018	11.5	56,000	93.1%
10	Fuzhou Caizi Lane (撫州才子巷)[3]	December 2019	Fuzhou	20 September 2018	From contract effective date to 31 December 2019	N/A	N/A

(1) Contract effective date represents the date on which we began to provide our 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 31 December 2019 based on our internal record. The occupancy rate may be higher or lower in different periods within a year.

(3) The Group only provides Fuzhou Caizi Lane with market positioning and business tenant sourcing services, instead of commercial operation and management services.

General Health and Wellness Business

The Group deeply applies the two ecosystems of "lives in properties and commercial complex" in the general health and wellness business segment, and continuously integrates quality healthcare resources to provide customers with traditional Chinese medicine ("**TCM**") healthcare services and medical beauty services.

In respect of healthcare business, as a strategic business officially launched at the end of the Year, the Group set up a dedicated team composed of well-known healthcare experts in the industry and formulated the development strategy of healthcare business for the next three years, and proposed the "1+3" model and "1+1+N" healthcare system strategy, namely: to generate synergy with elder care at home, at institution, and during sojourn with community elder care as the foundation; building an online intelligent healthcare platform, connecting offline healthcare cards, and providing more than 70 comprehensive healthcare services in 3 categories: healthy aging, happy aging, and learning while aging, so as to provide customised products and services for the elderly with different health conditions and achieve the synergy among the product lines. Meanwhile, the Group will jointly establish a healthcare industrial research institute with well-known domestic and foreign healthcare and elder care institutions and universities to combine international advanced models, advanced products and technologies with the development of PRC's healthcare industry for research, consultation, and industrial guidance services.

At the end of the Year, the Group and Nichii Group* (日醫集團), a well-known Japanese elder care services provider, entered into a cooperation agreement to jointly expand elder care and nursing services. Meanwhile, the Group officially launched two community healthcare pilot projects in Guangzhou Panyu Jinye Villa Garden* (廣州番禺金業別墅花園) and Guangzhou Luogang Aoyuan Plaza* (廣州蘿崗奧園廣場), and will share the experience of elder care from Japan and Hong Kong based on the customer group of Aoyuan Community, and fully explore the quality resources of the cultural tourism industry under China Aoyuan, so as to open up a new life of living, healthcare and vacation experience for the elderly.

In respect of TCM business, the Group set up two TCM centres in Guangzhou Panyu Aoyuan Healthcare Plaza* (廣州番禺奧園養生廣場) and Guangzhou Luogang Aoyuan Plaza* (廣州蘿崗奧園廣場) under its management, and the Group had a team of well-known TCM practitioners that delivering services of massage, moxibustion, acupuncture, internal and external TCM treatment, and external washing, etc., providing professional, convenient and distinctive TCM services, and sincerely serving the community and surrounding population. The TCM centre signed a dual referral agreement with Guangzhou Panyu District Hospital of Traditional Chinese Medicine* (廣州市番禺區中醫院) and Guangzhou Hospital of Traditional Chinese Medicine* (廣州市中醫院) to provide quick referral green channels and expert medical consultation for the patients.

In respect of medical beauty, the Group introduced international medical team, modern medical system, and service concepts. With the rich experience of our established management team, the Group created a "light medical beauty" concept of "professional medical beauty is all around you" for the medical beauty business, and established the medical beauty brand MS ARORA and cosmetics brand ARORA LAB, to accurately cater to the customer's demand for medical beauty services and enhance the owner's experience. The Group set up three medical beauty clinics during the Year, which provide skincare treatments, micro cosmetics, and plastic surgeries services, and formed a medical system with Chinese and Korean features by integrating Korean medical elements and domestic medical beauty market features, to provide better medical beauty services for domestic consumers. Meanwhile, the Group jointly developed five new cosmetics products with the well-known Korean cosmetics research and development company "Cosmax Group" during the Year, of which the hyaluronic acid mask was launched in February of the Year, the hyaluronic acid mist was launched in September of the Year, the hyaluronic acid cleanser, the medical cooling mask, and the calming repair cream were launched in December of the Year. Customers' experience has been further enhanced with these five products and the skin treatments provided by the Group's medical beauty clinics.

Online and Offline ("O2O") Platforms

In order to integrate the development of the three major segments of the Group namely property management, commercial operation and, general healthcare and wellness, the Group upgraded the original O2O platforms to optimise business models and enhance service quality, while establishing two major technology companies ("**Aozhiyun Technology**" (奧智雲科技) and "**Aojia Technology**" (奧佳科技)) with the support of technologies such as the Internet and AIOT, and enriched online and offline platforms and health products to enhance customers' experience and satisfaction.

The online platforms of the Group mainly include Aoyuejia (奧悅家) Android and iOS mobile applications and WeChat public account. The Group launched the Aoyuejia mobile application (formerly known as "Jiayuan" (佳園) and "Aoyuan Property" (奧園物業)) in June 2017, and upgraded to Aoyuejia mobile application version 3.0 in October 2019, through focusing on the three cores of Yue Activity (悅活動), Yue Community (悅社區) and Yue Health (悅健康), thereby building a Yue Life Ecosystem in Aoyuan Community (奧園社區悅生活生態圈), in order to meet the diverse needs of the residents and tenants in residential and commercial communities under the Group's management and enhance experience of the owners. As of 31 December 2019, the Aoyuejia mobile application covers 91 residential and commercial properties the Group managed, with a total of approximately 48,336 registered users. During the Year, the Group also entered into a strategic cooperation agreement with Guangzhou Zhi'an Angel Technology Co., Ltd.* (廣州智安天使科技有限公司), according to which both parties jointly cooperated in cloud services, big data, Internet of Things, artificial intelligence and other fields to form a strong alliance so as to complement one another, establishing a comprehensive strategic partnership.

Aozhiyun(奧智雲) under the Group, together with Anjubao(安居寶), DANKE (狄耐克), AURINE (冠林) and other leading companies in intelligent field, jointly created a health intelligence system with health and intelligence features. The Group has independently delivered five major solutions of "Healthy Living Hall" (健康生活館), "Healthy Smart Home" (健康智能家居), "Smart Community" (智慧小區), "Smart Commercial Plaza" (智慧商業廣場), and "AIOT Marketing Centre" (AIOT營銷中心), and has signed over 50 projects within half a year with total contract value of nearly RMB50 million. Many projects have been smoothly implemented and were well-received.

Aojia Technology (奧佳科技) created a Smart and Healthy Cloud Platform of AoHealth (奧健康智慧健康雲平台) through the integration of superior resources in the industry such as WeDoctor* (微醫), AKCOME* (愛康), DAAN GENE* (達安基因), with the application of technologies such as AIOT and the Internet, to develop health service terminals as well as community health indexes etc., and establish a healthy living service system for the real estate sector, providing entry-level health services for real estate customers. Currently, it covers more than 10 cities such as Guangzhou, Foshan, Chengdu, Xi'an, and Beijing.

Outlook

In mid-late January 2020, COVID-2019 broke out in PRC. The Group responded quickly to this nationwide battle, and established the "Coronavirus Emergency Management Office" for guiding epidemic prevention. Always putting the lives and health of the owners, merchants, customers, and employees as the top priority, the Group actively and comprehensively took all-round measures from resource supply, disinfection and protection, publicity, to closed management. Communities is the main battle field and property management is the main force for epidemic prevention and control. The Group implemented joint prevention and control measures, built a tight line of defense for group prevention and controlled, strictly controlled community entry and exit, and executed access control and epidemic prevention. Besides, the Group provided owners with two types of personalised value-added service models: "Yue Service" (悅服務) and "Healthy Life Service" (健康生活服務), and launched group purchase service of scarce protective materials such as alcohol and organic agricultural by-products to ease owners' worries. As a listed company, the Group also takes up corporate social responsibility. In addition to cooperating with China Aoyuan Group in the donation of protective materials, the Group also overcomes difficulties together with tenants through various preferential policies such as rent reduction and exemption. Meanwhile, the Group has jointly launched a free online consultation service for COVID-2019 with chunyuyisheng.com* (春雨醫生). During the epidemic, the two personalised value-added service models provided by property management have been effectively examined and affirmed by the owners. In the future, the Group will continue to implement and improve the models. As the epidemic still prevails, the Group will continue to adhere to the "customer-oriented service" principle and mobilise various resources for prevention. In a complex and volatile market with diverse and competitive situation, the Group has always followed a sound financial management strategy, maintained low-cost and multi-channel financing advantages, as well as reasonable and safe debt levels. Regarding project investment, the Group will explore external cooperation and secondary market acquisitions to control the cost of diverse services and enhance the efficiency of capital use. In addition, various businesses are carried out with focuses on security services and operations, and based on the support policies issued by the PRC government, the Group will make effective use of funds and take stock, and plan to find new profit growth points for the business.

Property Management

In respect of property management, the continued trend of urban development and consumption upgrade will support the long-term steady growth of the property management industry in 2020. In light of the increasing competition in the industry, the Group provides property management services for most of the property projects developed by China Aoyuan Group; while achieving stable income contribution, expansion is the only way for property management to enhance market competitiveness. The Group will leverage on the edge of the listing platform to deepen its strategy and focus on the coordinated development with other businesses and will also further expand the scale of property management through its own expansion, investment, mergers and acquisitions, and joint investment and cooperation. Besides, multiple business formats will be operated to complete strategy of the entire industry chain of the property management industry. Through asset management, it is developing a commercial and office property market with great potential. The Group will further strengthen its property diversification operations. The Group will set up professional lease and sale companies and open new stores in multiple locations to realise the rapid growth of first-hand asset agency and second-hand asset lease and sale business. Opportunities arise with challenges, the Group dedicates to developing home services to address the consumer's demand against the outbreak of the epidemic, providing more value-added services for community customers to create new profit growth points, such as vegetable distribution, housekeeping services, laundry service, furniture disinfection, and other businesses. The Group will also provide value-added services to developers' major customers, as well as value-added services such as initial cleaning and sporadic projects for developers. In addition, the Group will increase investment in information technology and intelligence. During the year of 2020, all car parks will be operated unmanned to further reduce operating costs and increase profits.

Commercial Operation

With the consumption upgrade and rapid expansion of the consumer service industry, consumers are having higher expectation on shopping experience and service quality, thus the demand for professional business operation services is increasing. The Group provides commercial operation services for two major brands of China Aoyuan Group, i.e. "Aoyuan Plaza" (奧園廣場) and "Aoyuan City Plaza" (奧園城市天地), and also extended the service to third parties. The Group's extensive experience in the property management industry, helps provide quality commercial operation and management services after the project operation starts, and generates synergy of multiple businesses. The Group's past contracted projects will be successively launched in Guangdong-Hong Kong-Macao Greater Bay Area, Anhui, Jiangxi, and other areas. In response to the business development, changes in the market as well as the impact brought by the epidemic, the Group will focus on enhancing its operation quality, and the shopping malls under operation, and continuously improve its operation capability to increase the revenue on projects. The Group will also expand quality projects in a prudent manner.

Leveraging on the advantages in the general health and wellness business and industrial integration, the Group has explored a new asset-light business model. The Group provides asset-light services (medical beauty as well as healthcare services and products) to the industrial zone owned by its service targets through the ways of business and management consultation and business development and operation service, and property management service.

General Health and Wellness Business

As customers' needs are constantly evolving, the Group will continue to provide general health and wellness service to meet customers' needs and enhance their experience, thereby achieving future growth. As such, the Group will continue to expand the TCM healthcare business and medical beauty business to cater to eldercare policies, build online platform for community healthcare management and improve community service quality and customer satisfaction. In addition, the Group is actively exploring strategic alliance, investment, and acquisition opportunities, which can provide services complementary to the property management and commercial operation services of the Group.

TCM Business

The TCM business, as a basic element of the Group's industrial chain, has continuously undergone the process of consolidation. The Group plans to establish strategic partnerships with "Hudayi Doctor Group"* (胡大一醫生集團) and "Daxiang Pharmaceutical Group"* (大翔藥業集團), to develop a series of products for Aoyue Health (奧悅養生), in order to deepen its presence in the community, further strengthens its business operation, and vigorously develop and expand new business lines.

The Group plans to open TCM stores in multiple communities of China Aoyuan Group, and will appoint a Chinese medicine practitioner with special expertise in each store to provide community residents with TCM health services such as consultation and pulse diagnosis. Besides, 24-hour automatic vending machines will be installed in the commercial malls operated by the Group to promote the Aoyue Health and beauty products developed by the Group, to provide our commercial tenants with quality healthcare services.

Healthcare Business

The healthcare business will focus on creating a "1 + 3" healthcare system network in Southern China in 2020, horizontally building the Group's unique business model of 3 in 1 "property under management + health + elder care", and accelerating the development of "the Internet + health" vertically, including the establishment of Asia Health and Wellness Industrial Research Institute (亞洲大健康產業研究院), Smart Health Centres, the creation of a video consultation cloud platform and a smart elder care platform, to provide online services such as member services, senior university, senior products sales exhibition, health management, etc., and provide strong guarantee for the realisation of retirement at home in the community.

In response to the national policy on general health and wellness and meet the growing concern of the customers over life and health and demand for quality products and services promoting healthy life, the Group cooperates with We Doctor* (微醫集團), a leading international medical health technology platform, chunyuyisheng.com* (春雨醫生), 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 accurately posit the general health and wellness business in the market and direct the development of service of general health and wellness industrial operation. The Group is planning to enter the upstream of the medical beauty industry and the field of technical aesthetics with world-renowned medical equipment companies. Besides, the Group plans to improve its O2O health management and medical services and enhance the function of smart health community services; cooperate with Rophe Health*(拉法健康) to introduce overseas health operational service providers; and expand into business fields related to nursing, healthcare and medical, which are diverse and closely related to living with Nichii Group* (日醫集團).

Medical Beauty Business

The Group will cooperate with well-known medical and aesthetic experts and teams at home and abroad to provide professional medical training and non-medical training to further improve the existing medical management system, comprehensively improve service safety and quality, strengthen customer trust, and incubate cosmetics business in conjunction with the medical and aesthetic institution platform, launch more high-end functional cosmetics, and enrich its business lines and service content. Meanwhile, by expanding the acquisition of leading domestic medical beauty companies to strengthen its position in the medical beauty industry, it will perfectly integrate services and products to expand and strengthen the medical beauty business. The Group earns customers' recognition with trustworthiness, care, safe medical technology, meticulous and friendly consultation, humanistic and rational scheme design, and satisfactory postoperative results. The Group plans to work with world-renowned medical equipment companies to enter the upstream of the medical beauty industry, enter the field of technical aesthetics, apply high-end technology to develop medical beauty equipment, and expand the business chain of home beauty equipment. Besides, the Group will focus on integrating its internal and international resource advantages, tapping the brand value and creating social value through public relations and community welfare activities.

In addition, the Group successfully won the bidding for a land plot in Fengxian District, Shanghai, China in December 2019, and will provide asset-light operating services and gain part of the asset returns. It is an important milestone for further penetrating the general health and wellness market. Fengxian District has been known as the "Oriental Beauty Valley" and "City of Cosmetics Industry in China", and has gathered many well-known medical and beauty and healthcare brands at home and abroad. Entering this region will bring huge development potential to the Group and complement the general development direction of general health and wellness business. The Group will continue to maintain a strategic cooperative relationship with China Aoyuan. With the extensive experience and edges of China Aoyuan in real estate development and the comprehensive advantages of the Group in resources integration, business solicitation, and property management capabilities in the general health and wellness industry, the project will get more quality and comprehensive support.

O2O Platforms Formulation and Deepen one-net Strategy

As part of its one-net strategy, the Group will apply AIOT, big data, and Internet technologies to build an online closed-loop ecosystem for the Group's main business; build an "Aowulian" (奧物聯) group centralised command centre and platform to integrate the Group's parking, passenger flow, monitoring, security, smart home product, and other smart equipment resource, while creating "Aowulian" (奧物聯) an independent brand for smart product supply and sale, to lay the foundation for future market expansion; and jointly upgrade the Aoyuan Health-Healthy House 2.0 (奧園健康 – 健康宅2.0) service system with International WELL Building Institute, which ranks first in the international health building certification field, to provide products and services including but not limited to WELL health building certification and Ao Health (奧健康) platform to the top 100 real estate developers nationwide, generating revenue through business services and expanding customer base.

In the future, adhering to the core values of "efficiency, integrity, responsibility, and win-win", the Group will not only pay close attention to the perspective and rules of the capital market with an open mind, but also polish the increasingly clear multi-dimensional business structure with the brand concept of "creating the joy of life" while striking a balance between vision and practice. The Group will continue to consolidate its position in the property management service and commercial operation service industries, and expand cooperation with quality independent third parties, actively adjust and enrich its management portfolio, to enhance competitiveness, and leverage on the unique general health and wellness industry model to build an all-round industry chain strategy with property management and commercial operational service, and seize market opportunities to reach a higher level.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was mainly derived from property management services and commercial operational services. For the year ended 31 December 2019, the Group's total revenue was approximately RMB900.8 million, representing an increase of approximately RMB282.0 million or approximately 45.6% as compared to that of approximately RMB618.8 million for the year ended 31 December 2018. Revenue generated from property management services and commercial operational services contributed approximately 71.8% and 28.2% to the total revenue, respectively.

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

	2019		2018			
		Revenue contribution		*Revenue contribution*	Growth amount	Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management service segment	**646,387**	**71.8**	453,228	73.2	193,159	42.6
Commercial operational service segment	**254,413**	**28.2**	165,607	26.8	88,806	53.6
Total	**900,800**	**100.0**	618,835	100.0	281,965	45.6

Property Management Services

The increase of revenue generated from property management services segment was approximately RMB193.2 million, or about 42.6%, of which the increase in the revenue generated from property management services was approximately RMB84.1 million or approximately 27.5% and the increase in revenue generated from sales assistance services of approximately RMB74.0 million or approximately 74.8%. The increase of revenue generated from property management services was mainly due to the increase in the GFA under management from 10.4 million sq.m. to 15.1 million sq.m.. The increase of revenue generated from sales assistance services was mainly due to the increase in number of pre-sale display units and sales offices for which the Group provided services and the increase in contracted sales amount of China Aoyuan Group.

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

	2019		2018			
		Revenue contribution		*Revenue contribution*	Growth amount	Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management service segment						
– Property management services	**390,122**	**60.4**	305,997	67.5	84,125	27.5
– Sales assistance services	**172,876**	**26.7**	98,907	21.8	73,969	74.8
– Community value-added services	**83,389**	**12.9**	48,324	10.7	35,065	72.6
Total	**646,387**	**100.0**	453,228	100.0	193,159	42.6

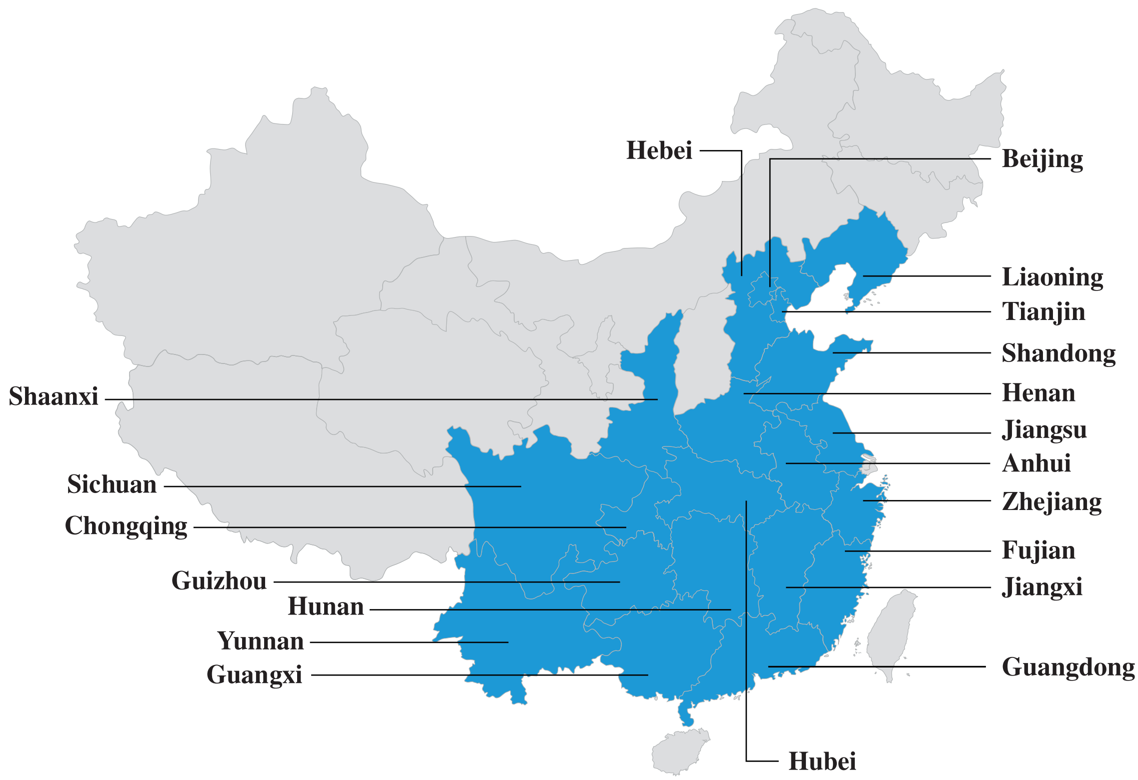
The following table sets forth the breakdown of the GFA under management as at the dates indicated and total revenue for the periods indicated generated from provision of property management services under the property management service segment by type of property developer:

	As at/year ended 31 December					
	2019			2018		
	GFA	**Revenue**	**Revenue**	GFA	Revenue	Revenue
	('000 sq.m.)	***(RMB'000)***	***%***	*('000 sq.m.)*	*(RMB'000)*	*%*
China Aoyuan Group and its related parties *(Note)*	**13,904**	**352,566**	**90.4**	9,874	289,719	94.7
Third-party property developers	**1,178**	**37,556**	**9.6**	558	16,278	5.3
Total	**15,082**	**390,122**	**100.0**	10,432	305,997	100.0

Note: Related parties of the China Aoyuan Group include the China Aoyuan Group's 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 31 December 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/year ended 31 December					
	2019			2018		
	GFA (*'000 sq.m.*)	Revenue (*RMB'000*)	Revenue %	GFA (*'000 sq.m.*)	Revenue (*RMB'000*)	Revenue %
South China [1]	**8,739**	**401,969**	**62.2**	5,893	302,090	66.7
Southwest China [2]	**2,321**	**89,763**	**13.9**	1,586	53,677	11.8
East China [3]	**1,639**	**62,272**	**9.6**	1,206	40,695	9.0
Central and North China [4]	**1,040**	**57,213**	**8.9**	550	25,509	5.6
Northeast China [5]	**1,343**	**35,170**	**5.4**	1,197	31,257	6.9
Total	**15,082**	**646,387**	**100. 0**	10,432	453,228	100.0

Notes:

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

(2) Southwest China comprises Chongqing Municipality, Sichuan, Yunnan, Guizhou and Shanxi Province.

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

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

(5) Northeast China comprises Liaoning Province.

COMMERCIAL OPERATIONAL SERVICE

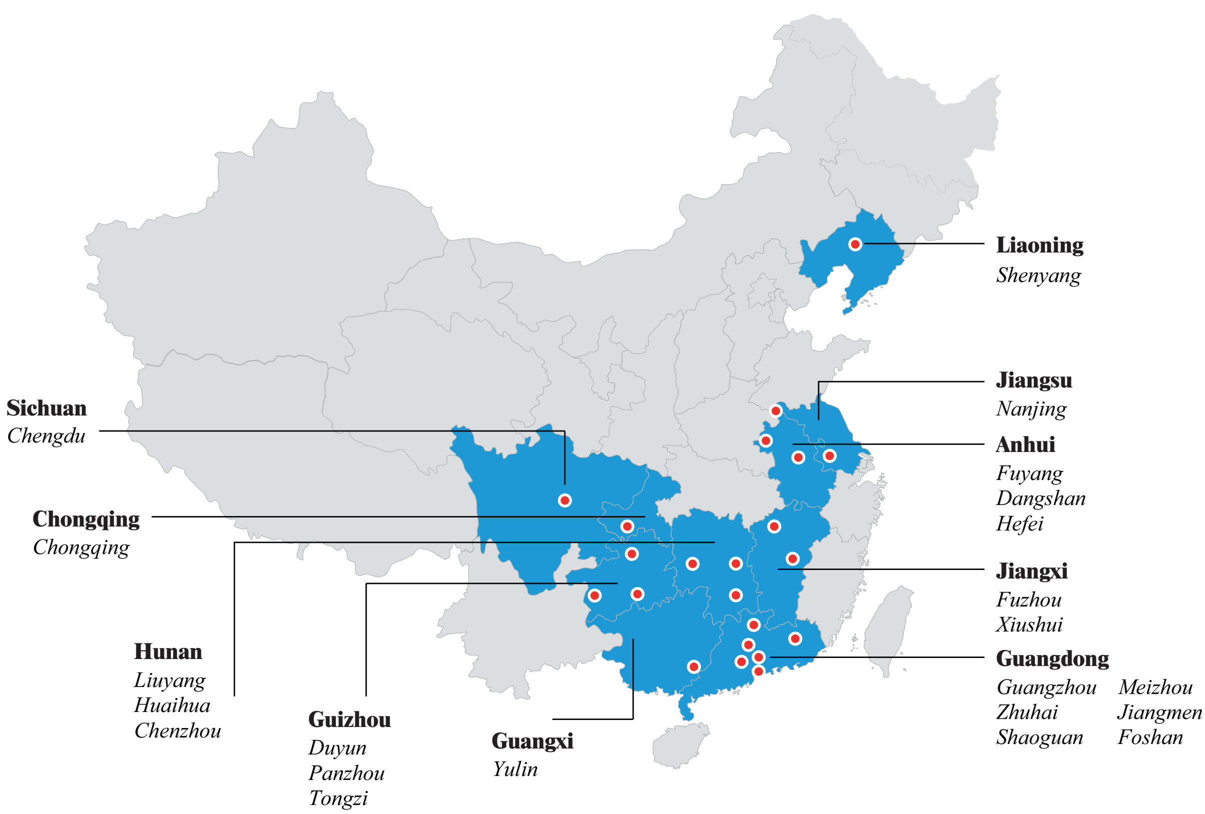
The increase of revenue generated from commercial operational services segment was approximately RMB88.8 million or about 53.6%, mainly due to the increase in revenue generated from commercial operation and management services of approximately RMB58.3 million or approximately 56.8% and the increase in revenue generated from market positioning and business tenant sourcing services of approximately RMB30.5 million or approximately 48.4%. The fluctuation in the revenue generated from commercial operation and management services and 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 nine for the year ended 31 December 2018 to seventeen for the year ended 31 December 2019. For the year ended 31 December 2018, the increase of 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), Zhuhai Aoyuan Plaza(珠海奧園廣場), Kangwei Plaza(康威廣場)and Foshan Aoyuan Plaza(佛山奧園廣場). For the year ended 31 December 2019, the revenue generated from market positioning and business tenant sourcing services was primarily attributable to the opening of Panzhou Aoyuan Plaza (盤州奧園廣場), Guangzhou Luogang Aoyuan Plaza (廣州蘿崗奧園廣場), Zhuhai Meixi Commercial Plaza (珠海梅溪商業廣場), Shunde Aoyuan Plaza (順德奧園廣場), Hefei Aoyuan City Tiandi (合肥奧園城市天地), Aoyuan International Centre (奧園國際中心), Nanjing Baolong Times Plaza Commercial Street (南京寶隆時代廣場商業街), Xiushui Happy Coast Aoyuan Plaza (修水歡樂海岸奧園廣場), Yulin Aoyuan Plaza (玉林奧園廣場) and Fuzhou Caizi Lane (撫州才子巷), respectively.

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

	2019		2018			
		Revenue contribution		*Revenue contribution*	Growth amount	Growth rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Commercial operational service segment						
– Commercial operation and management services	**160,902**	**63.2**	102,577	61.9	58,325	56.9
– Market positioning and business tenant sourcing services	**93,511**	**36.8**	63,030	38.1	30,481	48.4
Total	**254,413**	**100.0**	165,607	100.0	88,806	53.6

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 31 December 2019:



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

	Year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
South China[1]	**189,760**	**74.6**	126,829	76.5
Southwest China[2]	**41,728**	**16.4**	32,395	19.6
East China[3]	**21,719**	**8.5**	948	0.6
Northeast China[4]	**1,206**	**0.5**	5,435	3.3
Total	**254,413**	**100.0**	165,607	100.0

Notes:

(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 services expenses; (iii) maintenance costs; (iv) utility expenses; (v) marketing and promotion expenses and (vi) materials and consumables.

Our cost of services increased by approximately RMB153.6 million from approximately RMB410.1 million for the year ended 31 December 2018 to approximately RMB563.7 million for the year ended 31 December 2019. This increase was primarily attributable to (i) the increase in labour costs from approximately RMB252.6 million for the year ended 31 December 2018 to approximately RMB313.4 million for the year ended 31 December 2019 as we employed more employees to cope with our business expansion; (ii) the increase in cleaning and gardening services expenses from approximately RMB80.3 million for the year ended 31 December 2018 to approximately RMB109.2 million for the year ended 31 December 2019 as a result of our business expansion; and (iii) the increase in maintenance costs from approximately RMB22.9 million for the year ended 31 December 2018 to approximately RMB32.4 million for the year ended 31 December 2019 due to the major maintenance work performed for certain of our property management projects during the year ended 31 December 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB337.1 million, representing an increase of approximately RMB128.3 million or approximately 61.4% as compared to approximately RMB208.8 million for the year ended 31 December 2018. For the year ended 31 December 2019, the gross profit margin was approximately 37.4%, representing an increase of approximately 3.7% as compared to 33.7% for the year ended 31 December 2018, 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; and (ii) the scale economies effect of property management service and the increase in the average unit price of property management fees. For the year ended 31 December 2019, the gross profit of property management service segment was approximately RMB223.9 million and the gross profit margin was 34.6%; the gross profit of commercial operational service segment was approximately RMB113.2 million and the gross profit margin was 44.5%.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Our selling and distribution expenses primarily consist of (i) advertising expenses; (ii) salaries and allowances for our sales personnel; and (iii) office expenses, travelling expenses and business development expenses. The total selling and distribution expenses of the Group for the year ended 31 December 2019 was approximately RMB2.5 million.

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

For the year ended 31 December 2019, the administrative expenses and other expenses of the Group were approximately RMB126.0 million, representing an increase of approximately RMB37.0 million or approximately 41.6% as compared to approximately RMB89.0 million for the year ended 31 December 2018. This increase was mainly due to the increase in administrative expenses as a result of the expansion of business scale, the increase of personnel in headquarters and relocation of the headquarters' office.

OTHER INCOME

For the year ended 31 December 2019, other income of the Group amounted to a net revenue of approximately RMB29.7 million, representing a significant increase as compared to that of approximately RMB6.6 million for the year ended 31 December 2018, which was primarily attributable to (i) net exchange gain of approximately RMB19.0 million; (ii) government subsidy and tax subsidy of approximately RMB5.9 million; and (iii) bank interest income of approximately RMB4.8 million.

Income Tax

For the year ended 31 December 2019, the income tax of the Group was approximately RMB55.5 million, representing an increase of approximately RMB25.3 million as compared to approximately RMB30.2 million for the year ended 31 December 2018. For the year ended 31 December 2019, the effective tax rate of the Group was approximately 25.4%, representing a decrease of approximately 2.5 percentage points as compared to approximately 27.9% for the year ended 31 December 2018, mainly due to the Group made full use of the preferential tax policies for development of China's western regions and small low-profit enterprises.

Profit for the Year

For the year ended 31 December 2019, the net profit of the Group was approximately RMB163.1 million, representing an increase of approximately RMB84.8 million or approximately 108.3% as compared to that of approximately RMB78.3 million for the year ended 31 December 2018. For the year ended 31 December 2019, profit attributable to equity Shareholders of the Group was approximately RMB162.5 million, representing an increase of approximately 108.1% as compared to that of approximately RMB78.1 million for the year ended 31 December 2018.

FINANCIAL POSITION

As at 31 December 2019, the total assets of the Group was approximately RMB1,386.3 million (as at 31 December 2018: approximately RMB503.0 million), and the total liabilities was approximately RMB540.0 million (as at 31 December 2018: approximately RMB376.8 million). As at 31 December 2019, the current ratio was 1.97 (as at 31 December 2018: 1.26).

As at 31 December 2019, the net assets of the Group was approximately RMB846.3 million (As at 31 December 2018: approximately RMB126.3 million). The return on equity (ROE) is calculated based on net profit divided by average net assets. As at the year ended 31 December 2019, ROE was approximately 33.5%.

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 59.1% to approximately RMB20.2 million as at 31 December 2019, primarily attributable to office improvements and the addition of office equipment during the year ended 31 December 2019.

Right-of-use Assets

The right-of-use assets of the Group mainly included lease right-of-use assets of approximately RMB15.9 million and the land use right of the leasehold land for the development of a healthcare and medical beauty industrial complex in Fengxian District, Shanghai of approximately RMB84.9 million.

Upon application of IFRS 16 Leases in 2019, the Group recognised right-of-use assets at the commencement date of the lease. As at 31 December 2019, the right-of-use assets were approximately RMB15.9 million (adjusted amount as at 1 January 2019: RMB9.1 million).

Intangible Assets

Our intangible assets represent the property management contracts obtained upon the acquisition of other property management companies. Our intangible assets increased from approximately RMB3.0 million as at 31 December 2018 to approximately RMB4.3 million as at 31 December 2019, primarily due to the new acquisition of four property management companies during 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 31 December 2019, the total trade and other receivables was approximately RMB316.3 million, which increased by approximately RMB229.3 million as compared to approximately RMB87.0 million as at 31 December 2018, which is mainly due to (i) the increase in the project under management under the property management service segment of the Group and the increase in owner occupancy rate; (ii) increase in the number of newly opened shopping malls; and (iii) advance payment to contractors for the development of a healthcare and medical beauty industrial complex on the leasehold land in Fengxian District, Shanghai and for the leasehold improvement of the commercial operational projects.

Amounts Due from Non-controlling Shareholder of a Subsidiary, Fellow Subsidiaries, Related Parties and Joint Ventures

The Group's amounts due from non-controlling shareholder of a subsidiary, fellow subsidiaries, related parties and joint ventures decreased from approximately RMB176.1 million as at 31 December 2018 to approximately RMB98.8 million as at 31 December 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 31 December 2019, the trade and other payables was approximately RMB297.6 million, representing an increase of approximately RMB71.4 million or approximately 31.6% 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 31 December 2019, we had (i) outstanding bank loans of approximately RMB100.3 million; and (ii) unutilised banking facilities for short term financing of approximately RMB45.0 million. Our bank borrowing were credit loans and average interest rate is approximately 5.53% per annum.

Lease Liabilities

Upon application of IFRS 16 Leases in 2019, lease liabilities of the Group due within one year were approximately RMB3.3 million and the balance of lease liabilities due above one year was approximately RMB12.8 million as at 31 December 2019.

Contingent Liabilities

As at 31 December 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 0.39 for the year ended 31 December 2019, such change was mainly due to the proceeds from the Listing.

Asset Pledge

As at 31 December 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 of Hong Kong Limited (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 allot 26,250,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing and the over-allotment option amounted to approximately HK$577.0 million and HK$93.7 million (approximately RMB493.1 million and RMB80.1 million). As of the date of this announcement, the Group has utilised approximately RMB64.0 million of the capital raised, of which approximately RMB6.0 million was used to develop and upgrade our O2O platforms; approximately RMB0.7 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 will be applied in the manner consistent with that in the prospectus of the Company dated 28 February 2019:

- 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 to achieve our business strategies of scaling up our commercial operational service business and expanding our property management service portfolio;

- 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 that are complementary to our property management services and commercial operational services, such as traditional Chinese medicine services, medical beauty services, elderly care services and telecommunications services, to achieve our business strategy of diversifying our service offering to meet the evolving needs of our customers;

- 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.

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.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had 4,548 employees. The staff cost was approximately RMB354.4 million in 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 in China (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance) and housing provident funds for our employees in the PRC.

Significant Acquisitions and Disposals

During the year ended 31 December 2019, the Group did not have any significant acquisitions and disposals.

Significant Investments

During the year ended 31 December 2019, the Group did not have any major investments.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting (the "**AGM**") will be held on Friday, 22 May 2020 and the notice of 2020 AGM will be published and despatched to the shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.09 (equivalent to HK$0.098, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 24 March 2020, i.e. RMB0.91556 equivalent to HK$1.00) (2018: final dividend of RMB0.055) per ordinary share ("**Proposed Final Dividend**") to shareholders of the Company for the year ended 31 December 2019. The Proposed Final Dividend will be paid to shareholders whose names appear on the Register of Members of the Company on Monday, 1 June 2020, of which the aggregate amounts of the Proposed Final Dividend is approximately RMB65,362,500 (equivalent to approximately HK$71,172,500), if the Proposal Final Dividend is approved by the shareholders of the Company at the forthcoming Annual General Meeting ("**2020 AGM**"). The aggregate amount shall be paid out of the Company's share premium account.

The Proposed Final Dividend shall be paid in Hong Kong dollars on Friday, 19 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020, being the last share registration date.

(b) For the purpose of determining the entitlement to the Proposed Final Dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 28 May 2020 to Monday, 1 June 2020, both days inclusive. In order to qualify for the entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 27 May 2020.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Group had the following significant events taken place:

(1) On 13 March 2020, the Company (for itself and as trustee for the benefit of other members of the Group) entered into supplemental agreements with China Aoyuan (for itself and as trustee for the benefit of other members of the China Aoyuan Group) pursuant to which the parties agreed to revise the annual caps for the provision of the relevant services under the master property management agreement and the master commercial operational agreement for the year ending 31 December 2020. Details of the transaction are set out in the announcement of the Company dated 13 March 2020. The transaction has not yet completed up to the date of issuance of this annual results announcement. A circular in relation to the transaction will be despatched to the shareholders in due course.

(2) On 13 March 2020, Shanghai Aohuiyan Health and Technology Company Limited* (上海奧慧妍健康科技有限公司) ("**Shanghai Aohuiyan**"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Aoying Investment Company Limited* (廣州奧盈投資有限公司) ("**Guangzhou Aoying Investment**"), an indirect wholly-owned subsidiary of China Aoyuan, entered into a cooperation agreement in relation to the the land plot situated in Fengxian Industrial Comprehensive Development Zone No. 11A-01A, Fengxian District, Shanghai City, the PRC (the "**Land Plot**"), pursuant to which Shanghai Aohuiyan and Guangzhou Aoying Investment shall carry out cooperation on the project for the development of the Land Plot (the "**Project**"), whereby (among other things) Guangzhou Aoying Investment shall be responsible for the overall development, construction, operation and management of the Project and be entitled to 70% of the economic benefits arising from the Project. Details of the transaction are set out in the announcement of the Company dated 13 March 2020. The transaction has not yet completed up to the date of issuance of this annual results announcement. A circular in relation to the transaction will be despatched to the shareholders in due course.

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

During the reporting period for the year ended 31 December 2019, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this announcement.

AUDIT COMMITTEE

The audit committee of the Company comprises of Mr. Hung Ka Hai Clement (chairman), Dr. Li Zijun and Mr. Wang Shao. The audit committee, together with the Board, have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has adopted and has been in compliance with code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the period from 18 March 2019 (the "**Listing Date**") to 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the period from the Listing Date to 31 December 2019, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for its directors dealing in securities of the Company. The Company has made specific enquiry to all directors and all directors have confirmed that they have complied with the Model Code from the Listing Date and up to the date of this announcement.

FURTHER ANNOUNCEMENT

Due to the outbreak of the novel coronavirus disease (COVID-19) epidemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the annual results for the year ended 31 December 2019. Following the completion of the audit process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the audit process. The Company expects the auditing process will be completed not later than 31 March 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuanjksh.com). The annual report of the Company for the year ended 31 December 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.

BOARD OF DIRECTORS

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.

By the order of the Board
Aoyuan Healthy Life Group Company Limited
Mr. Guo Zining
Chairman

Hong Kong, 24 March 2020

* *The English name is for identification purpose only*