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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 2020

HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 was approximately RMB546.9 million, representing a year-on-year increase of 39.5%.
- Gross profit for the six months ended 30 June 2020 was approximately RMB219.5 million, representing a year-on-year increase of 41.5%; gross profit margin was approximately 40.1%.
- Net profit for the six months ended 30 June 2020 was approximately RMB111.7 million, representing a year-on-year increase of 24.0%; net profit margin was approximately 20.4%.
- Basic earnings per share for the six months ended 30 June 2020 were approximately RMB15.29 cents, representing a year-on-year increase of 8.7%.
- As at 30 June 2020, bank balances and cash amounted to RMB987.9 million.

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 2020, together with the comparative figures for the corresponding period in 2019, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 together with audited comparative figures as at 31 December 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended	
	<i>NOTES</i>	30.6.2020	30.6.2019
		RMB’000	RMB’000
		(unaudited)	(unaudited)
Revenue	3	546,892	391,961
Cost of services		(327,377)	(236,858)
Gross profit		219,515	155,103
Other income	5	7,550	20,554
Impairment losses under expected credit loss model, net of reversal		(3,771)	(1,158)
Gains on deemed disposal of a subsidiary		4,496	4,576
Administrative expenses and other expenses		(57,685)	(45,884)
Selling and distribution expenses		(662)	(1,376)
Share of results of joint ventures		(3,718)	–
Share of results of associates		(659)	–
Finance costs		(5,863)	(293)
Listing expenses		–	(15,920)
Profit before tax		159,203	115,602
Income tax expense	6	(47,549)	(25,551)
Profit and total comprehensive income for the period	7	111,654	90,051
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		111,075	89,941
– Non-controlling interests		579	110
		111,654	90,051
Earnings per share (RMB cents)			
– Basic	9	15.29	14.06
– Diluted	9	15.29	14.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		22,502	20,248
Right-of-use assets		33,005	100,783
Intangible assets		3,635	4,320
Goodwill		3,491	3,491
Interest in joint ventures		4,737	8,455
Interest in associates		24,571	–
Equity instrument at fair value through profit or loss		52,736	–
Deferred tax assets		3,832	2,576
Deposits paid for acquisition of property, plant and equipment		521	–
Deposits paid for acquisition of subsidiaries		122,147	–
Trade and other receivables	10	3,000	209,400
Deferred contract costs		3,346	2,882
		<u>277,523</u>	<u>352,155</u>
Current assets			
Inventories		777	653
Trade and other receivables	10	242,014	106,921
Deferred contract costs		5,505	4,971
Amounts due from fellow subsidiaries		16,900	64,394
Amount due from a non-controlling shareholder of a subsidiary		441	593
Amounts due from related parties		40,478	14,276
Amounts due from joint ventures		–	19,491
Amount due from an associate		45,110	–
Restricted bank deposits		5,400	–
Bank balances and cash		987,939	822,891
		<u>1,344,564</u>	<u>1,034,190</u>
Current liabilities			
Trade and other payables	11	291,495	297,641
Financial liability at fair value through profit and loss		27,646	–
Contract liabilities		104,501	93,941
Amounts due to related parties		882	834
Amounts due to joint ventures		3,102	–
Tax liabilities		37,673	30,075
Lease liabilities		4,546	3,313
Bank borrowings		229,600	100,313
		<u>699,445</u>	<u>526,117</u>

	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Net current assets	645,119	508,037
Total assets less current liabilities	922,642	860,228
Non-current liabilities		
Deferred tax liabilities	909	1,080
Lease liabilities	29,013	12,832
	29,922	13,912
Net assets	892,720	846,316
Capital and reserves		
Share capital	6,207	6,207
Reserves	884,686	838,861
Equity attributable to owners of the Company	890,893	845,068
Non-controlling interests	1,827	1,248
Total equity	892,720	846,316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for equity instrument at fair value through profit or loss (“FVTPL”) and financial liability at FVTPL.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied, the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to Reference to the Conceptual Framework in IFRS standards and amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue

	Six months ended	
	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited)
Type of services		
Property management services		
Property management services	233,239	178,822
Sales assistance services	106,203	77,816
Community value-added services	57,607	29,256
Others	15,177	1,586
	<u>412,226</u>	<u>287,480</u>
Commercial operational services		
Commercial operation and management services	109,308	75,625
Market positioning and business tenant sourcing services	25,358	28,856
	<u>134,666</u>	<u>104,481</u>
Total	<u><u>546,892</u></u>	<u><u>391,961</u></u>

	Six months ended	
	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited)
Type of customers		
Property management services		
External customers	252,101	171,533
Fellow subsidiaries	140,150	111,727
Other related parties	19,975	4,220
	<u>412,226</u>	<u>287,480</u>
Commercial operational services		
External customers	82,638	62,413
Fellow subsidiaries	50,095	40,465
Other related parties	1,933	1,603
	<u>134,666</u>	<u>104,481</u>
Total	<u><u>546,892</u></u>	<u><u>391,961</u></u>

Timing of revenue recognition		
Over time	531,107	361,519
A point in time	15,785	30,442
Total	<u><u>546,892</u></u>	<u><u>391,961</u></u>

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 2020 (unaudited)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>412,226</u>	<u>134,666</u>	<u>546,892</u>
Segment results	<u>130,697</u>	<u>44,558</u>	175,255
Net exchange gain			2,209
Central administrative costs			(12,517)
Gain on deemed disposal of a subsidiary			4,496
Share of results of joint ventures			(3,718)
Share of results of associates			(659)
Interest on lease liabilities			(1,363)
Interest on bank borrowings			<u>(4,500)</u>
Profit before tax			<u>159,203</u>

Six months ended 30 June 2019 (unaudited)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>287,480</u>	<u>104,481</u>	<u>391,961</u>
Segment results	<u>83,284</u>	<u>33,078</u>	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			<u>(70)</u>
Profit before tax			<u>115,602</u>

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	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	894	2,349
Net exchange gain	2,209	17,287
Government grants	784	–
Others	3,663	918
	<u>7,550</u>	<u>20,554</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax:		
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	45,488	28,069
Under/(Over) provision on prior years	3,488	(2,069)
	<u>48,976</u>	<u>26,000</u>
Deferred tax	(1,427)	(449)
	<u>47,549</u>	<u>25,551</u>

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 2020, and pay enterprise income tax at a reduced rate of 15% for the both periods.

According to the provisions of Caishui [2019] No.13 and Guoshui [2019] No.2, several subsidiaries of the Group, enjoy preferential income tax policies for the small and low profit enterprises for both periods.

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	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging the following items:		
Amortisation of deferred contract costs	887	8,211
Depreciation of property, plant and equipment	3,923	2,667
Depreciation of right-of-use assets	3,824	1,461
Amortisation of intangible assets (included in administrative expenses)	685	451
Staff costs	176,547	147,695

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.09 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB0.055 per share in respect of the year ended 31 December 2018) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in current interim period amounted to RMB65,363,000 (six months ended 30 June 2019: RMB39,944,000).

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2020	30.6.2019
	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	111,075	89,941

Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share	726,250,000	639,571,823
Effect of dilutive potential ordinary shares:		
– Over-allotment option	<u>–</u>	<u>599,348</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	726,250,000	640,171,171

The computation of diluted earnings per share for the six months ended 30 June 2020 does not assume the exercises of the Company's share options outstanding during the six months ended 30 June 2020 because the exercise prices of those options were higher than the average market price of the Company's shares from the grant date of those options to the period end date (i.e. from 29 June 2020 to 30 June 2020).

10. TRADE AND OTHER RECEIVABLES

	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Trade receivables	109,541	76,271
Less: impairment losses under expected credit loss model, net of reversal	(12,942)	(8,721)
Total trade receivables	97,049	67,550
Other receivables:		
Deposits	11,737	27,806
Payments on behalf of residents	21,319	18,221
Prepayments (note)	12,250	197,346
Other tax prepayments	758	–
Others (note)	101,901	5,398
	147,965	248,771
Total trade and other receivables	245,014	316,321
Analysis for reporting purpose:		
Non-current assets	3,000	209,400
Current assets	242,014	106,921
	245,014	316,321

Note:

The balances included the advance payment to contractors for the development of a healthcare and medical beauty industrial complex on the acquired leasehold land and for the development of the commercial operational projects at RMB100,000,000 and RMB90,000,000, respectively, in 2019. The advance payment to contractors for the development of a healthcare and medical beauty industrial complex on the acquired leasehold land at RMB100,000,000 is held by Shanghai Aohuiyan Healthy and Technology Company Limited (“**Shanghai Aohuiyan**”), and derecognised upon deemed disposal of Shanghai Aohuiyan and Shanghai Aohuiyan became an associate of the Group. On the other hand, the construction contract for the development of the commercial operational projects with a contractor was terminated as at the period end date and the corresponding advance payment of RMB90,000,000 is to be refunded from the contractors, therefore it is reclassified from “prepayments” to “others” under the “other receivables” as at period end date.

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:

	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
0 to 60 days	33,560	22,744
61 to 180 days	29,650	18,282
181 to 365 days	21,474	17,172
1 to 2 years	15,816	10,967
2 to 3 years	5,125	4,134
Over 3 years	3,916	2,972
	109,541	76,271

11. TRADE AND OTHER PAYABLES

	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Trade payables	71,686	59,082
Other payables:		
Receipts on behalf of residents	40,544	29,900
Deposits received (<i>note</i>)	107,817	100,613
Accrued staff costs	22,588	59,014
Accrued contribution to social insurance and housing provident funds	11,011	11,382
Other tax payables	7,964	9,685
Accrued expenses	8,078	12,168
Other payables	21,807	15,797
Total other payables	219,809	238,559
Total trade and other payables	291,495	297,641

Note: 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 period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30.6.2020	31.12.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0 – 60 days	39,640	41,541
61 – 180 days	14,693	13,742
181 – 365 days	15,577	2,951
1 – 2 years	1,445	763
2 – 3 years	310	62
Over 3 years	21	23
	71,686	59,082

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

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**”), which commits to developing the general health and wellness industry through several major businesses such as medical beauty, healthcare, and traditional Chinese medicine (“**TCM**”), and implements its business strategy of diversifying service offerings to meet the evolving demands of customers. The Group offers diversified property management services for residential and non-residential properties, as well as a full range of commercial operational services for shopping malls, with a focus on mid-range 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.

Since the outbreak of COVID-19 in the communities in early 2020, the Group, as a service operator, has been actively fighting against the epidemic. Communities become the main battle field and property management is the main force for epidemic prevention and control. The Group took all-round measures from resource supply, disinfection and protection, publicity, to closed management, and implemented joint prevention and control measures, built a tight line of defense for group prevention and strictly controlled community entry and exit, and executed access control and epidemic prevention. The Group also used various preferential policies, such as rental reduction and waivers, to overcome the difficulties together with various tenants, and launched free online consultation services for novel coronavirus jointly with chunyuyisheng.com* (春雨醫生), which were fully recognised by property owners, merchants, customers as well as the society. In addition, all employees resumed works in a safe and orderly manner while the Group was fighting against the epidemic, thus ensuring both operations and fighting against the epidemic simultaneously.

Property Management

As of 30 June 2020, the Group provided property management services to 98 properties in 39 cities across 13 provinces, municipalities, and autonomous regions in the PRC with a total Gross Floor Area (“**GFA**”) under management of approximately 16.1 million sq.m. (“sq.m.”), representing a year-on-year increase of approximately 4.1 million sq.m. or 34.2% as compared to approximately 12.0 million sq.m. as of 30 June 2019, of which the Group achieved an increase in the GFA under management of 1.0 million sq.m. under the property management service segment for the six months ended 30 June 2020 (the “**Reporting Period**”). The Group also constantly extended its various types of property businesses by providing professional services such as pre-delivery consultation, sales assistance service for sales offices, Yue service (悅服務), commercial office building service, amusement park

service, medical and health service, and school service to enrich the Group's revenue stream and enhance the Group's competitive advantages. At the same time, the Group is deepening and developing value-added services to increase its revenue, and continuously expanding the management scale through strategic acquisition, investment and organic growth. In the first half year, the Group had reached an agreement in respect of the acquisition of Easy Life Smart Community Services Group Co., Ltd.* (樂生活智慧社區服務集團股份有限公司) (“**Easy Life**”) and Ningbo Hongjian Property Services Company Limited* (寧波宏建物業服務有限公司) (“**Ningbo Hongjian**”), speedy its expansion on national layout with full coverage of property service and achieved good synergy effect in mergers and acquisitions after optimizing the property management service portfolio. Since the outbreak of the COVID-19, the Group has also built a community epidemic safety defensive line and achieved phased victory in epidemic prevention work, which were universally recognised by property owners and all sectors of the society. The epidemic prevention and control works had been reported by mainstream media including CCTV's national evening news programme “Xinwen Lianbo”, morning news programme “Zhaowen Tianxia”, etc., which further improved customer satisfaction, trust and favor to the property services provided by the Group.

On 11 April 2020, the Group and Ehconsulting* (億翰智庫) jointly established the “Yue Service Research Institute”(悅服務研究院), which became the first property research platform in the industry. As the PRC government is actively promoting its development strategy of better living and the property industry is facing a new round of turmoil, through the establishment of this research platform, the parties will integrate the teams, channels and resources of their respective platforms to jointly build a first-class property research platform in the PRC, which optimise the concepts and content of customer experience in Aoyuan communities, further improve the quality of the Group's property management service, enhance customer satisfaction, and enhance brand influence of the Group in the industry, and promote the development of the property service industry to a new stage.

On 5 June 2020, Guangzhou Ao Intelligent Property Investment Co., Ltd* (廣州奧智慧物業投資有限公司), a wholly-owned subsidiary of the Group, entered into a formal share transfer agreement to acquire an 80% interest in Easy Life for a consideration of RMB247.9 million. Easy Life is one of the leading property management services providers in the PRC and ranked 38th among the 2019 Top 100 Property Management Services Companies (2019年中國物業服務百強企業榜), and has extensive experience in mid-range to high-end property management services. Easy Life manages 220 property management projects in Beijing, Hebei, Henan, Tianjin, Chongqing, and Sichuan, with a total GFA of approximately 23.3 million sq.m.. Through strategic acquisitions, the Group can enrich its property management service portfolio, enable the Group to enter into new regional markets and effectively expand its business scope, improve its business layout, and accelerate the scale growth of its property management business.

On 11 May 2020, Guangzhou Aohong Property Investment Company Limited* (廣州奧宏物業投資有限公司), an indirect wholly-owned subsidiary of the Group, acquired 65% equity interest of Ningbo Hongjian at a consideration of RMB35.3 million. Ningbo Hongjian holds the level one Qualification Certificate for Property Service Enterprise in the PRC and is a member of the China Property Management Institute and Ningbo Property Management Institute. It focuses on providing management services for residential and commercial properties in Ningbo, Zhejiang Province, and currently has 34 projects under management, with a contracted GFA of approximately 2.4 million sq.m..

Ningbo Hongjian has invested a lot in Ningbo for many years with good local reputation. The advantages of its projects under management and existing property management projects of the Group in Eastern China have complemented with each other, which are conducive to improving per capita management efficiency and regional synergy and will greatly promote the project layout of the Group's property management business in the South-eastern coastal regions.

The acquisition represents a good opportunity to further expand the Group's property management portfolio in Eastern China and provides good synergies to the Group's existing property management business. Meanwhile, the acquisition will enhance the competitiveness and income sources of the Group's core property management business segment, consolidate the Group's leading position in the property management industry, and create better returns for shareholders.

Commercial Operation

As of 30 June 2020, the Group was contracted to provide commercial operational services to 43 shopping malls with contracted total GFA of approximately 1.8 million sq.m.. Among which the Group contracted to provide post-opening commercial operation and management services to 32 shopping malls with contracted total GFA of approximately 1.5 million sq.m.. During the Reporting Period, the Group's commercial operational service segment achieved an increase in an aggregate contracted GFA of 80,000 sq.m..

As of 30 June 2020, 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 800,000 sq.m., representing a year-on-year increase of approximately 270,000 sq.m. or 50.9% as compared to approximately 530,000 sq.m. as of 30 June 2019.

General Health and Wellness Business

For the general health and wellness business, the Group has created a healthy lifestyle for all ages through a one-stop medical service platform that integrates online and offline ("O2O"), and deeply applied to the two ecosystems of "lives in properties and commercial complex" to continuously integrate quality health resources, establish the General Health and Wellness Business Development Research Institute and the Medical Beauty Business Development Research Institute, provides customers with medical beauty service, healthcare service and TCM service.

In respect of medical beauty, the Group introduced international medical team, modern medical system, and service concepts. With the mature experience of our established management team, the Group created a “light medical beauty” concept of “professional medical beauty is around you” for the medical beauty business, established the medical beauty brand MS ARORA and cosmetics brand ARORA LAB, integrated with the local management of Chinese medical beauty industry, and cooperated with the plastic surgery experts from Nanfang Hospital* (南方醫科大學南方醫院) to accurately cater for diversified customer demand for medical beauty services. The Group set up three medical beauty clinics, which provide skincare treatments, laser skincare, micro cosmetics, as well as newly launched application mall, and opened stores on Meituan and Dianping.

A medical system with Chinese and Korean features was formed 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 and launched the first cosmetics product with the well-known Korean cosmetics research and development company “Cosmax Group” during the Reporting Period. Customers’ experience has been further enhanced with the integration of the cosmetics product and the skin treatments provided by medical beauty clinics, the safety and comfort of which also received public recognition.

In addition, the Group had completed acquisition of 5% equity interests of Zhejiang Luxeme Enterprise Management Company Limited* (浙江連天美企業管理有限公司) (“Luxeme”) in March 2020 as a strategic investment of the Group in the medical beauty business, laying an important foundation for the development of the medical beauty business in the future. Luxeme is the largest medical beauty hospital chain group in Zhejiang and headquartered in Hangzhou. With 35 years of development, it is one of the first medical beauty companies in the PRC and the founder of the first private medical beauty hospital in Zhejiang. Despite the difficult situation caused by the epidemic in the first half of 2020, Luxeme still achieved strong growth in performance. The turnover in the first two quarters amounted to RMB200 million, and the profit margin was close to 25%, reflecting the development potential of the medical beauty industry in the PRC and its strong anti-risk capabilities and brand appeal as a leading medical beauty company in Zhejiang.

The Group aims to cooperate with professional medical beauty group in the PRC through this strategic investment, so as to enhance the service quality and brand influence of the Group’s medical beauty business and consolidate its position in the industry. Meanwhile, the Group also plans to actively study the ways to introduce Luxeme to participate in the Oriental Beauty Valley project established by the Group in Shanghai under an asset-light operation model through this strategic investment, which will create huge potential synergies for the Group when expanding the medical beauty market in the Yangtze River Delta Economic Zone in the PRC, helping the Group to build and improve “the Oriental Beauty Valley” industrial operation model in the future.

In respect of healthcare service, the Group has been appointed as the vice chairman of the Hospital Building Professional Committee of Guangdong Provincial Hospital Association* (廣東省醫院協會醫院建築專業委員會副主委), and has set up a dedicated team composed of healthcare experts in the industry and formulated the “1+3” model and “1+1+N” healthcare system strategy, namely to generate synergy with elderly care at home, at institution, and during sojourn with community elderly care as the foundation. It built an online intelligent healthcare platform, connecting offline healthcare cards, and providing more than 70 comprehensive healthcare services in three 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’s General Health and Wellness Business Development Research Institute combines international advanced models, advanced products and technologies with the development of the PRC’s healthcare industry for research, consultation, and industrial guidance services.

The Group and Guangdong Gudou Travel Group* (廣東古兜旅遊集團) signed a strategic cooperation agreement in Jiangmen Gudou Hot Spring Town. Meanwhile, the first new model of the cardiopulmonary healthcare and travel therapy industry in Southern China – Gudou Cardiopulmonary Rehabilitation Training Camp* (古兜心肺康養訓練營) was officially opened. The parties will cooperate to establish a base for the first new model of travel therapy and healthcare in Southern China, and build four major products, namely the TCM planting base, community medical treatment, TCM healthcare experience centre, and healthcare and travel therapy service centre.

During the Reoprtng Period, the “Aoyue Home” community healthcare brand under the “property service + elderly care service” created by the Group was officially launched for trial in the communities under its management, i.e. Guangzhou Panyu JinYE Villa Garden* (廣州番禺金業別墅花園), Guangzhou Luogang Aoyuan Plaza* (廣州蘿崗奧園廣場) and Zhongshan Aegean* (中山愛琴海), which allows the owners to enjoy quality in-home elderly care services ranging from TCM healthcare, health management, recuperation therapy, senior university, adapt to aging and the use of auxiliary equipment for the senior. The Group’s healthcare service also takes “safe home, happy elder care” as its mission to create a safe community suitable for elderly and also for education, helping children and their parents to know and understand the concept of safety home. At the same time, the Group introduced the elder care experience from Japan and Hong Kong according to customer positioning.

In respect of TCM service, 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, 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 patients. At the same time, the TCM centre expands TCM business in

multiple channels, including decoction and delivery service, TCM-related products research and development and the development of community medical care and TCM nursing treatment business models exploration. It also regularly carries out free diagnosis, health consultation and other publicity activities in the communities.

Online and Offline (“O2O”) Platforms

In order to integrate the development of the three major segments of the Group, namely property management, commercial operation as well as 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 Technologychn” (奧智雲科技) and “Aojia Technologychn” (奧佳科技)) with the support of technologies such as the Internet and AIOT, and enriched O2O 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 3.0.6 in March 2020. Through focusing on the three cores of Yue Activity (悅活動), Yue Community (悅社區) and Yue Health (悅健康), it builds a Yue Life Ecosystem in Aoyuan Community (奧園社區悅生活生態圈) to meet the diverse needs of residents and tenants in the residential and commercial communities under the Group’s management and has enhanced the experience of the owners. As of 30 June 2020, the “Aoyuejia” mobile application covers 95 residential and commercial properties managed by the Group, with a total of approximately 58,611 registered users.

When epidemic situation becomes normalised, the Group has joined hands with the International WELL Building Institute (IWBI) and different large health product and service platforms to grasp the opportunities of WELL health certification and healthy living, and quickly arrange “well is coming for you” linkage marketing and promotion, helping seven property projects of China Aoyuan Group Limited (“**China Aoyuan Group**”), the parent company of the Group, to create a new industry benchmark of healthy building and healthy living. 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), pursuant to which, both parties had jointly cooperated in cloud services, big data, Internet of Things, artificial intelligence and other fields to form a strong alliance to complement each other, and established a comprehensive strategic partnership. At the same time, it has reached strategic cooperation intention with Beijing Yangguang-haitian Parking Management Co., Ltd.* (陽光海天停車管理有限公司) (“**Yangguang-haitian**”) and Shonestone Investment* (晶石投資) to integrate multi-channel funds, parking resources, technology and teams to jointly build the first platform for Internet + smart parking value-added innovation services.

Outlook

In 2020, from the world's economic development trend perspective, the global economic structure will transform from an industry-oriented economic structure to service-oriented trend, while the external environment presents a high degree of complexity and uncertainty. In the medium to long term, the industry has entered into an era of stock competition, the market has changed from a seller market to a buyer market, competition for customers has become more and more intense, and the considerations for the overall strengths of an enterprise are more stringent. In the short term, the outbreak of the COVID-19 has further fueled up uncertainties and put forward higher requirements for enterprises in terms of understanding, attitude, ability, and action. Despite the challenges, the vast industry scale provides enterprises with lots of development opportunities. The Group will also face new opportunities for the transformation and upgrading of the modern service industry. The Group will strive for high-quality development, continue to focus on major business, expand and strengthen the business scale, explore a variety of value-added services, and vigorously develop innovative business to increase the revenue of the Group.

Property Management

In respect of property management, 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. The 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 tremendous potential. The Group will set up professional lease and sale companies and open new stores in multiple locations to achieve the rapid growth of first-hand asset agency and second-hand asset lease and sale business, and will further strengthen its property diversification operations.

To develop the community bulk purchase and retail business, the Group has introduced a professional distribution platform, which can satisfy the needs of immediate settlement of commissions and follow up the entire sales process. At the same time, in respect of supply chain, the Group is actively communicating with large e-commerce platforms to finalise the cooperation, so as to further enrich the products types and maximise the conversion of private domain traffic in property communities. The penetration rate and revenue of this business have increased significantly as compared with 2019 after making such adjustments.

During the current year, the Group conducted significant layout for the asset service business, and opened eight lease and sale centres for decoration in the Group's community pilot zone. Through trial operation, the outlets can further increase the business volume of lease and sale services as well as decoration services. In the future, the Group will open more outlets, and further enrich and improve those functions such as lease and sale, decoration, and life services. Through the community's one-stop space, the Group is able to meet more customer needs and create more consumption scenarios.

The Group will constantly develop service content, and dedicates to developing home services to address consumers' more diversified demand resulting from their psychological changes in the context of the epidemic outbreak, providing more value-added services for community customers to create new profit growth drivers, such as household supplies distribution, housekeeping services, laundry service, furniture and motor vehicles disinfection, and other businesses. The Group will also provide value-added services to developers' major customers, and apart from the original business, we will develop value-added services items such as initial cleaning and sporadic projects for developers. In addition, the Group will further upgrade its quality control standard, strictly manage quality operation, improve quality standardisation system construction and effectively increase conversion rate and collection rate to create benchmarking boutique projects in the industry, improve refined management standard and project operating efficiency based on platform cogitation. The Group will optimise staff costs, match incentive mechanism and stimulate team vitality to effectively improve per capita performance by leveraging the intelligent information technology.

Commercial Operation

In terms of commercial operation, the Group will actively expand diversified business operations, and improve the overall performance from different dimensions through expanding the existing innovative advertising business. Owing to the impact of the epidemic on offline real economy, people's willingness to spend in stores has become more cautious, but in terms of rigid needs and the strong consumption desire after the epidemic, online sales have brought a once-in-a-century opportunity to traditional businesses. The Group will actively develop online sales, cooperate with major online platforms to boost traffic, and attract more families and young consumer groups for online consumption. In addition, through the development of self-owned innovative advertising business, marketing costs can be further reduced internally, and revenue can be increased externally by undertaking other commercial businesses, thereby further increasing the profit margin of the Group. The Group's commercial operation is already matured with highly reputable brand recognition in the industry. While cultivating the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will also make steady improvement in project performance in Chongqing, Chengdu, Jiangxi, and Guizhou. At the same time, the Group will continue to promote joint businesses, select quality brands for joint operation, and strive to open up more revenue-generating segments to promote revenue and profit growth.

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 focus on expanding the medical beauty business, the healthcare business, the TCM business and other businesses to cater for elder care industry 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.

- **Medical Beauty Business**

Through the medical beauty product line optimisation and the rapid response to market changes, the Group has pushed the medical beauty business to become bigger and stronger together with its leading domestic experts. The three medical beauty institutions in Guangzhou are cooperating for service projects linkage and in addition to the original laser, micro plastic surgery (such as Thermage, Botox, Hyaluronan) and other projects, the Group also adds body anti-aging and firming projects, to fully meet customers' comprehensive needs. In addition, the Group will broaden its cosmetics product line. In the second half year, the Group will conduct research and development on whitening, anti-aging and anti-pollution skin care products to meet the needs of general customers and improve customer satisfaction.

Moreover, 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 both domestically and abroad. Stepping into this region will bring huge development potential to the Group and complement the general development direction of the general health and wellness business. The Group will continue to promote platform building and tenant sourcing, prepare the establishment of the Sino-French Cosmetics Exchange Association and unveil its operation. The Group will determine the academic resources of the Medical Beauty Business Development Research Institute, complete the establishment of the park guidance fund, facilitate brand building, broaden channels, and cooperate with leading enterprises.

- Healthcare Business

According to national policies and the actual needs of residents, the Group will lay out the elder care industry, provide elder care services with “healthy aging, happy aging, and learning while aging” as the core, solving government, social, and family elder care problems, and build the Group’s healthcare service business to become a typical domestic leading role of “Smart health and elder care platform service provider”. In the second half year, the Group will focus on creating a “1+3” healthcare system network in Southern China, 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. The Group will make joint efforts with Tangzeyanglao* (唐澤養老), Aiqiangua* (愛牽掛), Zhongjiangfu* (中匠福), Yongai* (永愛) to name a few to develop the adapting aging design, smart healthcare, healthcare product, and health services.

- TCM Business

The Group will continue to expand the scope of diagnosis and treatment services, focus on building a distinctive TCM brand, and go deeply into the community based on the elder care concept, conduct health consultations and lectures, provide professional health management services for the community, and actively explore cooperation models with other businesses to improve the performance jointly.

- O2O Platforms Formulation and Deepen one-net Strategy

The Group will fully implement the information platform and Aowulian (奧物聯) platform to build high-speed tunnels for a healthy lifestyle. Based on the WELL Healthy Building Standard and the latest research results of healthy buildings both domestically and abroad, we intend to build a product and service line around the concept of “Building a Healthy Lifestyle”, provide a set of Aoyuan Healthy house system for buildings, indoor spaces and community, helping to form a new benchmark for communities and living environment with healthcare. At the same time, the Group, following the people-oriented principle, will advocate living with a healthy lifestyle, with an aim to enable people of having a good state psychologically, physically and socially, and to enhance people’s happiness, healthy conditions and well-being.

Aozhiyun Technology cooperated with third parties, Yangguang-haitian and Shinestone China* (晶石中國), to establish a joint venture focusing on parking operation to renovate and upgrade commercial and property smart parking. It attracted commercial property developers to cooperate through advanced concepts and high-tech in smart platforms, and strengthened concepts, experience and data sharing and communication, and increased the user conversion rate through panoramic coverage and multiple linkages of smart services. It improved the asset value of the parking on the basis of optimizing the quality and efficiency of the parking management to achieve efficient parking turnover, so as to ensure convenient parking experience for car owners and quick

profit-making ability for the platform. In addition, the Group cooperates with technology giants to focus on the construction of a platform, aiming to realise the interconnection of things, in which it will help to implement multi-business strategies such as income generation, downsizing and efficiency improvement, property selling points, and satisfaction improvement.

In the future, on the basis of consolidating commercial operations and property management, the Group will keep up with the pace of times, upgrade its business thinking, stimulate internal strengths on both talents and mechanisms, and optimise management. The Group will also strive to improve the general health businesses such as medical beauty, healthcare, and TCM, seize industry opportunities and the benefits of times, deepen the Guangdong-Hong Kong-Macao Greater Bay Area development, earnestly cooperate with premium partners, lay out the entire industry chain, optimise and upgrade service models and service quality, and provide heartfelt services to every customer, merchant and owner.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was derived from the property management services and commercial operational services. For the six months ended 30 June 2020, the Group's total revenue was approximately RMB546.9 million, representing an increase of approximately RMB154.9 million or approximately 39.5% as compared to approximately RMB392.0 million for the six months ended 30 June 2019. Revenue generated from property management services and commercial operational services contributed 75.4% and 24.6% to the total revenue, respectively.

	For the six months ended 30 June				Growth	Growth
	2020		2019		amount	rate
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services segment	412,226	75.4	287,480	73.3	124,746	43.4
Commercial operational services segment	134,666	24.6	104,481	26.7	30,185	28.9
Total	<u>546,892</u>	<u>100.0</u>	<u>391,961</u>	<u>100.0</u>	<u>154,931</u>	<u>39.5</u>

Property Management Services

The increase in revenue generated from property management services segment was approximately RMB124.7 million, or approximately 43.4%, of which the revenue generated from property management services was approximately RMB54.4 million or approximately 30.4%, which was mainly due to the increase in the GFA under management from 12.0 million sq.m. as at 30 June 2019 to 16.1 million sq.m. as at 30 June 2020. The revenue generated from major owner value-added services increased by approximately RMB43.0 million or approximately 55.3%, which was mainly due to the new services provided by the Group to major owners, such as pre-delivery consultation services and intelligent community construction and planning. The revenue generated from community value-added services increased by approximately RMB27.3 million or approximately 88.6%, which was mainly due to the diversified supporting services provided by the Group in communities, such as household services, home delivery and medical services.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2020 RMB'000	%	2019 RMB'000	%		
Property management services	233,239	56.6	178,822	62.2	54,417	30.4
Major owners value-added services	120,826	29.3	77,816	27.1	43,010	55.3
Community value-added services	58,161	14.1	30,842	10.7	27,319	88.6
Total	<u>412,226</u>	<u>100.0</u>	<u>287,480</u>	<u>100.0</u>	<u>124,746</u>	<u>43.4</u>

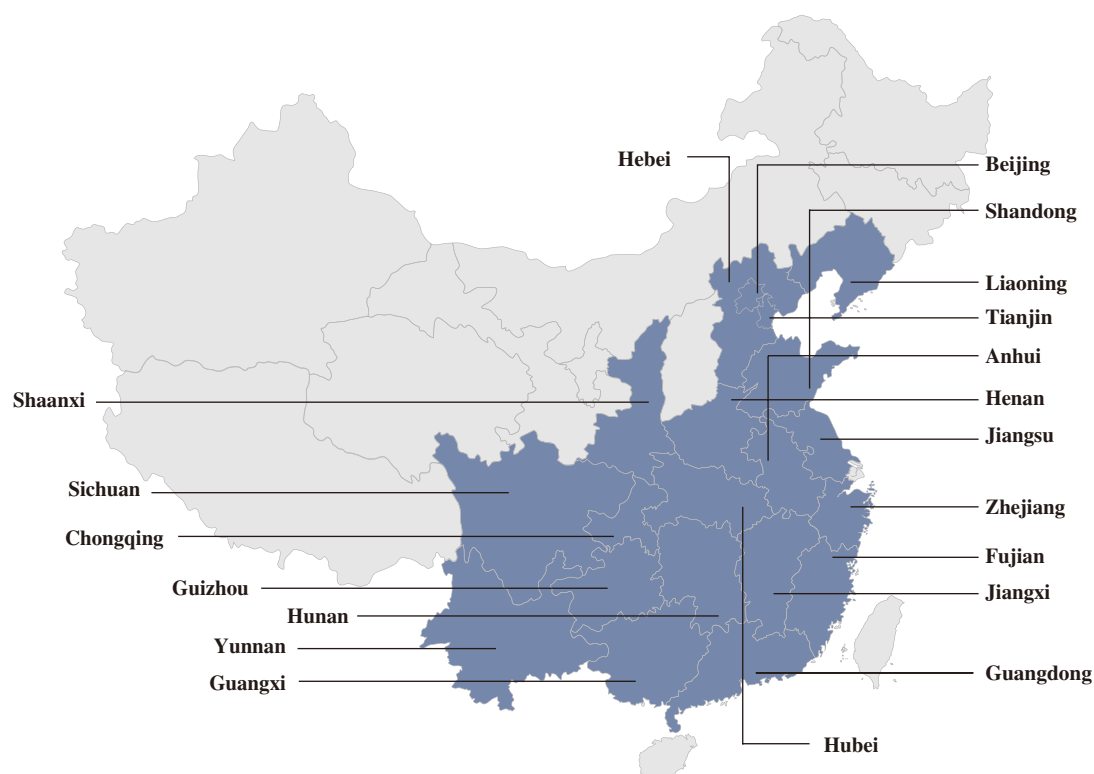
The following table sets forth the breakdown of the GFA under management as at the dates indicated and total revenue for the periods indicated generated from the provision of property management services under the property management services segment by property developer type:

	As at/For the six months ended 30 June					
	GFA ('000 sq.m.)	2020 Revenue RMB'000	Revenue %	GFA ('000 sq.m.)	2019 Revenue RMB'000	Revenue %
China Aoyuan Group and its related parties ^(Note)	14,873	210,354	90.2	11,050	164,838	92.2
Third party property developers	<u>1,178</u>	<u>22,885</u>	<u>9.8</u>	<u>927</u>	<u>13,984</u>	<u>7.8</u>
Total	<u>16,051</u>	<u>233,239</u>	<u>100.0</u>	<u>11,977</u>	<u>178,822</u>	<u>100.0</u>

Note: Related parties of China Aoyuan Group include 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 that are contracted to manage as at 30 June 2020:



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

	As at/For the six months ended 30 June					
	2020			2019		
	GFA (<i>'000 sq.m.</i>)	Revenue RMB' <i>000</i>	Revenue %	GFA (<i>'000 sq.m.</i>)	Revenue RMB' <i>000</i>	Revenue %
Southern China	8,935	233,256	56.6	6,887	178,691	62.1
Southwestern China	2,267	58,018	14.1	1,930	40,458	14.1
Eastern China	2,110	51,426	12.5	1,365	27,805	9.7
Central and Northern China	1,396	51,911	12.6	586	23,631	8.2
Northeastern China	1,343	17,615	4.2	1,209	16,895	5.9
Total	16,051	412,226	100.0	11,977	287,480	100.0

Note:

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

- (2) Southwestern China comprises Chongqing Municipality, Sichuan, Yunnan, Guizhou and Shaanxi Provinces.
- (3) Central and Northern China comprises Hunan, Hubei, Hebei and Henan Provinces, Beijing Municipality and Tianjin Municipality.
- (4) Eastern China comprises Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces.
- (5) Northeastern China comprises Liaoning Province.

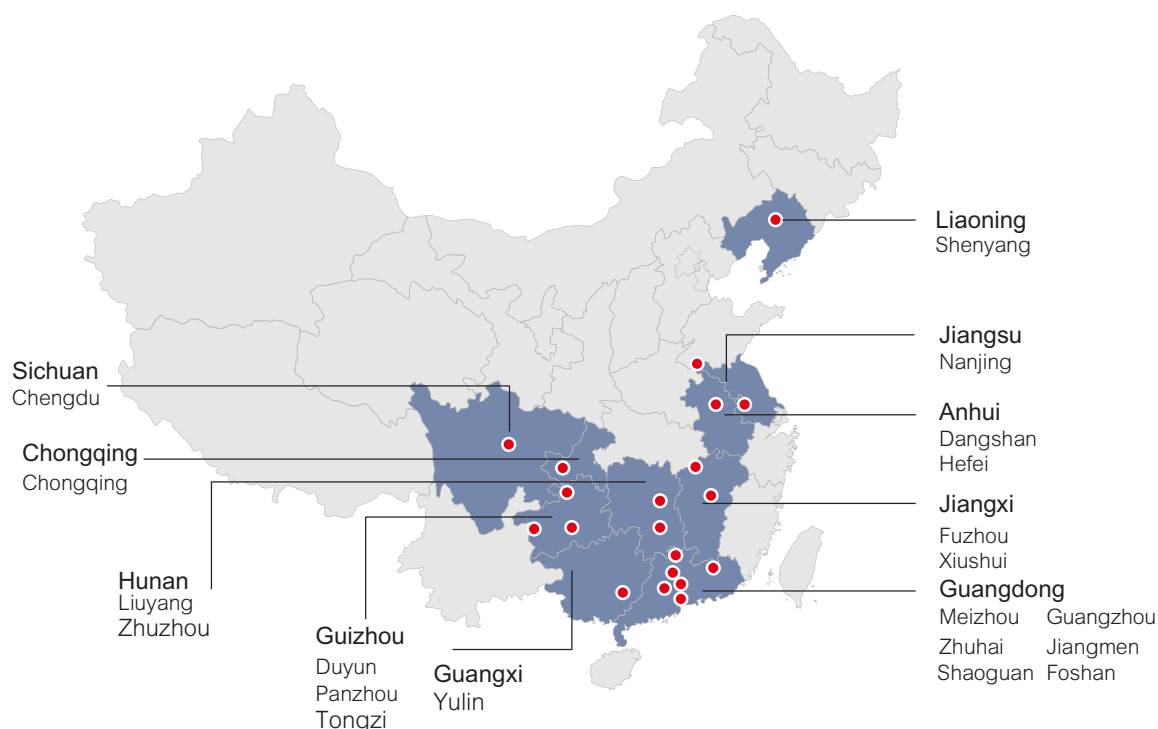
Commercial Operational Services

The revenue generated from commercial operational services segment increased by approximately RMB30.2 million or approximately 28.9%. Of which, the revenue generated from commercial operation and management services increased by approximately RMB33.7 million or approximately 44.5%, which was mainly due to the increase in the number of shopping malls we managed or operated from twelve for the six months ended 30 June 2019 to seventeen for the six months ended 30 June 2020. The revenue generated from market positioning and business tenant sourcing services decreased by approximately RMB3.5 million or approximately 12.1%, which was due to the delay in the opening time of shopping malls resulting from the epidemic. As the epidemic mitigates, shopping malls will open in the second half of the year one after another, of which Ningdu Aoyuan Plaza has already opened on 31 July.

	For the six months ended 30 June				Growth	Growth
	2020		2019		amount	rate
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Commercial operation and management services	109,308	81.2	75,625	72.4	33,683	44.5
Market positioning and business tenant sourcing services	25,358	18.8	28,856	27.6	(3,498)	(12.1)
Total	<u>134,666</u>	<u>100.0</u>	<u>104,481</u>	<u>100.0</u>	<u>30,185</u>	<u>28.9</u>

Geographic Presence

The following map illustrates the location of shopping malls under our Group's management and shopping malls that are contracted to manage as at 30 June 2020:



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

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Southern China ⁽¹⁾	58,854	43.7	90,937	87.0
Southwestern China ⁽²⁾	38,347	28.5	12,940	12.4
Eastern China ⁽³⁾	27,344	20.3	489	0.5
Central and Northeast China ⁽⁴⁾	10,121	7.5	115	0.1
Total	134,666	100.0	104,481	100.0

Note:

- (1) Southern China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (2) Southwestern China comprises Chongqing Municipality, Sichuan Province and Guizhou Province.
- (3) Eastern China comprises Jiangsu Province, Jiangxi Province and Anhui Province.
- (4) Central and Northeastern China comprises Hunan Province and Liaoning Province.

Cost of Services

Our cost of services primarily consists of (i) labour costs which were mainly come from the security services, house-keeping services and maintenance services; (ii) cleaning and gardening expenses; (iii) utility expenses; (iv) intelligent construction and decoration costs; and (v) household service cost.

Our cost of services increased by approximately 38.2% from approximately RMB236.9 million for the six months ended 30 June 2019 to approximately RMB327.4 million for the six months ended 30 June 2020.

This increase was primarily attributable to:

- (i) the increase in labour costs from approximately RMB133.1 million for the six months ended 30 June 2019 to approximately RMB157.7 million for the six months ended 30 June 2020, which were mainly due to the combined effect of the increase in the number of employees resulting from business scale expansion and the reduction and exemption policies adopted for social security and housing provident funds during the epidemic;
- (ii) the increase in cleaning and gardening expenses from approximately RMB51.5 million for the six months ended 30 June 2019 to approximately RMB75.7 million for the six months ended 30 June 2020 as a result of business expansion;
- (iii) the increase in utility expenses from approximately RMB17.0 million for the six months ended 30 June 2019 to approximately RMB23.6 million for the six months ended 30 June 2020, which were due to the increase in the number of shopping mall we managed and operated;
- (iv) the increase in costs of approximately RMB20.1 million due to the new services provided to major owners, such as intelligent community construction and planning, as well as shopping mall decoration; and
- (v) the significant increase in community value-added services businesses such as household services and home delivery, resulting an increase in costs of approximately RMB17.6 million.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2020, gross profit of the Group was approximately RMB219.5 million, representing an increase of approximately RMB64.4 million or approximately 41.5% as compared to approximately RMB155.1 million for the six months ended 30 June 2019. For the six months ended 30 June 2020, gross profit margin was 40.1%, representing an increase of approximately 0.6 percentage point as compared to 39.6% for the six months ended 30 June 2019. The increase in gross profit margin was mainly due to (i) the economies of scale of property management services; (ii) the government's reduction

and exemption policies for employee social security and housing provident funds during the epidemic, which offset the increase in costs. The gross profit margin of the property management services segment was 39.7% (for the six months ended 30 June 2019: 37.2%) and the gross profit margin of the commercial operational services segment was 41.5% (for the six months ended 30 June 2019: 46.1%).

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. Total selling and distribution expenses of the Group for the six months ended 30 June 2020 was approximately RMB0.7 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 2020, the administrative expenses and other expenses of the Group was approximately RMB57.7 million, representing an increase of approximately RMB11.8 million or approximately 25.7% as compared to approximately RMB45.9 million for the six months ended 30 June 2019.

The proportion of administrative expenses of the Group is 10.5% to its revenue, representing a decrease of 1.2 percentage points as compared to the corresponding period of 2019. Such change was mainly due to the impact of the epidemic and the increased efforts made by the Group to control expenses.

Other Income

For the six months ended 30 June 2020, other income of the Group amounted to a net revenue of approximately RMB7.6 million, representing a significant decrease as compared to approximately RMB20.6 million for the six months ended 30 June 2019, which was primarily attributable to the net exchange gain of approximately RMB2.2 million for the six months ended 30 June 2020, representing a decrease of RMB15.1 million as compared to the six months ended 30 June 2019.

Income Tax

For the six months ended 30 June 2020, the income tax of the Group was approximately RMB47.5 million, representing an increase of approximately RMB21.9 million as compared to approximately RMB25.6 million for the six months ended 30 June 2019. For the six months ended 30 June 2020, the effective tax rate of the Group was approximately 29.9%, representing an increase of approximately 7.8 percentage points as compared to approximately 22.1% for the six months ended 30 June 2019.

Profit for the Period

For the six months ended 30 June 2020, the net profit of the Group was approximately RMB111.7 million, representing an increase of approximately RMB21.6 million or approximately 24.0% as compared to approximately RMB90.1 million for the six months ended 30 June 2019. For the six months ended 30 June 2020, profit attributable to equity shareholders of the Group was approximately RMB111.1 million, representing an increase of 23.5% as compared to approximately RMB89.9 million for the six months ended 30 June 2019.

Financial Position

As at 30 June 2020, total assets of the Group were approximately RMB1,622.1 million (as at 31 December 2019: approximately RMB1,386.3 million), and total liabilities were approximately RMB729.4 million (as at 31 December 2019: approximately RMB540.0 million). As at 30 June 2020, the current ratio was 1.92 (as at 31 December 2019: 1.97).

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 11.1% to approximately RMB22.5 million as at 30 June 2020, which were primarily attributable to the addition of office equipment.

Right-of-use Assets

As at 30 June 2020, the right-of-use assets of the Group were the leasing right-of-use assets of approximately RMB33.0 million, representing a decrease of approximately 67.3% as compared to that as of 31 December 2019, which were mainly due to the cooperation agreement signed by the Group for the project in Fengxian District, Shanghai, pursuant to which the Group owns the right to receive 30% of the economic benefits of the project, which is accounted as an associate and ceases to recognise right-of-use assets.

Intangible Assets

Our intangible assets represent the property management contracts obtained upon the acquisition of a series of property companies. Our intangible assets decreased from approximately RMB4.3 million as at 31 December 2019 to RMB3.6 million as at 30 June 2020, which was primarily due to the amortisation of the property management contract for the Period.

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. As of 30 June 2020, the goodwill was approximately RMB3.5 million.

Trade and Other Receivables

As at 30 June 2020, trade and other receivables were approximately RMB245.0 million, representing a decrease of approximately RMB71.3 million or approximately 22.5% as compared to approximately RMB316.3 million as at 31 December 2019, which was mainly due to the Group's efforts to collect and settle receivables.

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

As of 30 June 2020, the Group's amounts due from non-controlling shareholder of a subsidiary, fellow subsidiaries, related parties, joint ventures and associates amounted to approximately RMB102.9 million (31 December 2019: RMB98.8 million).

Trade and Other Payables

As at 30 June 2020, trade and other payables were approximately RMB291.5 million, representing a decrease of approximately RMB6.1 million or 2.1% as compared to approximately RMB297.6 million as at 31 December 2019.

Bank Borrowings

As at 30 June 2020, the Group had outstanding bank loans of approximately RMB229.6 million and unutilised banking facilities for short-term financing of approximately RMB7.0 million. Our bank borrowings were credit loans, carrying fixed interest rate range from 4.45% to 5.00%.

Lease Liabilities

Upon the application of IFRS 16 Leases in 2019, as at 30 June 2020, the lease liabilities of the Group due within one year were approximately RMB4.5 million and the balance of lease liabilities due over one year was RMB29.0 million.

Contingent Liabilities

As at 30 June 2020, we did not have any material contingent liabilities.

Gearing Ratio

The gearing ratio is calculated based on total liabilities divided by total assets. As of 30 June 2020, the gearing ratio of the Group was 0.45 (31 December 2019: 0.39).

Pledge of Assets

As at 30 June 2020, no asset of the Group was pledged except RMB5,400,000 restricted bank deposits.

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 175,000,000 new shares were issued. On 2 April 2019, the over-allotment option was fully exercised to issue 26,250,000 new shares. After deducting the underwriting charges and relevant expenses, the 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 report, the Group has utilized approximately RMB215.9 million of the proceeds, the utilisation of which is as follows:

Intended use of the net proceeds	Planned amount of the net proceeds for its intended use <i>RMB million</i>	Actual amount of the net proceeds utilised from the Listing Date to 31 December 2019 <i>RMB million</i>	Unutilised net proceeds up to 31 December 2019 <i>RMB million</i>	Actual amount of the net proceeds utilised from 1 January 2020 to 30 June 2020 <i>RMB million</i>	Unutilised net proceeds up to 30 June 2020 <i>RMB million</i>
To acquire or invest in other commercial operational services and property management services providers	355.4	–	355.4	122.2 ⁽¹⁾	233.2 ⁽¹⁾
To acquire or invest in service providers which provide supplementary services to the Group’s commercial operational services and property management services	57.3	–	57.3	25.1 ⁽¹⁾	32.2 ⁽¹⁾
To develop and upgrade our O2O platforms	68.8	6.0	62.8	4.2	58.6 ⁽²⁾
To develop intelligent service systems and upgrade our internal IT system	34.4	0.7	33.7	0.4	33.3 ⁽³⁾
To be used for working capital and general corporate purposes	57.3	57.3 ⁽⁴⁾	–	–	–
Total	573.2	64.0	509.2	151.9	357.3

Notes:

- Approximately RMB122.2 million and approximately RMB25.1 million were utilised to pay part of the consideration for the acquisition of target companies, namely providers that are principally engaged in the provision of property management services and medical beauty services in the People’s Republic of China (the “PRC”), respectively. However, the Company is still seeking for other suitable acquisition or investment targets in any event. The unutilised net proceeds to acquire or invest in other commercial operational services and property management services providers and service providers which provide supplementary services to the Group’s commercial operational services and property management services are expected to be fully utilised on or before 31 December 2021.

2. In view of the changes in terms and methods of cooperation with independent mobile application developers, the Group's O2O platforms adopted a variety of development and upgrade models, including but not limited to self-development of the Group and free development and upgrade services provided by independent mobile application developers. In addition, the Group currently has different types of O2O platforms for property management services, commercial operational services and medical beauty services. The Group has discussed the potential integration of different types of O2O platforms to improve customer's experience and promote the establishment of a big data analysis platform. The unutilised net proceeds to develop and upgrade O2O platforms are expected to be fully utilised on or before 31 December 2023.
3. The Group has reached strategic cooperation intention with Beijing Yangguang-haitian Parking Management Co., Ltd. ("**Yangguanghaitian**") and Shonestone Investment to integrate multi-channel funds, parking resources, technology and teams to jointly build the first platform for Internet + smart parking value-added innovation service. The Group expects that the development plan will be launched in the second half of 2020. In addition, the Group' upgraded internal IT system is undergoing acceptance testing and related expenses will only be reimbursed after the completion of the acceptance testing. The unutilised net proceeds to develop intelligent service systems and upgrade internal IT system are expected to be fully utilised on or before 31 December 2023.
4. Approximately RMB57.3 million has been fully utilised to pay the wages and salaries of the employees of the Group.

Such proceeds were applied in the manner consistent with that in the prospectus of the Group the ("Prospectus") dated 28 February 2019. The remaining unutilised proceeds will be applied in the following manners that are 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 services and property management services 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.

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 2020, the Group did not have any significant acquisitions and disposals.

The Group entered into an equity transfer agreement on 5 June 2020 to acquire 80% equity interest of Easy Life (the “**Acquitistion**”) at the consideration of RMB247.9 million, and has paid RMB111.6 million for the equity transfer. As of 30 June 2020, the property management area under that company was approximately 23.3 million sq.m.. Further details relating to the Acquisition are disclosed in the announcements of the Company dated 22 April 2020, 14 May 2020, 5 June 2020, 30 July 2020 and 13 August 2020.

Significant Investments

As at 30 June 2020, the Group did not have any major investments.

Employment and Remuneration Policy

As at 30 June 2020, the Group had 4,745 employees. The staff cost was approximately RMB176.5 million in the first half of 2020. 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 2020.

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 2020.

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**”). During the six months ended 30 June 2020, the Company has complied with the code provisions of the CG Code except for the following deviation:

In respect of the code provision E.1.2 and A.6.7, due to other business commitment, Mr Hung Ka Hai Clement, Dr Li Zijun and Mr Wang Shao, independent non-executive directors of the Company and respectively the chairman and members of audit committee of the Company, were unavailable to participate and did not appoint delegate to attend the annual general meeting of the Company held on 22 May 2020.

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 2020.

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 2020 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, 14 August 2020

** The English name is for identification purpose only*

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.