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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 2022**

HIGHLIGHTS

For the six months ended 30 June 2022:

- The Group's revenue was approximately RMB846.6 million, representing a year-on-year decrease of approximately 15.7%.
- The gross profit of the Group was approximately RMB243.2 million, representing a year-on-year decrease of approximately 30.1%; gross profit margin was approximately 28.7%.
- The Group achieved net profit of approximately RMB51.7 million, representing a year-on-year decrease of approximately 72.2%; net profit margin was approximately 6.1%.
- Basic earnings per share were approximately RMB6.81 cents, representing a year-on-year decrease of approximately 72.2%.

As at 30 June 2022, bank balances and cash amounted to approximately RMB909.4 million.

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2022, together with the unaudited and restated comparative figures for the corresponding period in 2021, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 together with the restated comparative figures as at 31 December 2021, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended	
	<i>NOTES</i>	30.6.2022	30.6.2021
		RMB'000	RMB'000
		(unaudited)	(unaudited) (restated)
Revenue	3	846,584	1,003,887
Cost of services		(603,391)	(656,136)
Gross profit		243,193	347,751
Other income, gains and losses	5	38,613	22,150
Impairment losses under expected credit loss model (“ ECL ”), net of reversal		(103,343)	(15,644)
Gain on disposal of an associate		–	400
Administrative expenses and other expenses		(104,998)	(92,508)
Selling and distribution expenses		(394)	(2,824)
Share of results of joint ventures		–	(1,833)
Share of results of associates		–	98
Finance costs		(9,884)	(16,487)
Profit before tax		63,187	241,103
Income tax expense	6	(11,453)	(55,138)
Profit for the period	7	51,734	185,965
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		4,318	(776)
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain on equity instrument at fair value through other comprehensive income (“ FVTOCI ”)		319	10,469
Other comprehensive income for the period, net of income tax		4,637	9,693
Total comprehensive income for the period		56,371	195,658

		For the six months ended	
		30.6.2022	30.6.2021
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(unaudited)	(unaudited)
			(restated)
Profit for the period attributable to:			
– Owners of the Company		49,444	178,121
– Non-controlling interests		2,290	7,844
		<u>51,734</u>	<u>185,965</u>
Total comprehensive income attributable to:			
– Owners of the Company		52,691	184,906
– Non-controlling interests		3,680	10,752
		<u>56,371</u>	<u>195,658</u>
Earnings per share (<i>RMB cents</i>)			
– Basic	9	<u>6.81</u>	<u>24.53</u>
– Diluted	9	<u>6.81</u>	<u>24.53</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30.6.2022	31.12.2021
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		34,777	37,060
Right-of-use assets		21,353	23,575
Investment properties		9,068	9,068
Intangible assets		85,375	91,932
Goodwill		151,118	151,118
Equity instrument at fair value through profit or loss (“FVTPL”)		70,523	70,523
Equity instruments at fair value through other comprehensive income		110,809	106,160
Deferred tax assets		72,500	52,224
Deposits paid for acquisition of property, plant and equipment		2,524	2,524
Trade and other receivables	10	2,900	2,900
		560,947	547,084
CURRENT ASSETS			
Inventories		1,964	3,482
Trade and other receivables	10	662,208	491,033
Deferred contract costs		4,089	3,195
Amounts due from fellow subsidiaries		21,528	14,415
Amounts due from non-controlling shareholders of subsidiaries		1,482	3,495
Amounts due from related parties		7,343	8,262
Restricted bank deposits		8,436	13,058
Bank balances and cash		909,437	1,209,222
		1,616,487	1,746,162

	<i>NOTES</i>	30.6.2022 RMB'000 (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
CURRENT LIABILITIES			
Trade and other payables	11	720,849	729,863
Contract liabilities		291,647	271,884
Amounts due to fellow subsidiaries		5,737	–
Amounts due to non-controlling shareholders of subsidiaries		7,684	10,445
Amounts due to related parties		5,841	–
Tax liabilities		39,564	47,383
Lease liabilities		4,151	4,101
Bank borrowings		204,488	386,564
		<u>1,279,961</u>	<u>1,450,240</u>
NET CURRENT ASSETS		<u>336,526</u>	<u>295,922</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>897,473</u>	<u>843,006</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		23,349	24,989
Lease liabilities		20,090	21,924
		<u>43,439</u>	<u>46,913</u>
NET ASSETS		<u><u>854,034</u></u>	<u><u>796,093</u></u>
CAPITAL AND RESERVES			
Share capital		6,207	6,207
Reserves		795,369	741,108
		<u>801,576</u>	<u>747,315</u>
Equity attributable to owners of the Company		801,576	747,315
Non-controlling interests		52,458	48,778
		<u>854,034</u>	<u>796,093</u>
TOTAL EQUITY		<u><u>854,034</u></u>	<u><u>796,093</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 27 July 2021 entered into between Guangdong Xuanyan Business Management Limited (廣東暄妍商業管理有限公司) (“Guangdong Xuanyan”) and Guangzhou Sanzhai Yumei Technology Company Limited (廣州三宅譽美科技有限公司) (“Guangzhou Sanzhai”), a subsidiary of China Aoyuan, Guangdong Xuanyan acquired 100% equity interests in Aoying E-commerce Co., Limited (奧盈電子商務有限公司) (“Aoying E-commerce”), at the consideration of HK\$10,000 (approximately RMB9,000). Pursuant to the share transfer agreement dated on 17 December 2021 entered into between Asia Health and Wellness Industrial Development Institute Limited (“Asia Health and Wellness”), an indirect subsidiary of the Company, and Add Hero Holdings Limited, a subsidiary of China Aoyuan, Asia Health and Wellness acquired 70% equity interests in Masterwin Developments Limited (“Masterwin Developments”), at the consideration of RMB78,714,000 (collectively the “Acquisitions”).

After completion of the Acquisitions, the Group obtained a total of 100% and 70% equity interests in Aoying E-commerce and Masterwin Developments (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 2021 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 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 2021 was an increase in the Group’s revenue of RMB395,000 and an increase in the profit and total comprehensive income for the period attributable to the owners of the Company of RMB7,062,000.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, equity instrument at FVTPL and equity instruments at FVTOCI, 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 2022 are the same as those presented the Group's annual financial statements for the year ended 31 December 2021.

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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS	Annual Improvements to IFRS 2018 -2020

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	
	30.6.2022 <i>RMB'000</i> (unaudited)	30.6.2021 <i>RMB'000</i> (unaudited) (restated)
Type of services		
Property management services		
Property management services	555,263	524,335
Sales assistance services	33,041	126,107
Community value-added services	114,857	112,659
Heating services	24,724	30,917
Others	3,573	6,878
	<u>731,458</u>	<u>800,896</u>
Commercial operational services		
Commercial operation and management services	106,112	123,022
Market positioning and business tenant sourcing services	9,014	33,487
	<u>115,126</u>	<u>156,509</u>
Intelligent engineering services		
Intelligent engineering services	–	32,712
Sales of software and hardware	–	3,557
	<u>–</u>	<u>36,269</u>
General health and wellness services		
Healthcare and community elder care services	–	10,213
	<u>–</u>	<u>10,213</u>
Total	<u>846,584</u>	<u>1,003,887</u>

	Six months ended	
	30.6.2022 <i>RMB'000</i> (unaudited)	30.6.2021 <i>RMB'000</i> (unaudited) (restated)
Type of customers		
Property management services		
External customers	660,752	595,237
Fellow subsidiaries	57,653	162,184
Other related parties	13,053	43,475
	731,458	800,896
Commercial operational services		
External customers	76,268	101,829
Fellow subsidiaries	38,701	36,533
Other related parties	157	18,147
	115,126	156,509
Intelligent engineering services		
External customers	–	36
Fellow subsidiaries	–	29,495
Other related parties	–	6,738
	–	36,269
General health and wellness services		
External customers	–	1,530
Fellow subsidiaries	–	8,674
Other related parties	–	9
	–	10,213
Total	846,584	1,003,887
Timing of revenue recognition		
Over time	830,390	966,490
A point in time	16,194	37,397
Total	846,584	1,003,887

4. SEGMENT INFORMATION

During the current interim period, the Group reorganised its internal reporting structure by reducing two additional operating segments, the intelligent engineering services segment and the general health and wellness services segment.

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

Six months ended 30 June 2022 (unaudited)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>731,458</u>	<u>115,126</u>	<u>846,584</u>
Segment results	<u>65,270</u>	<u>15,032</u>	80,302
Net exchange gain			22,098
Central administrative costs			(29,329)
Interest on lease liabilities			(1,053)
Interest on bank borrowings			<u>(8,831)</u>
Profit before tax			<u>63,187</u>

Six months ended 30 June 2021 (unaudited) (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>800,896</u>	<u>156,509</u>	<u>36,269</u>	<u>10,213</u>	<u>1,003,887</u>
Segment results	<u>217,915</u>	<u>58,192</u>	<u>27</u>	<u>2,685</u>	278,819
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					<u>(14,960)</u>
Profit before tax					<u>241,103</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	
	30.6.2022 <i>RMB'000</i> (unaudited)	30.6.2021 <i>RMB'000</i> (unaudited)
Bank interest income	1,034	1,239
Net exchange gain	22,098	1,828
Government grants (<i>Note</i>)	11,761	11,759
Impairment reversal of deferred contract costs	3,266	–
Dividend income from equity investment	–	4,000
Change in fair value of equity instrument at FVTPL	–	566
Others	454	2,758
	<u>38,613</u>	<u>22,150</u>

Note: During the current interim period, the Group recognised government grants of RMB11,761,000 (six months ended 30 June 2021: RMB11,759,000) in respect of value-added tax credit and heating subsidy.

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2022	30.6.2021
	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")	33,369	59,767
	<u>33,369</u>	<u>59,767</u>
Deferred tax	(21,916)	(4,629)
	<u>(21,916)</u>	<u>(4,629)</u>
	<u>11,453</u>	<u>55,138</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.

Aoyuan Intelligent Life Services (Guangzhou) Group Company Limited and Easy Life Smart Community Services Group Co., Ltd, subsidiaries of the Group, obtained the certificate of "National High-tech Enterprise" in 2020 and 2021, respectively, 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 and from 1 January 2021 to 31 December 2023, respectively.

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	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging the following items:		
Amortisation of deferred contract costs	2,413	10,182
Depreciation of property, plant and equipment	4,416	5,022
Depreciation of right-of-use assets	2,668	3,465
Amortisation of intangible assets (included in administrative expenses)	6,557	7,136
Staff costs	206,627	232,680
	<u>206,627</u>	<u>232,680</u>

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	30.6.2022 RMB'000 (unaudited)	31.12.2021 RMB'000 (audited)
Trade receivables		616,543	427,262
Less: impairment losses under ECL model, net of reversal		(98,798)	(70,528)
Total trade receivables		517,745	356,734
Other receivables:			
Deposits	(a)	15,444	16,695
Payments on behalf of residents	(b)	53,764	49,025
Prepayments		14,906	31,187
Others		70,170	46,685
Less: impairment losses under ECL model, net of reversal		(6,921)	(6,393)
		147,363	137,199
Total trade and other receivables		665,108	493,933
Analysis for reporting purpose:			
Non-current assets		2,900	2,900
Current assets		662,208	491,033
		665,108	493,933

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:

	30.6.2022 <i>RMB'000</i> (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
0 to 60 days	124,539	100,167
61 to 180 days	139,853	94,841
181 to 365 days	124,453	84,078
1 to 2 years	159,011	99,548
2 to 3 years	48,274	26,604
Over 3 years	20,413	22,024
	616,543	427,262

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	30.6.2022 <i>RMB'000</i> (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
Trade payables		252,529	239,899
Other payables:			
Receipts on behalf of residents		155,182	131,023
Deposits received	(a)	151,077	153,937
Accrued staff costs		32,218	64,676
Accrued contribution to social insurance and housing provident funds		12,520	12,750
Other tax payables		29,934	9,417
Accrued expenses		15,949	36,429
Other payables		71,440	81,732
Total other payables		468,320	489,964
Total trade and other payables		720,849	729,863

Notes:

- (a) The balances mainly represents 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:

	30.6.2022 <i>RMB'000</i> (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
0 – 60 days	96,383	114,438
61 – 180 days	51,794	46,647
181 – 365 days	28,163	24,981
1 – 2 years	71,189	43,234
2 – 3 years	3,897	9,765
Over 3 years	1,103	834
	<hr/> 252,529 <hr/>	<hr/> 239,899 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Business Overview

The Group is a renowned property management services and commercial operational services 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 at 30 June 2022, the Group provided property management services to 439 properties (including sales offices) in 85 cities across 22 provinces, municipalities, and autonomous regions in the PRC with chargeable gross floor area ("GFA") under management of approximately 47.4 million square metres ("sq.m."), representing an increase of approximately 3.1 million sq.m. as compared to approximately 44.3 million sq.m. as at 30 June 2021. As at 30 June 2022, the contracted area of the Group was approximately 82.8 million sq.m..

On the basis of maintaining high-quality residential property management services, the Group continued to develop urban service offerings. The current service scopes include developer services, community services, value-added businesses, commercial office building services and public building services. The proportion of the non-residential property management business continued to increase. Meanwhile, the revenue from value-added businesses increased steadily. The diversified businesses and services facilitate the Group in resisting risks in the complicated market environment and broaden sources of revenue to ensure the achievement of performance indicators of which, the developer services include engineering pre-delivery consultation services, green engineering services, services for sales offices, household inspection, sales agency for parking spaces, fully furnished apartments, and installation of aluminum alloy doors and windows and anti-theft systems etc. The community services include property management, butler services, housekeeping services and medical care services. The value-added services include property agency, sales agency for property/parking spaces, fully furnished apartments, wholesale and retail of consumer goods, livestreaming sales, community group purchase and redecoration. The commercial office building services include shopping mall management, hotel-style apartment management, commercial street management and office building management. The public building services include amusement park management, hospital ancillary services, public buildings and facilities and equipment management. With the expansion of its scope of services, the Group's competitive advantages are significantly enhanced. In addition, the Group has intensified the reform of its business operation systems this year. While assuring the service without a decline in quality, it achieved cost reduction and revenue growth, and completed the projected target on net cash flows despite the depressing sentiment of the real estate market.

On the basis of the WeChat service account, 24-hour command center and 400 hotline, and in order to facilitate customer feedback, the Group developed the “Aoyuejia” (奥悦家) WeChat Mini Program, which further diversified customer feedback channels and significantly improved the response to customer appeals. The Group provides 24/7 customer services which achieve 3-minute response time and 30-minute completion time in order to improve customer satisfaction. Apart from basic property services and catering to different demands of property owners, the Group fully authorised the frontline valued-added services team to launch different types of services and products based on specific conditions to build an enjoyable, convenient and healthy community life circle. The rich value-added service resources, such as housekeeping, garden maintenance, health monitoring, house rental and sales, express delivery, home repair and maintenance, can provide a one-stop solution to a majority of life necessities for property owners within the community.

The Group actively responds to the national call to promote the development of elder care services, adheres to its brand concept and continuously carries out transformation on the software and hardware environment of communities under management for adapting to ageing. At the same time, the Group continues to implement the AHA Heartsaver certification training for “Yue Butlers”(悦管家). It has conducted life safety international first aider AHA Heartsaver certification training for a total of over 200 “Yue Butlers”(悦管家) of Aoyuan Property, which not only comforts residents, but also equips employees with more professional healthcare skills, safeguarded the life of property owners and highlighted the property management services of the Group’s healthy living characteristics.

Under the normalised epidemic situation, the Group has safeguarded the normal life order of hundreds of communities across the country and numerous property owners and has made contributions to fighting against the epidemic and building a harmonious home. The Group has received more than ten official commendatory letters and pennants as well as praises and 10 pennants from property owners. In addition, various projects in Shandong, Henan and two districts in Beijing were honored advanced property units in epidemic prevention and control, and were granted plaques. The Group also organized diversified community cultural activities during the period. In the first half of 2022, the Group carried out 733 events in communities nationwide to bring unique living experiences to Aoyuan’s property owners, such as “Offering Glue Puddings and Guessing Riddles on the Lantern Festival”, “Arbor Day Activities”, “Making Rice Dumplings with Free Wormwood Leaves on the Dragon Boat Festival”, “Parent-child Funny Activities on the Children’s Day” and “Assisting in Entrance Examinations for Secondary School and College”. It also conducted a total of 405 resident-convenient activities including hair cutting, floor mats cleaning, knife sharpening, free clinical treatment etc., and over 100,000 property owners had participated in those activities with continuous improvement in customer satisfaction and brand reputation.

On 1 January 2022, the Group officially established presence in a property service project of China Southern Airlines Hunan Branch. It is the first time that the Group entered public infrastructure service projects of airport and aviation. The project covers office buildings, teaching buildings and apartments, which further expands the boundary of urban services. The management service of the Group was highly recognized in the market by majority of the customers. Meanwhile, the brand reputation of the Group in the industry was continuously improved, which will facilitate the Group to obtain more business delegations on urban services in the increasingly intensified market competition in the future and bring continuously growing revenue to investors.

Commercial Operation

As at 30 June 2022, the Group contracted to provide commercial operational services to 24 shopping malls with contracted total GFA of approximately 940,000 sq.m., among which the Group contracted to provide post-opening commercial operation and management services to 23 shopping malls with contracted total GFA of approximately 913,000 sq.m..

In addition, the Group focuses on industry synergy cooperation, leverages the Group's advantages in industry synergy and resources sharing to vitalize members of shopping malls and offline traffic. Through the combination of the Group's property management advantages in the management of office buildings, hotels and other industries adjacent to shopping malls, the commercial operation segment can achieve higher revenue with lower cost in property owner maintenance and traffic transformation. Meanwhile, through "Aoyue Selection" (奥悦优选), a new retail platform of the Group, it can achieve the deep operation of private traffic of the "last kilometer" in commercial complexes through the low-cost livestreaming, group purchase and other marketing methods as well as accurate traffic guidance "from property to commerce" and "from online to offline".

In addition to leveraging on the internal industry synergistic advantages, the Group also established the innovative "Internet + business" model with other parties. The Group cooperated with professional institutions in building a consumer platform project in commercial operation in the first half of 2022 to further promote the digital strategy. It will speed up the establishment of the operation and management model for digital commerce in the new era, transform from large-scale operation to refined and efficient operation, achieve cost reduction and efficiency improvement, drive future growth, develop core competitiveness and further empower the sustainable development of the Group.

While vitalizing assets to achieve asset appreciation, the Group also actively assumed various social responsibilities. Among them, in March 2022 and under the requirements on epidemic prevention and control and with the support of local government, the commercial management team of Ruichang Aoyuan Plaza* (瑞昌奧園廣場) under the operation of the Group gathered immediately, issued access permits to staff for supply guarantee in strict compliance with orders on epidemic prevention, carried out the implementation of necessities supply to residents and safeguarded the supply of vegetables and food to residents with practical actions and contributed the strength of the Group in fighting against the epidemic in Ruichang. In April 2022, in view of dining-in was suspended in Panyu District, Guangzhou, three shopping malls which were operated by the Group in Panyu introduced preferential measures to assist the commercial tenants in the malls to overcome the hardships in suspension of dining-in. In May 2022, Yulin Aoyuan Plaza* (玉林奧園廣場) under the management of the Group actively assisted relevant departments in Yudong New District in building comprehensive zones for nighttime economy through linkage between government and enterprises, achieved growth in daily average customers and sales and facilitated the booming nighttime economy in Yulin. In June 2022, Pubei Aoyuan Plaza* (浦北奧園廣場) actively assumed social responsibilities and joined commercial tenants and volunteer teams in Pubei County, such as Rongxin Community Workers* (浦北縣榮心社工), in carrying out charity and donation activities in Pubei Special Education School* (浦北縣特殊教育學校), bringing care and best wishes to special needs children.

II. OUTLOOK

In the second half of 2022, the Group will adhere to the strategic orientation, the principle of steady operation and the simple business logic and bottom-line thinking. Maintaining a sound balance sheet could not be overemphasized, as the Group seeks business growth under the prerequisite of strictly controlled leverage and financing costs. At the same time, the Group will attach equal importance to deep institutionalization and the establishment of the talent system and inject continuous vigor into its operation. The Group will focus on cost reduction and efficiency improvement and continuously consolidate the base of empowerment to optimize business procedures, improve operation efficiency and service quality, and maintain a sound momentum of iteration and progress of the Group.

Property Management

In the era with the epidemic situation normalized, property management will play a more and more important role in community prevention and control. The Group will make continuous inputs in the construction of smart community, improve the scientific and refined community management through digital means and achieve win-win results in cost reduction, revenue growth and efficiency improvement in community governance. Leveraging on the digital platform and offline service institutions in communities, the Group will continue to advance the establishment of a resident-convenient, beneficial and intelligent life circle, integrate government affairs and Party building in communities and deeply integrate into smart cities to further enhance customer stickiness. It will revitalize stock resources through operation improvement and maximize the value of resources. Meanwhile, based on the online and offline integrated life circle, the Group will constantly explore new businesses and tap into the potential of community operation, diversify sources of business revenue and enhance its own “hematopoietic” ability to make more contributions to the performance of the Group.

Commercial Operation

Based on the economic situation in the post-epidemic era and the current conditions of the commercial property industry, the Group will continue to strengthen operation and management capabilities. Leveraging on advantages in industry synergy within the Group, it will achieve higher revenue through innovation with lower cost, carry out accurate and in-depth operation, improve the experience of consumers, establish a business ecosystem with virtuous cycle and achieve sound operation.

In addition, the Group will tap into the “online + offline” gameplay in the “Internet + shopping malls” system established and boost online and offline integration to break the inherent gameplay of promotional activities and popular activities. It will conduct two-way interactions with consumers through accurate marketing and innovative gameplay to comprehensively improve the shopping experience of consumers and build defenses for the commercial projects of the Group through digital models.

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 2022, the Group’s total revenue was approximately RMB846.6 million, representing a decrease of approximately RMB157.3 million or approximately 15.7% as compared to approximately RMB1,003.9 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, revenue generated from property management services and commercial operational services contributed 86.4% and 13.6% to the total revenue, respectively.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2022		2021			
	RMB'000	%	RMB'000	%		
Property management services segment	731,458	86.4	800,896	79.8	(69,438)	(8.7)
Commercial operational services segment	115,126	13.6	156,509	15.6	(41,383)	(26.4)
Intelligent engineering services segment	–	–	36,269	3.6	(36,269)	(100.0)
General health and wellness services segment	–	–	10,213	1.0	(10,213)	(100.0)
Total	<u>846,584</u>	<u>100.0</u>	<u>1,003,887</u>	<u>100.0</u>	<u>(157,303)</u>	<u>(15.7)</u>

Property Management Services

The revenue generated from property management services segment decreased by approximately RMB69.4 million, or approximately 8.7%, of which the revenue generated from property management services increased by approximately RMB30.9 million or approximately 5.9%, which was mainly due to the increase in the chargeable GFA under management from 44.3 million sq.m. as at 30 June 2021 to 47.4 million sq.m. as at 30 June 2022. The revenue generated from major property owners value-added services decreased by approximately RMB93.1 million or approximately 73.8%, which was mainly due to less services provided by the Group to major property owners resulting from changes in the environment of the real estate market, such as pre-engineering services, on-site sale assistance services and household inspection and acceptance. The revenue generated from community value-added services decreased by approximately RMB7.3 million or approximately 4.9%, which was mainly due to less diversified supporting services provided by the Group in communities as a result of the COVID-19 pandemic, such as household services and cleaning services.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2022		2021			
	RMB'000	%	RMB'000	%		
Property management services	555,263	75.9	524,335	65.5	30,928	5.9
Major property owners value-added services	33,041	4.5	126,107	15.7	(93,066)	(73.8)
Community value-added services	143,154	19.6	150,454	18.8	(7,300)	(4.9)
Total	731,458	100.0	800,896	100.0	(69,438)	(8.7)

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					
	2022			2021		
	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)	24,473	352,181	63.4	20,916	232,796	44.4
Third party property developers	22,899	203,082	36.6	23,381	291,539	55.6
Total	47,372	555,263	100.0	44,297	524,335	100.0

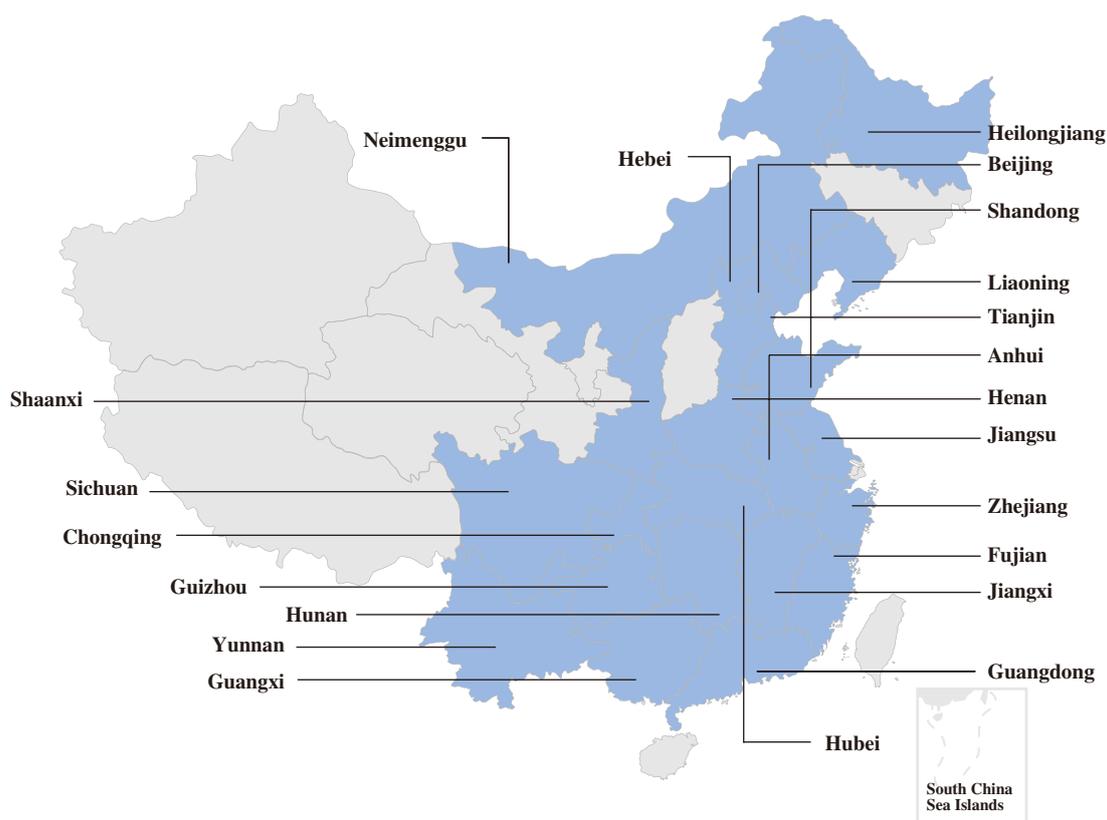
Note: Related parties of China Aoyuan Group include China Aoyuan Group's joint ventures and associates.

The following table sets forth a breakdown of the changes in the chargeable GFA under management for the period ended 30 June 2022 by property developer type:

	Chargeable GFA under management			Chargeable GFA under management as at 30 June 2022 ('000 sq.m.)
	as at 1 January 2022 ('000 sq.m.)	Increase for the period ('000 sq.m.)	Decrease for the period ('000 sq.m.)	
China Aoyuan Group and its related parties	23,253	1,434	214	24,473
Third party property developers	25,535	117	2,753	22,899
Total	48,788	1,551	2,967	47,372

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 2022:



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					
	2022			2021		
	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 ⁽¹⁾	13,552	308,432	42.2	11,464	313,603	39.2
Southwestern China ⁽²⁾	3,873	70,308	9.6	3,395	84,151	10.5
Eastern China ⁽³⁾	8,529	87,044	11.9	6,728	129,930	16.2
Central and Northern China ⁽⁴⁾	19,077	235,005	32.1	20,431	240,008	30.0
Northeastern China ⁽⁵⁾	2,341	30,669	4.2	2,279	33,204	4.1
Total	<u>47,372</u>	<u>731,458</u>	<u>100.0</u>	<u>44,297</u>	<u>800,896</u>	<u>100.0</u>

Notes:

- (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, 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 Provinces.

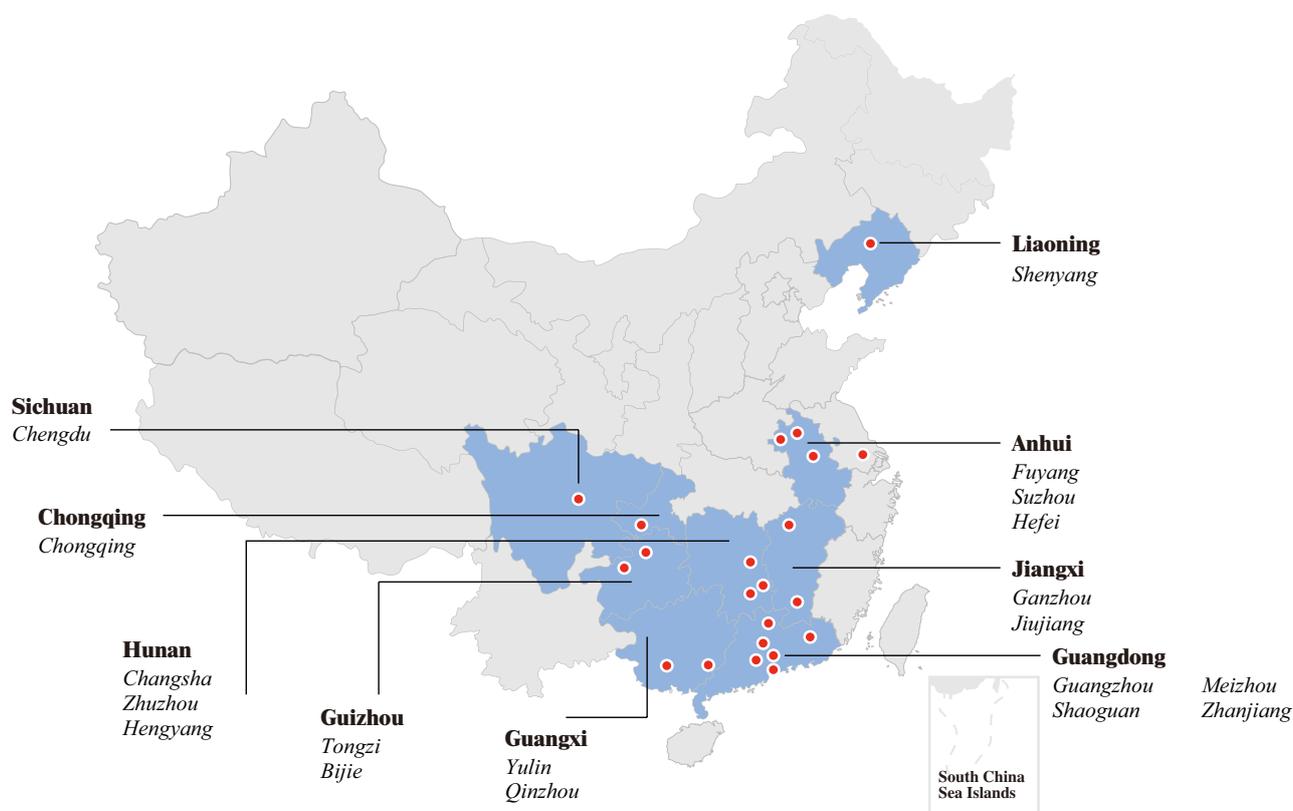
Commercial Operational Services

The revenue generated from commercial operational services segment decreased by approximately RMB41.4 million or approximately 26.4%. Of which, the revenue generated from commercial operation and management services decreased by approximately RMB16.9 million or approximately 13.7%, which was mainly due to the impact of the COVID-19 pandemic and the general economic environment. The revenue generated from market positioning and business tenant sourcing services decreased by approximately RMB24.5 million or approximately 73.1%. The decrease in revenue generated from market positioning and business tenant sourcing services was mainly due to less pre-research and business tenant sourcing services provided by us.

	For the six months ended 30 June				Growth amount <i>RMB'000</i>	Growth rate %
	2022		2021			
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Commercial operation and management services	106,112	92.2	123,022	78.6	(16,910)	(13.7)
Market positioning and business tenant sourcing services	9,014	7.8	33,487	21.4	(24,473)	(73.1)
Total	115,126	100.0	156,509	100.0	(41,383)	(26.4)

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 2022:



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			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Southern China ⁽¹⁾	80,422	69.9	92,562	59.1
Southwestern China ⁽²⁾	18,931	16.4	44,934	28.7
Eastern China ⁽³⁾	10,083	8.8	15,812	10.2
Central and Northeast China ⁽⁴⁾	5,690	4.9	3,201	2.0
Total	115,126	100.0	156,509	100.0

Notes:

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

Intelligent Engineering Segment

The revenue generated from intelligent engineering segment decreased by approximately RMB36.3 million, or approximately 100%, which was mainly due to the adjustment of the Company's business structure.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2022		2021			
	RMB'000	%	RMB'000	%		
Intelligent engineering services	-	-	32,712	90.2	(32,712)	(100.0)
Sales of software and hardware	-	-	3,557	9.8	(3,557)	(100.0)
Total	<u>-</u>	<u>-</u>	<u>36,269</u>	<u>100.0</u>	<u>(36,269)</u>	<u>(100.0)</u>

General Health and Wellness Business Segment

The revenue generated from general health and wellness business segment decreased by approximately RMB10.2 million or approximately 100%, which was mainly due to the adjustment of the Company's business structure.

Cost of Services

Our cost of services primarily consists of (i) labour costs mainly incurred 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 decreased by approximately 8.0% from approximately RMB656.1 million for the six months ended 30 June 2021 to approximately RMB603.4 million for the six months ended 30 June 2022.

Such decrease in cost of services was primarily attributable to:

- (i) the decrease in labour costs from approximately RMB489.0 million for the six months ended 30 June 2021 to approximately RMB434.5 million for the six months ended 30 June 2022, which was mainly due to fewer employees, security staff and house-keeping services staff employed and less labor outsourcing cost and cleaning and gardening services expenses incurred as the Group provided less engineering pre-delivery consultation services, sales assistance services for sales offices, household inspection services and intelligent engineering services to major owners in responding to changes in the environment of the real estate market; and
- (ii) the decrease in construction costs relating to intelligent engineering of RMB23.6 million, due to the Group's focus on its principal business to adjust the business structure of the Company.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, gross profit of the Group was approximately RMB243.2 million, representing a decrease of approximately RMB104.6 million or approximately 30.1% as compared to approximately RMB347.8 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, gross profit margin of the Group was 28.7%, representing a decrease of approximately 5.9 percentage point as compared to 34.6% for the six months ended 30 June 2021. Of which, the gross profit margin of the property management services segment was 27.2% (for the six months ended 30 June 2021: 34.5%) and the gross profit margin of the commercial operational services segment was 38.5% (for the six months ended 30 June 2021: 37.9%). The decrease in gross profit was mainly attributable to the following factors: (i) the overall gross profit margin of the Group was reduced due to increase of labour costs, maintenance costs of common area facilities and management geographic scope; and (ii) the Group provided less engineering pre-delivery consultation services, sales assistance services for sales offices, household inspection services and intelligent engineering services to major owners in responding to the changes in the environment of the real estate market, resulting in changes in the income structure of the property. The Group will continue to promote refined management and strive to improve business efficiency.

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 2022 was approximately RMB0.4 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 2022, the administrative expenses and other expenses of the Group was approximately RMB105.0 million, representing an increase of approximately RMB12.5 million or approximately 13.5% as compared to approximately RMB92.5 million for the six months ended 30 June 2021. The increase was mainly due to an increase in the labour cost of the Company in the reporting period.

Other income, Gains and Losses

For the six months ended 30 June 2022, other income of the Group amounted to a net revenue of approximately RMB38.6 million, representing an increase of approximately RMB16.4 million as compared to approximately RMB22.2 million for the six months ended 30 June 2021, which was primarily attributable to the net exchange gain of approximately RMB22.1 million generated for the six months ended 30 June 2022, representing an increase of RMB20.3 million as compared to the six months ended 30 June 2021.

Income Tax

For the six months ended 30 June 2022, the income tax of the Group was approximately RMB11.5 million, representing a decrease of approximately RMB43.6 million as compared to approximately RMB55.1 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, the effective tax rate of the Group was approximately 18.1%, representing a decrease of approximately 4.8 percentage points as compared to approximately 22.9% for the six months ended 30 June 2021, 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 2022, the net profit of the Group was approximately RMB51.7 million, representing a decrease of approximately RMB134.3 million or approximately 72.2% as compared to approximately RMB186.0 million for the six months ended 30 June 2021. For the six months ended 30 June 2022, profit attributable to equity shareholders of the Group was approximately RMB49.4 million, representing a decrease of approximately 72.3% as compared to approximately RMB178.1 million for the six months ended 30 June 2021. The decrease was mainly due to less engineering pre-delivery consultation services, sales assistance services for sales offices, and household inspection services provided by the Group to major owners in responding to changes in the environment of the real estate market and provisions of expected credit losses during the six months ended 30 June 2022.

Financial Position

The Group was in a good financial position. As at 30 June 2022, total assets of the Group were approximately RMB2,177.4 million (as at 31 December 2021: approximately RMB2,293.2 million), and total liabilities were approximately RMB1,323.4 million (as at 31 December 2021: approximately RMB1,497.1 million). As at 30 June 2022, the current ratio of the Group was 1.26 (as at 31 December 2021: 1.20).

As at 30 June 2022, the net assets of the Group were approximately RMB854.0 million (as at 31 December 2021: approximately RMB796.1 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 2022, ROE was approximately 6.3% (for 30 June 2021: 16.8%).

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 decreased by approximately 6.2% or approximately RMB2.3 million as at 30 June 2022 as compared to that as at 31 December 2021, which was primarily attributable to the decrease of normal depreciation and amortisation.

Right-of-use Assets

The right-of-use assets of the Group were lease right-of-use assets. As at 30 June 2022, the right-of-use assets of the Group were approximately RMB21.4 million, representing a decrease of approximately 9.3% as compared to that as of 31 December 2021, which was mainly due to the depreciation and 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 decreased from approximately RMB91.9 million as at 31 December 2021 to RMB85.4 million as at 30 June 2022, which was primarily due to the decrease of normal amortization.

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 at 30 June 2022, the goodwill of the Group was approximately RMB151.1 million, representing no change as compared to that as of 31 December 2021.

Trade and Other Receivables

As at 30 June 2022, trade and other receivables of the Group were approximately RMB665.1 million, representing an increase of approximately RMB171.2 million or approximately 34.7% as compared to approximately RMB493.9 million as at 31 December 2021, which was mainly due to the longer payment collection period caused by the COVID-19 pandemic.

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

As at 30 June 2022, the Group's amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries and related parties amounted to approximately RMB30.3 million, representing an increase of RMB4.1 million or 15.6% as compared to approximately RMB26.2 million as at 31 December 2021, which was due to the longer business settlement cycle caused by the overall real estate market environment.

Trade and Other Payables

As at 30 June 2022, trade and other payables of the Group were approximately RMB720.8 million, representing a decrease of approximately RMB9.1 million or 1.2% as compared to approximately RMB729.9 million as at 31 December 2021.

Bank Borrowings

As at 30 June 2022, the Group had (i) outstanding bank borrowings of approximately RMB204.5 million, and (ii) unutilised banking facilities for short-term financing of approximately RMB150.0 million. Our bank borrowings were carried at fixed interest rate range from 4.75% to 5.50% per annum and guaranteed by certain subsidiary of the Group or certain fellow subsidiaries, and bank borrowings of approximately RMB152.5 million was pledged by the equity interest in certain subsidiaries.

Lease Liabilities

As at 30 June 2022, the lease liabilities of the Group due within one year were approximately RMB4.2 million and the balance of lease liabilities due over one year was approximately RMB20.1 million.

Contingent Liabilities

As at 30 June 2022, 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 at 30 June 2022, the gearing ratio of the Group was 0.61 (31 December 2021: 0.65).

Pledge of Assets

As at 30 June 2022, no asset of the Group was pledged, except for the pledge of equity in certain subsidiaries to obtain bank borrowings of RMB152.5 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\$577.0 million and HK\$93.7 million (approximately RMB493.1 million and RMB80.1 million). As of the date of this announcement, the Group has utilised approximately RMB436.8 million of the capital raised, of which approximately RMB333.2 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 RMB136.4 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.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures and Significant Investment

During the six months ended 30 June 2022, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures nor was there any significant investment or plan authorised by the Board for material investment or addition of capital assets as at 30 June 2022.

Employment and Remuneration Policy

As at 30 June 2022, the Group had 3,518 employees in total. The staff cost was approximately RMB206.6 million in the first half of 2022. 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. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022.

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 2022.

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 and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the six months ended 30 June 2022, the Company has complied with all 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 (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transaction by the Directors (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors and all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2022.

EVENTS AFTER THE REPORTING PERIOD

For the events after the reporting period, please refer to the section headed "EVENTS AFTER THE REPORTING PERIOD" in the announcement of annual results for the year ended 31 December 2021 of the Company published on the same day for details.

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 2022.

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 2022 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.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 April 2022 and will remain suspended until further notice.

By Order of the Board
Aoyuan Healthy Life Group Company Limited
Cheng Siu Fai
Executive Director

Hong Kong, 4 May 2023

** In this announcement, the English names are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the executive Director is Mr. Cheng Siu Fai; the non-executive Directors are Mr. Ruan Yongxi and Mr. Zhu Yunfan; and the independent non-executive Directors are Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao.