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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 2021

HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 was approximately RMB1,003.5 million, representing a year-on-year increase of 83.0%.
- Gross profit for the six months ended 30 June 2021 was approximately RMB347.4 million, representing a year-on-year increase of 57.2%; gross profit margin was approximately 34.6%.
- Net profit for the six months ended 30 June 2021 was approximately RMB185.6 million, representing a year-on-year increase of 66.3%; net profit margin was approximately 18.5%.
- Core net profit ^(note) for the six months ended 30 June 2021 was approximately RMB178.8 million, representing a year-on-year increase of 70.4%; core net profit margin was approximately 17.8%.
- Basic earnings per share for the six months ended 30 June 2021 were approximately RMB24.49 cents, representing a year-on-year increase of 60.2%.
- As at 30 June 2021, bank balances and cash amounted to RMB1,530.7 million.

Note: The core net profit excludes non-recurring profits or loss items and their related tax effects comprising exchange gain, gain on deemed disposal of a subsidiary, gain on disposal of an associate, dividend income from equity instrument and changes of fair value.

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 six months ended 30 June 2021, together with the unaudited and restated comparative figures for the corresponding period in 2020, the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 together with restated comparative figures as at 31 December 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended	
	NOTES	30.6.2021 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited) (restated)
Revenue	3	1,003,492	548,343
Cost of services		(656,136)	(327,390)
Gross profit		347,356	220,953
Other income, gains and losses	5	22,150	7,551
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(15,644)	(3,771)
Gain on deemed disposal of a subsidiary		–	4,496
Gain on disposal of an associate		400	–
Administrative expenses and other expenses		(92,508)	(59,155)
Selling and distribution expenses		(2,824)	(662)
Share of results of joint ventures		(1,833)	(3,718)
Share of results of associates		98	(659)
Finance costs		(16,487)	(5,863)
Profit before tax		240,708	159,172
Income tax expense	6	(55,138)	(47,549)
Profit and total comprehensive income for the period	7	185,570	111,623
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		177,844	111,044
– Non-controlling interests		7,726	579
		185,570	111,623
Earnings per share (RMB cents)			
– Basic	9	24.49	15.29
– Diluted	9	24.49	15.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30.6.2021 RMB'000 (unaudited)	31.12.2020 RMB'000 (audited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		47,028	43,541
Right-of-use assets		26,085	28,978
Investment properties		9,028	9,028
Intangible assets		98,438	75,293
Goodwill		282,876	226,118
Interests in joint ventures		6,453	8,286
Interests in associates		28,068	27,970
Equity instrument at fair value through profit or loss (“FVTPL”)		69,119	68,553
Deferred tax assets		13,643	10,564
Deposits paid for acquisition of property, plant and equipment		2,524	2,524
Trade and other receivables	10	2,900	2,900
		586,162	503,755
CURRENT ASSETS			
Inventories		2,409	661
Trade and other receivables	10	439,779	356,769
Deferred contract costs		12,796	20,301
Amounts due from fellow subsidiaries		33,590	71,357
Amounts due from non-controlling shareholders of subsidiaries		5,306	4,528
Amounts due from related parties		23,355	25,752
Amounts due from joint ventures		489	–
Amounts due from associates		620	51,866
Restricted bank deposits		175	13,199
Bank balances and cash		1,530,650	1,506,273
		2,049,169	2,050,706

	<i>NOTES</i>	30.6.2021 RMB'000 (unaudited)	31.12.2020 RMB'000 (audited) (restated)
CURRENT LIABILITIES			
Trade and other payables	11	643,432	595,631
Financial liability at FVTPL		–	29,050
Contract liabilities		211,287	240,044
Amounts due to fellow subsidiaries		9,935	20,726
Amounts due to non-controlling shareholders of subsidiaries		11,351	10,224
Amounts due to related parties		1,748	3,707
Amounts due to joint ventures		399	5,067
Tax liabilities		59,752	50,065
Lease liabilities		4,035	4,647
Bonds		–	16,812
Bank borrowings		335,500	471,500
		1,277,439	1,447,473
NET CURRENT ASSETS		771,730	603,233
TOTAL ASSETS LESS CURRENT LIABILITIES		1,357,892	1,106,988
NON-CURRENT LIABILITIES			
Deferred tax liabilities		26,264	20,336
Lease liabilities		23,815	25,561
Bank borrowings		159,708	–
		209,787	45,897
NET ASSETS		1,148,105	1,061,091
CAPITAL AND RESERVES			
Share capital		6,207	6,207
Reserves		1,110,699	1,031,411
Equity attributable to owners of the Company		1,116,906	1,037,618
Non-controlling interests		31,199	23,473
TOTAL EQUITY		1,148,105	1,061,091

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION AND BUSINESS COMBINATION

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”).

Merger accounting for business combination involving entities under common control

Pursuant to the share transfer agreement dated 14 February 2021 entered into between Guangdong Aoyuan Health Industry Investment Group Co., Limited 廣東奧園健康產業投資集團有限公司 (“**Aoyuan Health Industry**”), a direct subsidiary of the Company, and Guangzhou Aoji Electronic Commerce Co., Limited 廣州奧際電子商務有限公司 (“**Guangzhou Aoji**”), a subsidiary of China Aoyuan, Aoyuan Health Industry acquired 100% equity interests in Guangzhou Xinaoda Cloud Technology Co., Limited, 廣州新奧達雲科技有限公司 (“**Guangzhou Xinaoda**”) at a cash consideration of RMB1. Pursuant to the share transfer agreement dated 29 March 2021 entered into between Aoyuan Health Industry and Guangzhou Aoji, Aoyuan Health Industry acquired 51% equity interests in Guangdong Xuanyan Business Management Co., Limited 廣東暄妍商業管理有限公司 (“**Guangdong Xuanyan**”), at nil consideration. Pursuant to the share transfer agreement dated 1 April 2021 entered into between Aoyuan Health Industry and Guangdong Aoyuan Technology Group Co., Limited 廣東奧園科技集團有限公司 (“**Guangdong Aoyuan Technology**”), a subsidiary of China Aoyuan, Aoyuan Health Industry acquired 91.89% equity interests in Guangdong Aoyuan Life Science Co., Limited 廣東奧園生命科學有限公司 (“**Aoyuan Life Science**”), at a nil consideration (collectively the “**Acquisitions**”).

After completion of the Acquisitions, the Group obtained a total of 100%, 51% and 91.89% equity interests in Guangzhou Xinaoda, Guangdong Xuanyan and Aoyuan Life Science (collectively the “**Acquired Companies**”) respectively.

The Group and the Acquired Companies are under common control of China Aoyuan before and after the Acquisitions, and that the control is not transitory. Accordingly, the Group and the Acquired Companies are regarded as continuing entities and the Acquisitions been accounted for as combination of entities under common control by applying merger accounting.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2020 has been restated to include the results, changes in equity and cash flows of the Acquired Companies as if the Acquisitions had been completed since the date the respective businesses came under common control. The condensed consolidated statement of financial position of the Group as at 31 December 2020 has been restated to include the assets and liabilities of the Acquired Companies as if those entities were combined from the date when they first came under common control.

The effects of all transactions between the Group and Acquired Companies, whether occurring before and after the Acquisitions, are eliminated in preparing the condensed consolidated financial statements.

The impact of the above restatement on the condensed consolidated profit or loss and other comprehensive income for the six months ended 30 June 2020 was an increase in the Group’s revenue of RMB1,451,000 and a decrease in the profit and total comprehensive income for the period attributable to the owners of the Company of RMB31,000.

The impact of the above restatement on the condensed consolidated statement of financial position as at 31 December 2020 was an increase in the total assets and net assets of the Group of RMB5,316,000 and RMB1,041,000 respectively.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, equity instrument at fair value through profit or loss (“**FVTPL**”) and financial liability at FVTPL, which are measured at fair values, as appropriate.

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 2021 are the same as those presented the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

The application of the amendments to IFRSs in the current interim 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	
	30.6.2021 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited) (restated)
Type of services		
Property management services		
Property management services	524,335	233,239
Sales assistance services	126,107	106,203
Community value-added services	112,659	53,435
Heating services	30,917	–
Others	6,483	4,172
	<u>800,501</u>	<u>397,049</u>
Commercial operational services		
Commercial operation and management services	123,022	109,308
Market positioning and business tenant sourcing services	33,487	25,358
	<u>156,509</u>	<u>134,666</u>
Intelligent engineering services		
Intelligent engineering services	32,712	14,623
Sales of software and hardware	3,557	1,450
	<u>36,269</u>	<u>16,073</u>
General health and wellness services		
Healthcare and community elder care services	10,213	555
	<u>10,213</u>	<u>555</u>
Total	<u><u>1,003,492</u></u>	<u><u>548,343</u></u>

	Six months ended	
	30.6.2021 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited) (restated)
Type of customers		
Property management services		
External customers	595,237	250,567
Fellow subsidiaries	161,789	126,372
Other related parties	43,475	20,110
	800,501	397,049
Commercial operational services		
External customers	101,829	82,638
Fellow subsidiaries	36,533	50,095
Other related parties	18,147	1,933
	156,509	134,666
Intelligent engineering services		
External customers	36	2,108
Fellow subsidiaries	29,495	13,778
Other related parties	6,738	187
	36,269	16,073
General health and wellness services		
External customers	1,530	555
Fellow subsidiaries	8,674	–
Other related parties	9	–
	10,213	555
Total	1,003,492	548,343
Timing of revenue recognition		
Over time	966,490	522,430
A point in time	37,002	25,913
Total	1,003,492	548,343

4. SEGMENT INFORMATION

During the current interim period, following by the Acquisitions as detailed in note 1, the Group reorganised its internal reporting structure by having two additional operating segments, the intelligent engineering services segment and the general health and wellness services segment, which the revenue generated by these two segments were previously included in property management services segment. Accordingly, the comparative segment information has been re-presented to conform with the presentation of the current interim period.

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

Six months ended 30 June 2021 (unaudited)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Intelligent engineering services <i>RMB'000</i>	General health and wellness services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>800,501</u>	<u>156,509</u>	<u>36,269</u>	<u>10,213</u>	<u>1,003,492</u>
Segment results	<u>217,520</u>	<u>58,192</u>	<u>27</u>	<u>2,685</u>	<u>278,424</u>
Net exchange gain					1,828
Change in fair value of equity instrument at FVTPL					566
Gain on disposal of an associate					400
Central administrative costs					(22,288)
Share of results of joint ventures					(1,833)
Share of results of associates					98
Interest on bonds					(347)
Interest on lease liabilities					(1,180)
Interest on bank borrowings					(14,960)
Profit before tax					<u>240,708</u>

Six months ended 30 June 2020 (unaudited and restated)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Intelligent engineering services <i>RMB'000</i>	General health and wellness services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>397,049</u>	<u>134,666</u>	<u>16,073</u>	<u>555</u>	<u>548,343</u>
Segment results	<u>131,887</u>	<u>44,558</u>	<u>1,350</u>	<u>(2,571)</u>	175,224
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>159,172</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, GAINS AND LOSSES

	Six months ended	
	30.6.2021	30.6.2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
		(restated)
Bank interest income	1,239	894
Net exchange gain	1,828	2,209
Government grants (<i>Note</i>)	11,759	785
Dividend income from equity investment	4,000	–
Change in fair value of equity instrument at FVTPL	566	–
Others	2,758	3,663
	<u>22,150</u>	<u>7,551</u>

Note: During the current interim period, the Group recognised government grants of RMB11,759,000 (six months ended 30 June 2020: RMB785,000) in respect of value-added tax credit and heating subsidy.

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2021	30.6.2020
	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")	59,767	45,488
Under provision in prior years	–	3,488
	<u>59,767</u>	<u>48,976</u>
Deferred tax	<u>(4,629)</u>	<u>(1,427)</u>
	<u><u>55,138</u></u>	<u><u>47,549</u></u>

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% for both periods.

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

In January 2021, a principal subsidiary of the Group, Aoyuan Smart Life Services (Guangzhou) Group Company Limited (previously "Aoyuan Property Services (Guangzhou) Group Company Limited") obtained the certificate of "National High-tech Enterprise", under which it is entitled to a preferential income tax rate of 15% for the three years from 1 January 2020 to 31 December 2022.

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

* The English name is for identification purpose only

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging		
the following items:		
Amortisation of deferred contract costs	10,182	887
Depreciation of property, plant and equipment	5,022	3,969
Depreciation of right-of-use assets	3,465	3,824
Amortisation of intangible assets		
(included in administrative expenses)	7,136	685
Staff costs	<u>232,680</u>	<u>176,547</u>

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.14 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: RMB0.09 per share in respect of the year ended 31 December 2019) 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 RMB101,675,000 (six months ended 30 June 2020: RMB65,363,000).

The directors of the Company do not recommend or declare any payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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	
	30.6.2021	30.6.2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share,		
being profit for the period attributable to owners of the Company	177,844	111,044
	<u>177,844</u>	<u>111,044</u>
	Six months ended	
	30.6.2021	30.6.2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	726,250,000	726,250,000
	<u>726,250,000</u>	<u>726,250,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both periods.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	30.6.2021 RMB'000 (unaudited)	31.12.2020 <i>RMB'000</i> (audited) (restated)
Trade receivables		363,043	258,041
Less: impairment losses under ECL model, net of reversal		(30,623)	(17,621)
Total trade receivables		332,420	240,420
Other receivables:			
Deposits	(a)	20,289	18,484
Payments on behalf of residents	(b)	28,907	28,171
Prepayments		22,241	27,381
Others		48,543	52,292
Less: impairment losses under ECL model, net of reversal		(9,721)	(7,079)
		110,259	119,249
Total trade and other receivables		442,679	359,669
Analysis for reporting purpose:			
Non-current assets		2,900	2,900
Current assets		439,779	356,769
		442,679	359,669

Notes:

- (a) The balance represents the amount paid to the service providers as deposit.
- (b) The balance represents the amount paid on behalf of residential communities and commercial tenants to the utilities service provider for the service provided.

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.

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

	30.6.2021 RMB'000 (unaudited)	31.12.2020 RMB'000 (audited) (restated)
0 to 60 days	100,495	111,076
61 to 180 days	76,170	63,069
181 to 365 days	103,616	31,016
1 to 2 years	42,393	30,937
2 to 3 years	23,594	13,012
Over 3 years	16,775	8,931
	363,043	258,041

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	30.6.2021 RMB'000 (unaudited)	31.12.2020 RMB'000 (audited) (restated)
Trade payables		208,586	170,525
Other payables:			
Receipts on behalf of residents		94,025	108,823
Deposits received	(a)	149,552	133,622
Accrued staff costs		46,687	59,418
Accrued contribution to social insurance and housing provident funds		11,697	10,640
Other tax payables		18,944	14,503
Accrued expenses		36,979	35,488
Other payables	(b)	76,962	62,612
Total other payables		434,846	425,106
Total trade and other payables		643,432	595,631

Notes:

- (a) The balances mainly represents utility deposits received from the community residents and commercial tenants.
- (b) Included in other payables mainly represents consideration payable for the acquisition of subsidiaries, other tax payable and interest payable.

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:

	30.6.2021	31.12.2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
		(restated)
0 – 60 days	98,917	126,941
61 – 180 days	45,283	15,864
181 – 365 days	52,078	12,047
1 – 2 years	9,934	14,498
2 – 3 years	2,026	897
Over 3 years	348	278
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	208,586	170,525
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MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Business Overview

The Group is a renowned property management service and commercial operational service provider in the People's Republic of China (the “**PRC**”), which commits to developing the general health and wellness industry through several major businesses such as health and medical care, 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.

Property Management

As of 30 June 2021, the Group provided property management services to 454 properties (including sales offices) in 94 cities across 22 provinces, municipalities, and autonomous regions in the PRC with chargeable gross floor area (“**GFA**”) under management of approximately 44.3 million square metre (“**sq.m.**”), representing an increase of approximately 28.2 million sq.m. as compared to approximately 16.1 million sq.m. as of 30 June 2020. As of 30 June 2021, the contracted area of the Group was approximately 83.6 million sq.m.. The Group continued to deepen its development in residential property management to provide residents with high-quality residential services. At the same time, through mergers and acquisitions of various non-residential property management companies and self-established teams, it has continuously expanded the scope of property services and gradually enriched its service offering. The current service scope includes developer service, community service, commercial office building service and public building services. Of which, the developer service includes engineering pre-delivery consultation service, sales assistance service for sales offices, household inspection, fully furnished apartments and installation of aluminum alloy doors and windows and anti-theft systems etc. The community service includes property management, butler service and housekeeping service. The commercial office building service includes shopping mall management, hotel-style apartment management, commercial street management and office building management. The public building service includes amusement park management, hospital ancillary service, public buildings and facilities and equipment management. With the expansion of its scope of services, the Group's overall revenue has increased steadily and its competitive advantages are significantly enhanced.

Through various customer feedback channels such as WeChat service account, 24-hour command center, 400 hotline services, etc., the Group ensures customer appeals to be received immediate attention. Furthermore, the Group provides services online on a 7*24-hour basis, achieves 3-minute response time and 30-minute completion time upon property owners' requests, which have greatly improved service efficiency and received wide applause from customers. Apart from basic property services, customers could access rich value-added service resources through its back-end services, such as housekeeping, garden maintenance, health monitoring, house rental and sales, express delivery, home repair and maintenance, etc.

The Group actively responds to the national call to promote the development of elder care services, and makes full use of its resources such as Chinese Medicine Hospital, Physical Examination Centre, and Elder Care Centre to provide customers with community elder care and medical care services. At the same time, the Group continues to implement the AHA Heart Saver certification training for Yue butlers, and the proportion of butlers with first aid qualifications increased rapidly, injecting more powerful life support resources into the Aoyuan community, and has effectively provided health protection for owners and employees and creates distinctive property services of the Group.

The Group held the Community Pro-Aoyuan Neighborhood Festival and carried out 413 events in 81 communities nationwide to bring unique community experiences to Aoyuan owners, such as "Festival Atmosphere Decoration", "Parent-child Plantation Activities", "Garden Party", "Making Rice Dumplings with Free Wormwood Leaves in Dragon Boat Festival" and so on. It also conducted a total of 515 resident-convenient activities including hair cutting, floor mats cleaning, knife sharpening etc., and over 100,000 owners had participated in those activities with continuous improvement in customer satisfaction.

In response to the Guiding Opinions on Comprehensively Promoting the Reconstruction of Old Urban Communities* (《全面推進城鎮老舊小區改造工作指導意見》) by the State Council, in June 2021, the Group and Beijing Ruiming Anpu Technology Co., Ltd.* (北京瑞銘安普科技有限公司) ("**Beijing Ruiming**") entered into a strategic cooperation framework agreement concerning the Smart Community Integrated Operation and Innovation Platform, pursuant to which both parties will carry out cooperation in future in respect of smart community transformation, smart city innovation, and age-friendly community transformation, and by virtue of the Group's rich property management experience and technology accumulation of Beijing Ruiming in smart communities, they will further develop urban property services.

In the first half of 2021, the Group won the tender for a property service project in Natang Village, Zengcheng, Guangzhou, to provide property and village resources management services. At the same time, the professional property companies of the Group successfully won the tenders for a number of non-residential property projects, providing services in urban electricity supply, water supply, healthcare and transportation segments, which further enriched its property service business and accelerated its pace in offering urban services in addition to the main business of residential property management, broadened revenue source and continued to enhance its ability to resist market and policy risks. The Group's leading position in the property management industry has been further consolidated, resulting in better returns for its shareholders.

Commercial Operation

As of 30 June 2021, the Group was contracted to provide commercial operational services to 41 shopping malls with contracted total GFA of approximately 1.9 million sq.m., among which the Group contracted to provide post-opening commercial operation and management services to 25 shopping malls with contracted total GFA of approximately 1.1 million sq.m.. During the half year of 2021, the Group's commercial operational service segment achieved an increase of contracted GFA of 149,000 sq.m. in total. As of 30 June 2021, the Group provided commercial operational services to 20 shopping malls in operation in 12 cities in the PRC, with a total GFA under management of approximately 892,000 sq.m..

During the first half year, the Group continued to conduct intensive urban development and had launched more commercial projects. The grand opening of Dapu Aoyuan Plaza* (大埔奧園廣場), the first large-scale commercial complex and one-stop shopping mall in Dapu County, was held on 7 January 2021, which had consolidated the Group's core commercial competitiveness in Meizhou. On the basis of strengthening its existing business, the Group is committed to creating unique and distinctive commercial complexes with competitive and differentiated positioning as a breakthrough. The Weining Aoyuan Plaza* (威寧奧園廣場) welcomed its grand trial operation on 31 January this year, and on 1 March, Weining Aoyuan Plaza* (威寧奧園廣場), the first large-scale commercial complex in Weining County, Guizhou Province, which was partnered with Panyu District, Guangzhou, opened for business on a grand scale, boosting commerce and trade, increasing employment opportunities and promoting a new perspective. On 18 June, the Group made another bold attempt inspired by the "China trend" – the grand unveiling and investment promotion of the Baoying Aoyuan Laodongmen Demonstration Zone* (寶應奧園老東門示範區), which injected new vitality into Baoying and empowered the value of the region. These initiatives have enriched the Group's commercial layout across the country, strengthened its competitive edge and effectively enhanced the Group's asset growth.

At the same time, the Group explored in depth the revitalisation of its commercial assets to enhance their value. In 2021, the Group planned to develop Guangzhou Aoyuan City Plaza* (廣州奧園城市天地) into a China trend district with "One Street, One Lane and One Sub-district", so as to establish a sustainable "differentiated" advantage in the competitive and cooperative environment of the business district and become a landmark "China trend" visiting spot in the business district. Leveraging the successful experience of Guangzhou Aoyuan City Plaza, the Group has replicated and upgraded its commercial assets in Zhuzhou and Hefei during the first half year to create a strong brand new China trend district in its commercial management sector. Meanwhile, each project has jointly held China trend oriented-carnival events under the theme of "Emerging China trend", gaining waves of consumer fans. It has also helped to drive the development of the shopping district and enhance the asset value of the commercial projects in multiple dimensions.

In addition, the Group focuses on industry synergy cooperation, leverages the Group's advantages in industry synergy and resources sharing to help building a commercial ecosystem. On 6 May this year, the Group held a strategic cooperation signing ceremony with Guangdong Aoyuan City Renewal Group Co., Ltd.* (廣東奧園城市更新集團有限公司), an indirect non-wholly owned subsidiary of China Aoyuan Group Limited (“**China Aoyuan**”, together with its subsidiaries, “**China Aoyuan Group**”), in which the Group will collaborate effectively in long term with pioneering advantages of China Aoyuan, in the urban renewal sector to bring more operational projects into the commercial management sector in future, and leverages its own industrial operational experience and service advantages to assist China Aoyuan Group's redevelopment projects. Furthermore, its focus on practicing continues to incubate and integrate more business formats. During the Children's Day in 2021, 16 of the Group's shopping malls in operation joined hands with China Cultural Tourism Group Limited for the cultural tourism project-Aoyuan Yingde Chocolate Kingdom* (奧園英德巧克力王國) to create a series of interesting and fun themed activities on Children's Day. This move was a bold innovation crossover in business operation by the Group on the basis of the industry synergy benefits of China Aoyuan, enriching the innovative possibilities of business operations in multiple dimensions, and boosting asset appreciation through industrial synergy, while enhancing the Group's adaptability in a continuously changing market.

In addition to continuously building more distinctive commercial complexes, exploring various aspects to enhance asset value and focusing on industry collaboration, the Group also actively assumed various social responsibilities. Among which, commencing March this year, Chongqing Panlong Aoyuan Plaza, under the management of the Group, carried out large-scale upgrades and innovations with “Environmental Protection”, “Health” and “Green” as the goals, build the originally empty rooftop into a sky farm integrating sustainable development elements and convey the environmental protection concept, which helps to establish the concept of “Harmonious Symbiosis between Human and Nature”. In May this year, the epidemic hits both Guangzhou and Foshan. Shopping Centres and communities, such as Zhuhai Aoyuan Plaza* (珠海奧園廣場), Guangzhou Aoyuan City Plaza* (廣州奧園城市天地), and Guangzhou Panyu Aoyuan Plaza* (廣州番禺奧園廣場) under the management of the Group promoted the vaccination publicity and organization immediately, assisted the government in setting up vaccination sites for COVID-19, and provided a safe and reassuring living environment for surrounding owners, citizens, and merchants. In addition, in order to help merchants to tide over the difficulties and allow Guangzhou and Foshan citizens to enjoy food at ease, Guangzhou Aoyuan City Plaza* (廣州奧園城市天地), Guangzhou Panyu Aoyuan Plaza* (廣州番禺奧園廣場), Aoyuan International Center* (奧園國際中心), Luogang Aoyuan Plaza* (蘿崗奧園廣場) and Shunde Aoyuan Plaza* (順德奧園廣場) under the Group's management offered a subsidy for take-away consumption to support Guangzhou and Foshan, assisting merchants in contactless outdoor sales delivery, so that customers could feel more confident in consumption. The Group boldly assumed corporate social responsibilities with practical actions, ingeniously established its own brand, and effectively enhanced its core competitiveness in the market.

Intelligent Community

To support the integration and development of its major segments, namely property management, commercial operations, and general health and wellness, the Group upgraded the original online platform and launched the “Aoyuejia” – 6A smart community solution, which empowers the refined management of communities and enhances new experience of smart life.

Based on the development needs of the industry and relying on independent research and development technology, the Group created a digital, intelligent and integrated video cloud platform. Through national networking, public area video viewing, remote quality inspection, video AI analysis and other core functions, it has solved key issues in community monitoring equipment such as mixed analog and digital, numerous brands, unusable nature of old equipment, independent management systems, and security leaks, promoting the realization of intelligent community security prevention and control, which in turn greatly improve the quality of community management, reduce costs and increase efficiency of business operations.

For the operation and management of parking cloud, we adopted an advanced “end + cloud” product mix to realize the direct upload of the images recognized by the local license plate recognition cameras to the cloud. By removing the local main controller and using the gates, display screens, voice broadcast and other equipment at old sites, we further reduced the cost of intelligent upgrade and transformation at the project sites. Core functions of the system such as monthly paid vehicle management, gates’ abnormal opening management, parking space management, parking lot management, billing rule management, and statistical reports, not only solve issues such as difficult toll collecting and no toll, but also improve the current situation of “leakages and wastage” which is difficult to be controlled, so as to achieve the construction goal of low-cost transformation at the sites end and improvement of the user’s experience.

The Group fully integrates home smart products through the Internet of Thing (“IoT”) platform to create a whole-house smart control system, so as to realize the intelligent interconnection of systems and equipment such as visual intercom, smart property services, smart lighting control, smart home security, smart home appliance control, and smart voice control. It provides rich content ecosystem and scene interconnection, which enables users to enjoy high-quality smart life.

The “Aoyuejia” online platform builds a Yue Life Ecosystem in Aoyuan Community* (奧園小區悅生活生態圈) to meet the diverse needs of residents and tenants in the residential and commercial communities under the Group’s management and enhance the experience of the property owners. As of 30 June 2021, the “Aoyuejia” mobile application covers several residential and commercial properties managed by the Group, with a great number of registered property owners.

General Health and Wellness Business

The Group intensified the development of its general health and wellness industry, vigorously developed key businesses such as smart healthcare, community elder care services and comprehensive outpatient services and deeply applied them to the two ecosystems of “lives in properties and commercial complex”. Through independent research and development of platform systems such as user-end mini program, server-end app and back-end management system, by integrating with advanced technologies such as the Internet of Things, big data and blockchain, the Group has built a one-stop health service platform integrating online and offline services, thereby providing customers with smart healthcare and community home care and other services, as well as comprehensive outpatient services.

In respect of healthcare service, the Group, as the Executive Vice Chairman Unit of Guangdong Elder Care Services Association* (廣東省養老服務業協會常務副會長單位), started from the community elder care services and has set up a dedicated team to undertake district-level home elder care service platforms, so as to improve service standards through guiding and supervising elder care service agencies in those districts.

In addition, initiated by Guangzhou Municipal Government, under the guidance and supervision of Panyu District Government and led by Qiaonan Street Administration Office, the Xinghuili Elder care Centre* (幸薈里頤康中心), a comprehensive elder care service centre in Qiaonan Street, Panyu District, was vigorously established by the Group, and has now been entered and stationed in the Aoyuan Healthcare Plaza. The elder service stations were set up in the Panao community to expand the scope of service coverage. By taking “elder care” as the core and elders’ needs as the orientation, the Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) has integrated with high-quality medical resources, constructed a smart elder care platform, and worked interactively with Jin’ao Community Elder Service Station* (金奧社區頤康服務站) to provide elderly with various services covering the entire life cycle of the elderly, such as full care, day care, life care, catering and food, spiritual comfort, assistive equipment rental, home renovation, cultural entertainment, emergency rescue and others. To address issues such as home safety and nutritious meals of elderly, the Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) has actively carried out businesses such as the construction of home healthcare beds and catering and food in accordance with the relevant healthcare policies of Guangzhou, and provided targeted products and services for the elderly to achieve synergy and empowerment among the product lines.

The Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) joined the Panyu “Medical Community” through the Aoyuan First Comprehensive Clinic, and established an informationized platform for district-level medical institutions and large general hospitals to provide green channels of fast referral and services such as renowned doctor consultations for the public, achieving internal seamless connection between medical and health care. The Xinghuili Elderly Health Care Centre’s* (幸薈里頤康中心) service features and models of medical care and smart healthcare have been recognized by government leaders, experts, peers and the media at all levels after their visits and inspection. In March and April this year, Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) was reported by CCTV media on two occasions, and was reported by NEWS 30 Minutes of CCTV-1, Morning News of CCTV-13, First Timing of CCTV-2 and Live News of CCTV-13 under the Vigorous China Reporting Series for its focus on the vitality of the elderly in the community.

In respect of healthcare, the Group upgraded the original traditional Chinese medicine (“TCM”) clinic to Aoyuan First Comprehensive Clinic, and introduced western medicine while retaining the generic services with TCM characteristics, in which it can provide high-quality medical services to nearby community residents, such as internal medicine, surgery, gynecology, rehabilitation medicine, TCM and therapy with TCM characteristics, and integrated the business with the healthcare business to provide support for the Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) in terms of medical resources. Currently, Aoyuan First Comprehensive Clinic is actively applying to restore the medical insurance system, aiming to provide community residents with more convenient medical services.

When epidemic situation becomes normalised, the Group has joined hands with the International WELL Building Institute™ (IWBI) and different general health and wellness product and service platforms to quickly arrange “well is coming for you” linkage marketing and promotion, helping the property projects of China Aoyuan to create a new industry benchmark of healthy building and healthy living and became a member of the IWBI portfolio asset promotion program.

II. OUTLOOK

In the second half of 2021, the epidemic is expected to continue exerting a relatively large impact on the global economy. Although the PRC is facing an increasing complicated international environment and uncertainties continue to escalate, it is believed that the PRC economy will overcome the difficulties with the active response of the government and maintain a momentum of relatively stable development. The Group will continue to focus on the improvement of comprehensive competitiveness. In the second half of the year, the Group will continue to take proactive reform on the basis of internal and external comparison and continuous summarization to fully implement refined operations, and continue to treat capital structure optimization, reduction in financing costs as top priorities at the current stage of development.

Property Management

As evidenced in the fighting against the novel coronavirus epidemic, the government has paid more and more attention to the role of property management in grassroots governance. Meanwhile, changes in government governance functionalities and ideas, gradual marketization of urban public services contracting, and documents issued by the central government to encourage local governments to acquire public services, have brought huge increment and service innovation potential to the property management market. At the same time, industry competition has become increasingly intense, and the gap between leading property management companies and ordinary property management companies has further widened. Adhering to the principle of “high-quality development”, the Group will promote project expansion, improve the evaluation mechanism for investment expansion, obtain more high-quality investments or acquisition targets steadily, and strengthen post-investment management, so as to ensure risks are controllable and record stable profits and revenue. The Group will leverage the advantages of the listing platform, continue to deepen its strategic layout, coordinate the development of multiple business models and multiple businesses, and continue to cultivate urban services on the basis of residential property management, and become an outstanding comprehensive urban space service provider. The Group will continue to upgrade quality control standards, improve project grading and management system, and create benchmark and boutique projects in the industry. It will promote changes in organizational structure, optimize salary and incentive system, improve the level of refined management, and achieve higher corporate operating efficiency.

Commercial Operation

The Group will firmly adhere to its determination of “Not Replicating”, with constant strengthening in operation and management capabilities, and improve consumer experience. Leveraging previous valuable experience in the “China trend” sector, the Group will explore more possibilities of “China trend” culture and create more business imagination potential while creating more product lines for China trend blocks, conform to consumption trends, and seize the opportunities provided by “Internet + business shopping” innovative model to achieve full organic connection between online and offline, and break the inherent gameplay of promotional activities and popular activities to transform abstract traffic into real income, satisfy the needs of different consumers, and empower the Group’s business operations.

The Group will actively expand its diversified business operations, seize the resources advantages of China Aoyuan Group, focus on industry synergistic development, construct a perfect business ecosystem, drive regional development, and improve the overall operating performance of the Group from multiple dimensions, and continue to deepen its efforts in the Greater Bay Area, so as to become an important force in the Greater Bay Area to promote the development of the new area, and continue to expand nationwide to further improve its national business presence.

Intelligent Community

The Group will fully combine the latest cutting-edge technologies such as artificial intelligence, IoT and mobile internet to create a “safe”, “convenient”, “comfortable”, “healthy”, “efficient” and “open” 6A intelligent community with property ownership, home living and commercial services for the residents in communities, which targets property owners and takes scenario application as the basis and intelligent community platform as the core. Meanwhile, the Group will develop intelligent building services rapidly, such as smart home transformation and intelligent elevator by taking China Aoyuan as the starting point.

The Group will upgrade the Aoyuejia mobile application to achieve one-stop operation services for property owners. The property owners are able to enjoy basic and convenient services on the Aoyuejia mobile application, such as online bill payment, repair and complaints, in a convenient manner, which will help property owners to reduce travel and enhance their satisfaction during the epidemic.

The Group will also develop its own remote control centre independently to achieve remote quality management in all communities across the nation through one-click access to the service quality and real-time property management in all communities nationwide in order to facilitate the improvement in the quality and efficiency of community property management services.

In the future, the Group will proactively explore the general solutions for the smart community and smart home through cooperation with top Internet companies in China to create a community resource platform and achieve better multi-dimensional connectivity for property owners.

General Health and Wellness Business

In order to improve customer experience and enhance the Company’s service quality, service differentiation, and service competitiveness, the Group will continue to intensify the general health and wellness business. By focusing on the needs of family customers and concentrating on healthy products as well as services, the Group will diversify products and services in its industrial layout so as to spur business growth. Specifically, the Group will continue to focus on the development of healthcare and comprehensive outpatient services, integrate the general health and wellness business with traditional businesses, and develop three service regimes centred on family doctors, health butlers, and life butlers, so as to build the “Health Cloud”, a platform featuring modularisation, resource integration and technology application of general health and wellness industry. The Company will cooperate with industry funds to incubate resource modules and apply them to the existing community and business ecosystem, so as to build an “incubator for general health and wellness industry” based on the existing property management and business operation service ecosystem.

In terms of healthcare services business, the Group will continue to focus on community-based home elder care services and, based on this, drive the growth of various businesses including sojourn and healthcare. The Group will also continue to intensify the service characteristics of the “medical and elder care integration” and “smart elder care”, and create a closed loop of elder care services with “healthy aging, happy aging, and learning while aging” as the core, solving government, social, and family elder care issues, striving to become a domestic leading role of “comprehensive smart health and elder care service platform service provider”. In future, the Group will build an industry platform and integrate multiple resources such as comprehensive outpatients, rehabilitation treatment, chronic disease management, sojourn, elder care services, home services and elder care real estate, so as to provide personalised higher quality elder services covering the entire life cycle of the elderly. The Group will also enter into strategic cooperation with well-known elder care service providers, aging-friendly product design and smart system developers in the industry to connecting the resources of elder care service with community residents deeply in order to build a national demonstrative friendly community for the elderly through improving the living environment of the elderly comprehensively to enable them with convenient travel and enriching their spiritual and cultural life greatly.

In terms of comprehensive outpatient services, the Group will deepen the integration with the healthcare business to provide advanced medical resources support for projects such as Xinghuili Elderly Health Care Centre* (幸薈里頤康中心) and Jin’ao Community Elder Service Station* (金奧社區頤康服務站). Also, by consolidating the cooperation with the members of “Medical Community” and the sharing of medical resources, the Group will be able to broaden its existing medical business channels and expand its medical payment methods by joining the health insurance system to provide more convenient and beneficial medical services to the residents who come to seek for medical treatment.

Based on the WELL Healthy Building Standard, the Group will also combine the cutting-edge research achievements of healthy buildings both at home and abroad, build a product and service line around the concept of “Building a Healthy Life”, and provide a set of Aoyuan healthy house system for buildings, indoor spaces and community. At the same time, the Group, following the people-oriented principle, will advocate living with a healthy lifestyle to enhance people’s happiness, healthy conditions and well-being.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was mainly derived from the property management services and commercial operational services. For the six months ended 30 June 2021, the Group's total revenue was approximately RMB1,003.5 million, representing an increase of approximately RMB455.2 million or approximately 83.0% as compared to approximately RMB548.3 million for the six months ended 30 June 2020. Revenue generated from property management services, commercial operational services, intelligent engineering services and general health and wellness services contributed 79.8%, 15.6%, 3.6% and 1.0% to the total revenue, respectively.

	For the six months ended 30 June				Growth	Growth
	2021		2020		amount	rate
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services segment	800,501	79.8	397,049	72.4	403,452	101.6
Commercial operational services segment	156,509	15.6	134,666	24.6	21,843	16.2
Intelligent engineering services segment	36,269	3.6	16,073	2.9	20,196	125.7
General health and wellness services segment	10,213	1.0	555	0.1	9,658	1,740.2
Total	<u>1,003,492</u>	<u>100.0</u>	<u>548,343</u>	<u>100.0</u>	<u>455,149</u>	<u>83.0</u>

Property Management Services

The increase in revenue generated from property management services segment was approximately RMB403.5 million, or approximately 101.6%, of which the increase in revenue generated from property management services was approximately RMB291.1 million or approximately 124.8%, which was mainly due to the increase in the chargeable GFA under management from 16.1 million sq.m. as at 30 June 2020 to 44.3 million sq.m. as at 30 June 2021. The revenue generated from major owners value-added services increased by approximately RMB19.9 million or approximately 18.7%, which was mainly due to additional services provided by the Group to major owners, such as pre-engineering services, on-site sale assistance services and household inspection and acceptance. The revenue generated from community value-added services increased by approximately RMB92.5 million or approximately 160.5%, which was mainly due to the diversified supporting services provided by the Group in communities, such as household services, home delivery services, heating services and cleaning services.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2021		2020			
	RMB'000	%	RMB'000	%		
Property management services	524,335	65.5	233,239	58.8	291,096	124.8
Major owners value-added services	126,107	15.8	106,203	26.7	19,904	18.7
Community value-added services	150,059	18.7	57,607	14.5	92,452	160.5
Total	<u>800,501</u>	<u>100.0</u>	<u>397,049</u>	<u>100.0</u>	<u>403,452</u>	<u>101.6</u>

The following table sets forth the breakdown of the chargeable 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					
	2021			2020		
	Chargeable GFA under Management ('000 sq.m.)	Revenue RMB'000	Revenue %	Chargeable GFA under Management ('000 sq.m.)	Revenue RMB'000	Revenue %
China Aoyuan Group and its related parties ^(Note)	20,916	232,796	44.4	14,873	210,354	90.2
Third party property developers	23,381	291,539	55.6	1,178	22,885	9.8
Total	<u>44,297</u>	<u>524,335</u>	<u>100.0</u>	<u>16,051</u>	<u>233,239</u>	<u>100.0</u>

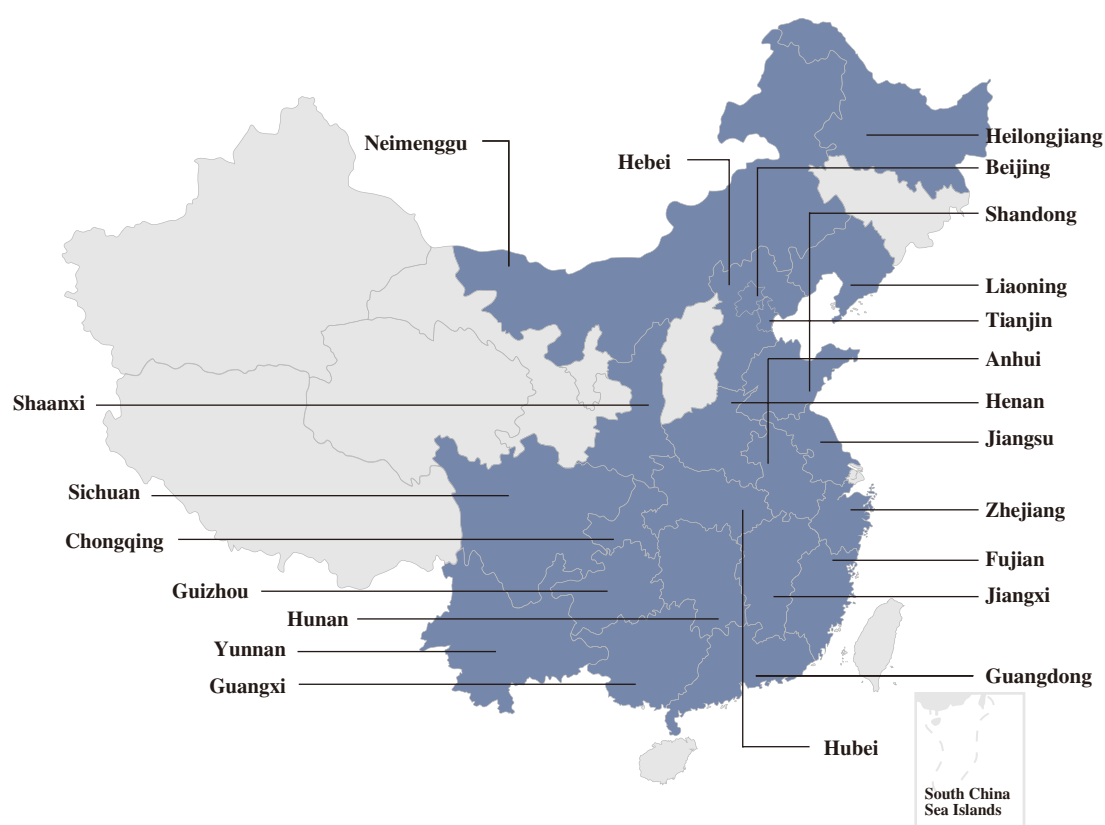
Note: Related parties of China Aoyuan Group include China Aoyuan Group's joint ventures and associates.

The following table sets forth a breakdown of the changes in the chargeable GFA under management for the period ended 30 June 2021 by property developer type:

	Chargeable GFA under management as at 1 January 2021 (<i>'000 sq.m.</i>)	Increase for the period (<i>'000 sq.m.</i>)	Decrease for the period (<i>'000 sq.m.</i>)	Chargeable GFA under management as at 30 June 2021 (<i>'000 sq.m.</i>)
China Aoyuan Group and its related parties	18,780	2,136	–	20,916
Third party property developers	22,614	1,973	1,206	23,381
Total	<u>41,394</u>	<u>4,109</u>	<u>1,206</u>	<u>44,297</u>

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 2021:



The following table sets forth the breakdown of the chargeable 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					
	2021			2020		
	Chargeable GFA under Management (<i>'000 sq.m.</i>)	Revenue <i>RMB'000</i>	Revenue %	Chargeable GFA under Management (<i>'000 sq.m.</i>)	Revenue <i>RMB'000</i>	Revenue %
Southern China	11,464	313,208	39.2	8,935	218,079	54.9
Southwestern China	3,395	84,151	10.5	2,267	58,018	14.6
Eastern China	6,728	129,930	16.2	2,110	51,426	13.0
Central and Northern China	20,431	240,008	30.0	1,396	51,911	13.1
Northeastern China	2,279	33,204	4.1	1,343	17,615	4.4
Total	<u>44,297</u>	<u>800,501</u>	<u>100.0</u>	<u>16,051</u>	<u>397,049</u>	<u>100.0</u>

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, Inner Mongolia 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 and Heilongjiang Province.

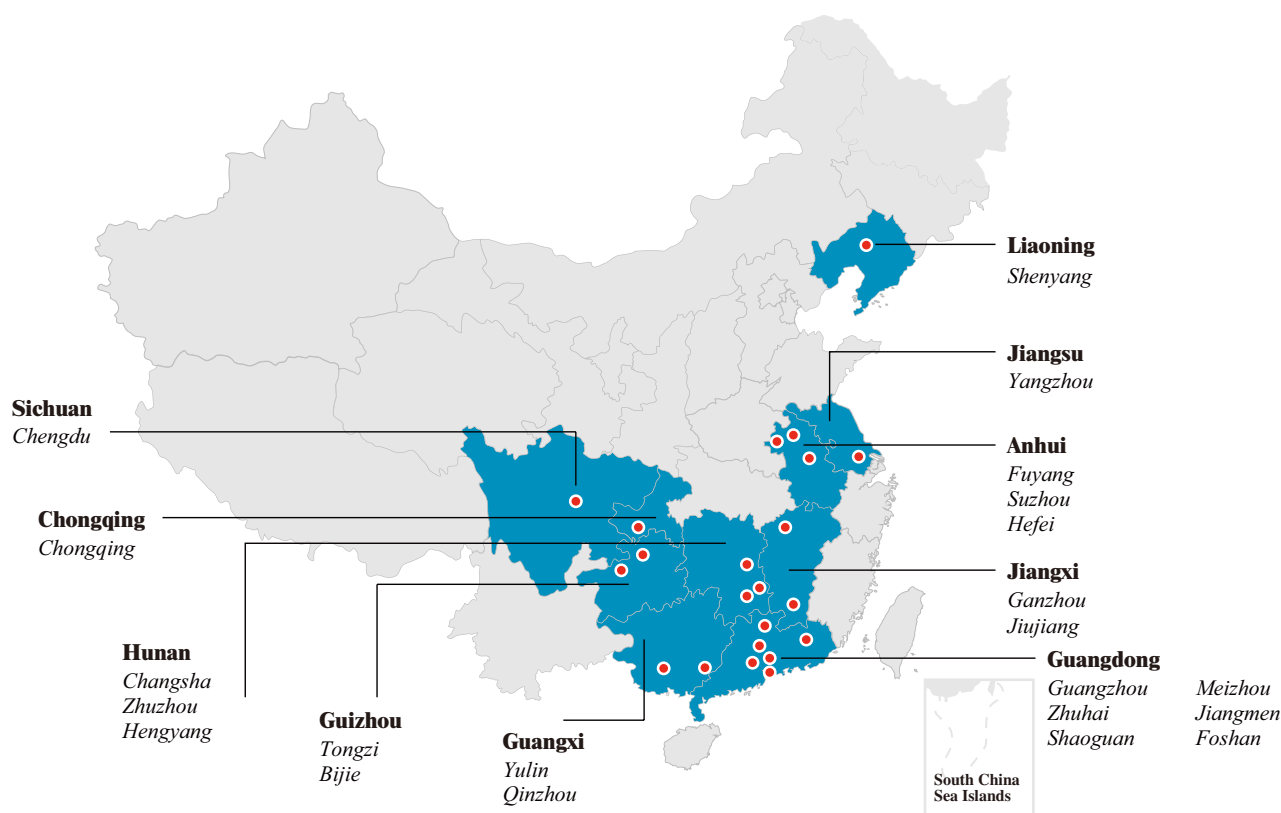
Commercial Operational Services

The revenue generated from commercial operational services segment increased by approximately RMB21.8 million or approximately 16.2%. Of which, the revenue generated from commercial operation and management services increased by approximately RMB13.7 million or approximately 12.5%, which was mainly due to the increase in the number of shopping malls we managed or operated from seventeen for the six months ended 30 June 2020 to twenty for the six months ended 30 June 2021. The revenue generated from market positioning and business tenant sourcing services increased by approximately RMB8.1 million or approximately 32.1%, which was mainly due to the fact that shopping malls to which the Group provided market positioning and business tenant sourcing services opened in the first half of 2021 one after another as the epidemic mitigates.

	For the six months ended 30 June				Growth	Growth
	2021		2020		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	123,022	78.6	109,308	81.2	13,714	12.5
Market positioning and business tenant sourcing services	33,487	21.4	25,358	18.8	8,129	32.1
Total	156,509	100.0	134,666	100.0	21,843	16.2

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 2021:



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			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Southern China ⁽¹⁾	92,562	59.1	58,854	43.7
Southwestern China ⁽²⁾	44,934	28.7	38,347	28.5
Eastern China ⁽³⁾	15,812	10.2	27,344	20.3
Central and Northeast China ⁽⁴⁾	3,201	2.0	10,121	7.5
Total	156,509	100.0	134,666	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.

Intelligent Engineering Segment

The increase in revenue generated from intelligent engineering segment was approximately RMB20.2 million, or approximately 125.7%. Firstly, the increase in revenue generated from intelligent engineering services was approximately RMB18.1 million or approximately 123.7%, which was mainly due to the new services provided by the Group to major owners including intelligent community construction and planning, such as smart home transformation engineering and parking intelligentisation. Secondly, the increase in revenue generated from sales of hardware and software was approximately RMB2.1 million or approximately 145.3%, which was mainly due to additional information services provided by the Group to major owners, such as business system upgrades.

	For the six months ended 30 June				Growth	Growth
	2021		2020		amount	rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Intelligent engineering services	32,712	90.2	14,623	91.0	18,089	123.7
Sales of software and hardware	3,557	9.8	1,450	9.0	2,107	145.3
Total	36,269	100.0	16,073	100.0	20,196	125.7

General Health and Wellness Business Segment

The increase in revenue generated from general health and wellness business segment was approximately RMB9.7 million or approximately 1740.2%, which was mainly due to new healthcare project planning and consulting services and care services provided by the Group to major owners and elderly in the communities, as well as provision of nucleic acid testing services for anti-epidemic purpose and sales anti-epidemic products.

Cost of Services

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

Our cost of services increased by approximately 100.4% from approximately RMB327.4 million for the six months ended 30 June 2020 to approximately RMB656.1 million for the six months ended 30 June 2021.

This increase was primarily attributable to:

- (i) the increase in labour costs from approximately RMB233.0 million for the six months ended 30 June 2020 to approximately RMB489.0 million for the six months ended 30 June 2021 as the Group employed more employees, security staff and house-keeping services staff and incurred more labor outsourcing cost and cleaning and gardening services expenses to support our business expansion;
- (ii) the increase in maintenance costs expenses from approximately RMB16.8 million for the six months ended 30 June 2020 to approximately RMB45.6 million for the six months ended 30 June 2021 as due to the major maintenance work performed for our certain property management projects;
- (iii) the increase in utility expenses from approximately RMB23.6 million for the six months ended 30 June 2020 to approximately RMB37.8 million for the six months ended 30 June 2021, which were due to the increase in the number of shopping mall the Group managed and operated.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021, gross profit of the Group was approximately RMB347.4 million, representing an increase of approximately RMB126.4 million or approximately 57.2% as compared to approximately RMB221.0 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, gross profit margin of the Group was 34.6%, representing an decrease of approximately 5.7 percentage point as compared to 40.3% for the six months ended 30 June 2020. Of which, the gross profit margin of the property management services segment was 34.5% (for the six months ended 30 June 2020: 39.7%) and the gross profit margin of the commercial operational services segment was 37.9% (for the six months ended 30 June 2020: 41.5%). The decrease in gross profit margin of the Group was, on the one hand, due to the fact that acquisition of property management companies has expanded the Group's property management services in North China, and North China property management services usually have lower gross profit margin compared with the Group's gross profit margin of the overall property management service. The Group will integrate the resources after the acquisition, endeavouring to improve the overall economic efficiency of merged and acquired projects. On the other hand, it was due to the fact that there were social security exemptions for employee expenses in view of the epidemic in 2020, while there was no such exemption in the current period.

Selling and Distribution Expenses and Administrative Expenses

Selling and distribution expenses of the Group 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 2021 was approximately RMB2.8 million.

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

For the six months ended 30 June 2021, the administrative expenses and other expenses of the Group was approximately RMB92.5 million, representing an increase of approximately RMB33.3 million or approximately 56.3% as compared to approximately RMB59.2 million for the six months ended 30 June 2020. The increase was mainly due to the business expansion in the current period and the increase in management expenses contributed by the acquired property management companies.

The proportion of administrative expenses of the Group is 9.2% to its revenue, representing a decrease of 1.6 percentage points as compared to the corresponding period of 2020. Such change was mainly due to the increased efforts made by the Group to control expenses.

Other income, gains and losses

For the six months ended 30 June 2021, other income of the Group amounted to a net revenue of approximately RMB22.2 million, representing a significant increase as compared to approximately RMB7.6 million for the six months ended 30 June 2020, which was primarily attributable to the government grants of approximately RMB11.8 million received for the six months ended 30 June 2021, representing an increase of RMB11.0 million as compared to the six months ended 30 June 2020.

Income Tax

For the six months ended 30 June 2021, the income tax of the Group was approximately RMB55.1 million, representing an increase of approximately RMB7.6 million as compared to approximately RMB47.5 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, the effective tax rate of the Group was approximately 22.9%, representing a decrease of approximately 7.0 percentage points as compared to approximately 29.9% for the six months ended 30 June 2020, which was mainly due to the leverage of the preferential taxation policies for national high-tech enterprises and small low-profit enterprises by the Group.

Profit for the Period

For the six months ended 30 June 2021, the net profit of the Group was approximately RMB185.6 million, representing an increase of approximately RMB74.0 million or approximately 66.3% as compared to approximately RMB111.6 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, profit attributable to equity shareholders of the Group was approximately RMB177.8 million, representing an increase of 60.2% as compared to approximately RMB111.0 million for the six months ended 30 June 2020. The increase was mainly due to the business expansion in the current period and the increase in profits contributed by the acquired property management companies.

Financial Position

The financial position of the Group is in good condition. As at 30 June 2021, total assets of the Group were approximately RMB2,635.3 million (as at 31 December 2020: approximately RMB2,554.5 million), and total liabilities were approximately RMB1,487.2 million (as at 31 December 2020: approximately RMB1,493.4 million). As at 30 June 2021, the current ratio of the Group was 1.60 (as at 31 December 2020: 1.42).

As at 30 June 2021, the net assets of the Group were approximately RMB1,148.1 million (as at 31 December 2020: approximately RMB 1,061.1 million). The return on equity (ROE) is calculated based on net profit for the period divided by average net assets. For the period ended 30 June 2021, ROE was approximately 16.8% (for 30 June 2020: 12.8%).

Property, Plant and Equipment

The Group's property, plant and equipment consist of buildings, office equipment, motor vehicles and leasehold improvements. Property, plant and equipment of the Group increased by approximately 8.0% to approximately RMB47.0 million as at 30 June 2021, which were primarily attributable to the addition of office equipment.

Right-of-use Assets

The right-of-use assets of the Group were lease right-of-use assets. As at 30 June 2021, the right-of-use assets of the Group were approximately RMB26.1 million, representing a decrease of approximately 10.0% as compared to that as of 31 December 2020, which were mainly due to the amortisation of the right-of-use assets.

Intangible Assets

Intangible assets of the Group represent the property management contracts obtained upon the acquisition of a series of property companies. Intangible assets of the Group increased from approximately RMB75.3 million as at 31 December 2020 to RMB98.4 million as at 30 June 2021, which was primarily due to the newly acquired property management companies during the current period.

Goodwill

Goodwill of the Group represents the difference between the total consideration for the acquisitions of Anhui Hanlin, Shenzhen Huazhong, Ningbo Hongjian, Easy Life, Beijing Boan and their respective total identifiable net assets as at the respective acquisition dates. As of 30 June 2021, the goodwill of the Group was approximately RMB282.9 million, representing an increase of RMB56.8 million from approximately RMB226.1 million as at 31 December 2020, which was mainly due to the newly acquired property management companies during the current period.

Trade and Other Receivables

As at 30 June 2021, trade and other receivables of the Group were approximately RMB442.7 million, representing an increase of approximately RMB83.0 million or approximately 23.1% as compared to approximately RMB359.7 million as at 31 December 2020, which was mainly due to the business growth in the current period.

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

As at 30 June 2021, the Group's amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries, related parties, joint ventures and associates amounted to approximately RMB63.4 million, representing a decrease of RMB90.1 million or 58.7% as compared to approximately RMB153.5 million as at 31 December 2020, which was mainly due to increased efforts of the Group in business settlement and control.

Trade and Other Payables

As at 30 June 2021, trade and other payables of the Group were approximately RMB643.4 million, representing an increase of approximately RMB47.8 million or 8.0% as compared to approximately RMB595.6 million as at 31 December 2020.

Bank Borrowings

As at 30 June 2021, the Group had (i) outstanding bank borrowings of approximately RMB495.2 million, (ii) unutilised banking facilities for short-term financing of approximately RMB114.5 million, and (iii) unutilised banking facilities for long-term financing of approximately RMB 9.5 million. Our bank borrowings were carried at fixed interest rate range from 4.50% to 6.00% per annum and guaranteed by certain subsidiary of the Group or certain fellow subsidiaries, and bank borrowings of RMB159.7 million was pledged by the equity interest in certain subsidiaries.

Lease Liabilities

As at 30 June 2021, the lease liabilities of the Group due within one year were approximately RMB4.0 million and the balance of lease liabilities due over one year was RMB23.8 million.

Contingent Liabilities

As at 30 June 2021, the Group 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 2021, the gearing ratio of the Group was 0.56 (31 December 2020: 0.58).

Pledge of Assets

As at 30 June 2021, no asset of the Group was pledged, except for the pledge of equity in certain subsidiaries to obtain bank borrowings of RMB159.7 million.

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 overallotment option amounted to approximately HK\$577.0million 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 RMB415.4 million of the capital raised, of which approximately RMB311.8 million was used to acquire or invest in other commercial operational services and property management services providers; approximately RMB33.5 million was used to acquire or invest in service providers (providing services complementary to the Group’s commercial operational services and property management services); approximately RMB10.2 million was used to develop and upgrade our O2O platforms; approximately RMB2.6 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. All unutilised net proceeds as at the date of this announcement, which amounted to approximately RMB157.8 million, 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.

Significant Acquisitions and Disposals

During the six months ended 30 June 2021, the Group did not have any significant acquisitions and disposals.

Significant Investments

During the six months ended 30 June 2021, the Group did not have any major investments.

Employment and Remuneration Policy

As at 30 June 2021, the Group had 4,267 employees. The staff cost was approximately RMB232.7 million in the first half of 2021. 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 2021.

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 2021.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the six months ended 30 June 2021, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Code of Conduct regarding securities transaction by the Directors (“**Codes of Securities Transaction**”). The Company has made specific enquiry to all directors and all directors have confirmed that they have complied with the Codes of Securities Transaction throughout the six months ended 30 June 2021.

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 2021.

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 2021 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, 20 August 2021

** The English name is for identification purpose only*

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