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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 2023**

HIGHLIGHTS

For the six months ended 30 June 2023:

- The Group's revenue was approximately RMB786.5 million, representing a year-on-year decrease of approximately 7.1%.
- Gross profit margin was approximately 25.8% (gross profit margin for the same period of last year: approximately 28.7%).
- The Group's administrative expenses and other expenses was approximately RMB65.1 million, representing a year-on-year decrease of approximately 38.0%.
- The Group achieved net profit of approximately RMB68.7 million, representing a year-on-year increase of approximately 32.8%; net profit margin was approximately 8.7% (the same period of last year: approximately 6.1%).
- Basic earnings per share were approximately RMB8.70 cents, representing a year-on-year increase of approximately 27.9%.

As at 30 June 2023, bank balances and cash amounted to approximately RMB869.7 million, representing an increase of approximately 5.3% as compared to approximately RMB826.2 million as at 31 December 2022, indicating sufficient cash reserves.

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 2023, together with the unaudited comparative figures for the corresponding period in 2022, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 together with the comparative figures as at 31 December 2022, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended	
		30.6.2023	30.6.2022
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	786,540	846,584
Cost of services		<u>(583,244)</u>	<u>(603,391)</u>
Gross profit		203,296	243,193
Other income, gains and losses	5	37,696	38,613
Impairment losses under expected credit loss model (“ ECL ”), net of reversal		(84,272)	(103,343)
Administrative expenses and other expenses		(65,085)	(104,998)
Selling and distribution expenses		(275)	(394)
Finance costs		<u>(3,857)</u>	<u>(9,884)</u>
Profit before tax		87,503	63,187
Income tax expense	6	<u>(18,781)</u>	<u>(11,453)</u>
Profit for the period	7	<u>68,722</u>	<u>51,734</u>
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		5,796	4,318
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 ”)		<u>14,774</u>	<u>319</u>
Other comprehensive income for the period, net of income tax		<u>20,570</u>	<u>4,637</u>
Total comprehensive income for the period		<u>89,292</u>	<u>56,371</u>

		For the six months ended	
		30.6.2023	30.6.2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Profit for the period attributable to:			
– Owners of the Company		63,220	49,444
– Non-controlling interests		5,502	2,290
		<u>68,722</u>	<u>51,734</u>
Total comprehensive income attributable to:			
– Owners of the Company		77,619	52,691
– Non-controlling interests		11,673	3,680
		<u>89,292</u>	<u>56,371</u>
Earnings per share (<i>RMB cents</i>)			
– Basic	9	<u>8.70</u>	<u>6.81</u>
– Diluted	9	<u>8.70</u>	<u>6.81</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>NOTES</i>	30.6.2023 RMB'000 (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		27,951	29,438
Right-of-use assets		6,417	16,599
Investment properties		9,051	9,051
Intangible assets		72,301	78,858
Goodwill		151,118	151,118
Equity instrument at fair value through profit or loss (“FVTPL”)		64,280	65,108
Equity instruments at fair value through other comprehensive income		157,891	137,321
Deferred tax assets		72,620	61,059
Deposits paid for acquisition of property, plant and equipment		2,524	2,524
Trade and other receivables	10	2,900	2,900
		567,053	553,976
CURRENT ASSETS			
Inventories		11,029	9,208
Trade and other receivables	10	622,036	691,822
Deferred contract costs		8,149	8,149
Amounts due from fellow subsidiaries		51,428	54,912
Amounts due from non-controlling shareholders of subsidiaries		–	167
Amounts due from related parties		2,598	5,460
Restricted bank deposits		10,710	71,152
Bank balances and cash		869,705	826,180
		1,575,655	1,667,050

	<i>NOTES</i>	30.6.2023 RMB'000 (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
CURRENT LIABILITIES			
Trade and other payables	11	705,885	772,821
Contract liabilities		146,978	225,601
Amounts due to non-controlling shareholders of subsidiaries		9,112	7,060
Tax liabilities		40,354	43,199
Lease liabilities		2,439	3,318
Bank borrowings		134,988	138,988
		<u>1,039,756</u>	<u>1,190,987</u>
NET CURRENT ASSETS		<u>535,899</u>	476,063
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,102,952</u>	<u>1,030,039</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		20,058	21,699
Lease liabilities		4,244	15,982
		<u>24,302</u>	<u>37,681</u>
NET ASSETS		<u><u>1,078,650</u></u>	<u><u>992,358</u></u>
CAPITAL AND RESERVES			
Share capital		6,207	6,207
Reserves		1,002,887	925,268
Equity attributable to owners of the Company		1,009,094	931,475
Non-controlling interests		69,556	60,883
TOTAL EQUITY		<u><u>1,078,650</u></u>	<u><u>992,358</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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**”).

This interim financial information does not contain all the notes generally included in the annual financial report. Therefore, this condensed consolidated interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2022 and any announcements made by the Company during the interim reporting period.

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 2023 are the same as those presented the Group's annual financial statements for the year ended 31 December 2022.

The application of the amendments to IFRSs in the current interim period that are relevant to the Group and effective from the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted the new and amendments to IFRSs that have been issued but are not yet effective. The directors of the Company do not anticipate that the adoption of the new and amendments to IFRSs in the future periods will have any material impact on the Group's condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue

	Six months ended	
	30.6.2023 <i>RMB'000</i> (unaudited)	30.6.2022 <i>RMB'000</i> (unaudited)
Type of services		
Property management services		
Property management services	573,616	555,263
Sales assistance services	9,158	33,041
Community value-added services	96,845	114,857
Heating services	27,866	24,724
Others	2,647	3,573
	<u>710,132</u>	<u>731,458</u>
Commercial operational services		
Commercial operation and management services	73,066	106,112
Market positioning and business tenant sourcing services	3,342	9,014
	<u>76,408</u>	<u>115,126</u>
Total	<u>786,540</u>	<u>846,584</u>
Type of customers		
Property management services		
External customers	676,309	660,752
Fellow subsidiaries	30,064	57,653
Other related parties	3,759	13,053
	<u>710,132</u>	<u>731,458</u>
Commercial operational services		
External customers	64,132	76,268
Fellow subsidiaries	12,276	38,701
Other related parties	–	157
	<u>76,408</u>	<u>115,126</u>
Total	<u>786,540</u>	<u>846,584</u>
Timing of revenue recognition		
Over time	760,038	830,390
A point in time	26,502	16,194
Total	<u>786,540</u>	<u>846,584</u>

4. SEGMENT INFORMATION

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

Six months ended 30 June 2023 (unaudited)

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>710,132</u>	<u>76,408</u>	<u>786,540</u>
Segment results	<u>86,937</u>	<u>16,262</u>	103,199
Net exchange gain			18,587
Change in fair value of equity instrument at FVTPL			(828)
Central administrative costs			(29,598)
Interest on lease liabilities			(331)
Interest on bank borrowings			<u>(3,526)</u>
Profit before tax			<u>87,503</u>

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>

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	
	30.6.2023 RMB'000 (unaudited)	30.6.2022 RMB'000 (unaudited)
Bank interest income	5,964	1,034
Net exchange gain	18,587	22,098
Government grants	9,932	11,761
Reversal of impairment loss on deferred contract costs	–	3,266
Dividend income from equity investment	1,500	–
Change in fair value of equity instrument at FVTPL	(828)	–
Gain on early termination of leases	2,474	–
Others	67	454
	37,696	38,613

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2023 RMB'000 (unaudited)	30.6.2022 RMB'000 (unaudited)
Income tax expense recognised comprises of:		
Current tax:		
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	31,981	33,369
Deferred tax	(13,200)	(21,916)
	18,781	11,453

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*

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
Trade receivables		659,877	584,426
Less: impairment losses under ECL model, net of reversal		<u>(172,362)</u>	<u>(89,853)</u>
Total trade receivables		<u>487,515</u>	<u>494,573</u>
Other receivables:			
Deposits	(a)	22,345	34,529
Payments on behalf of residents	(b)	61,436	62,185
Input tax to be deducted		24,158	23,108
Prepayments		13,005	47,465
Others		22,937	39,997
Less: impairment losses under ECL model, net of reversal		<u>(6,460)</u>	<u>(7,135)</u>
		<u>137,421</u>	<u>200,149</u>
Total trade and other receivables		<u>624,936</u>	<u>694,722</u>
Analysis for reporting purpose:			
Non-current assets		2,900	2,900
Current assets		<u>622,036</u>	<u>691,822</u>
		<u>624,936</u>	<u>694,722</u>

Notes:

- (a) The balance represents the amount paid to the service providers as deposits.
- (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:

	30.6.2023 <i>RMB'000</i> (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
0 to 60 days	93,295	96,391
61 to 180 days	142,775	118,591
181 to 365 days	137,787	141,132
1 to 2 years	140,151	124,714
2 to 3 years	101,879	69,814
Over 3 years	43,990	33,784
	659,877	584,426

11. TRADE AND OTHER PAYABLES

	30.6.2023 <i>RMB'000</i> (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
Trade payables	232,474	272,937
Other payables:		
Receipts on behalf of residents	167,825	163,856
Deposits received	186,937	200,615
Accrued staff costs	20,373	27,855
Accrued contribution to social insurance and housing provident funds	14,656	14,835
Other tax payables	27,557	30,091
Accrued expenses	30,692	38,169
Other payables	25,371	24,463
Total other payables	473,441	499,884
Total trade and other payables	705,885	772,821

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:

	30.6.2023 <i>RMB'000</i> (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
0 – 60 days	57,158	102,777
61 – 180 days	64,461	65,515
181 – 365 days	33,273	29,797
1 – 2 years	53,554	46,319
2 – 3 years	20,794	24,183
Over 3 years	3,234	4,346
	<hr/> 232,474 <hr/>	<hr/> 272,937 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Business Overview

The Group is a renowned property management service and commercial operational service provider in the PRC and implements the 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 mid to high-end properties and mixed-use property development projects in shopping malls, 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, healthy life management services.

Property Management

As at 30 June 2023, the Group provided property management services to 400 properties (including sales offices) in 77 cities across 22 provinces, municipalities, and autonomous regions in the PRC with a chargeable gross floor area (“GFA”) under management of approximately 46.5 million square metres (“sq.m.”), representing a decrease of approximately 0.7 million sq.m. as compared to approximately 47.1 million sq.m. as at 31 December 2022. As at 30 June 2023, the contracted area of the Group was approximately 77.5 million sq.m..

The Group strengthened its core business while expanding into new businesses by constantly facilitating the renovation of old parking lots and initiating fees, integrated resources to maximize spatial resource coverage, and attempted to develop self-operating value-added businesses such as advertising, self-service water dispensers and window sealing. In the first half of 2023, more than 1,200 community group purchases and home delivery business promotion activities were carried out together with community convenience activities to diversify the income from value-added businesses through multiple channels. The Group also continued to reduce elevator repair and maintenance costs through centralised bidding and procurement, while simultaneously actively promoting the use of public maintenance funds to address engineering improvement issues. Both measures were taken to further decrease project operating costs.

The Group was committed to creating a digital community life circle for our property owners, which involved continually enhancing and expanding the features of the “Aoyuejia (奥悦家)” Wechat Mini Program. In addition to functions such as issue reporting, repair requests, online payment, community group purchase and placement of advertisements by partners, we introduced optional paid services this year to integrate our self-owned and neighbouring merchants’ resources and facilitate convenient property owners’ living, in order to achieve a win-win situation for both property owners and merchants. In the future, we are going to add more value-added services to the “Aoyuejia (奥悦家)” platform to integrate high-quality merchants and increase property owners’ platform repurchase rates.

The Group treasures customer living experience and customer relationships. In the first half of 2023, more than 2,313 community cultural activities and convenience activities were conducted during major festivals, catering to the needs of our property owners and serving over 300,000 people. Since April of this year, the Group initiated the “Serving homeowners (我為業主辦件事)” campaign, offering homeowners free services such as parcel delivery, heavy lifting, plumbing, troubleshooting and inspection of repairs. We have resolved over ten thousand cases since the launch of the campaign, effectively alleviating the concerns and earning high praise from homeowners.

As at 30 June 2023, the Group has secured a new hospital project, which further expands the scope of our comprehensive service layout in industries such as hospitals, and enriches the content of non-residential services. The Company is dedicated to enhancing our comprehensive facility management service capabilities, enhancing brand reputation and customer recognition within the industry, driving results growth, and bringing long-term stable returns to investors by establishing residential and non-residential benchmark projects.

Commercial Operation

As at 30 June 2023, the Group contracted to provide commercial operational services to 21 shopping malls with a contracted total GFA of approximately 769,000 sq.m.. As at 30 June 2023, the Group provided commercial operational services to 18 shopping malls in operation in 13 cities in the PRC, with a total GFA under management of approximately 663,000 sq.m..

In addition to maintaining high-quality commercial operations, the Group continues to deliver warm living services to our consumers. Our existing service segments cover the entire commercial property chain, including preliminary planning, commercial design, technical consultation, business tenant sourcing agency, pre-opening preparations and asset management. In addition to our core operations, the Group constantly develops and deepens diversified services of commercial operation, enriches income sources, conducts sustainable operations and consolidates intrinsic production capacity. Moreover, the Group emphasizes on industrial synergy to revitalize shopping mall memberships and offline traffic by leveraging the advantages of the Group in sharing industrial synergy resources. The commercial operational services of the Group continues to deepen the exchange, communication and cooperation with property management services. By leveraging the advantages of self-owned property industry clusters surrounding commercial projects nationwide, we aim to generate high profits with lower costs by way of transforming our property owners into loyal customers of our shopping malls.

The Group relies on the assistance of various parties to build the innovative “Internet + Business” model. On the one hand, the Group collaborated with professional institutions in respect of its commercial operation to develop a membership management system in the first half of the year, achieving precise customer flow management for both online and offline channels through more effective, convenient, and personalised marketing methods, while also stimulating customer consumption enthusiasm and understanding consumer dynamics at the lowest cost through the deep operation of member private domain traffic in complex projects, to activate the intrinsic vibrancy of project operation and enhance commercial value; on the other hand, the Group further promoted digital strategy cooperation, accelerated the construction of an operation management model for digital business in the new era, and shifted from large-scale operation to refined and efficient operation, which effectively reduced the Group’s operation and marketing costs, improved the operation and marketing precision, and achieved cost reduction and efficiency improvement. The Group achieved its stable and sustainable development in the context of rapid global economic recovery in 2023.

The Group adapted to the needs of different projects and consumers to create different types of consumption experiences, including immersive, gentle and joyful shopping experiences according to local conditions. During the first half of the year, the Group further deepened the business concept of “Community Park (社區公園)” by planning and offering a series of colourful themed activities. For instance, “Pink Bear Paradise (粉熊樂園)” featuring panoramic immersive visual joy built by Dayu Aoyuan Plaza* (大余奧園廣場) reached a new record high in customer traffic and sales, which also extended the duration of customers’ stay, increased the opportunities for spontaneous consumption, empowered brand merchants, and contributed to revenue growth while replicating such model to our other projects. In addition to deepening the parent-child joyful experience brought by “Baby Paradise (北鼻樂園)”, Pubei Aoyuan Plaza* (浦北奧園廣場) unleashed the vibrancy of the bustling city through the introduction of “Night Market Economy (夜市經濟)”. The diversified consumption scenarios catalyzed the daily customer traffic and sales of Pubei Aoyuan Plaza* (浦北奧園廣場) which experienced a substantial year-on-year growth of over 50%. Guangzhou Panyu Aoyuan Plaza* (廣州番禺奧園廣場) has keenly captured the trend of “Camping” and gradually completed the transformation and upgrade of the theme of “Camp Park (營地公園)” in the outer area of the plaza during the first half of the year, which enhanced the overall business atmosphere, forming a marketing closed loop of “Experience scene drainage – Sales conversion”. The sales turnover of catering and experienced business merchants improved.

II. OUTLOOK

In the second half of 2023, the Group will adhere to its original intention to uphold a sound financial management strategy and commit to the service philosophy of “Property Owners-centric and Customer-centric” to improve customer satisfaction and achieve stable and sustainable development.

Property Management

In 2023, as consumption scenarios orderly recover, a series of policies have been implemented to stimulate consumption, which yields notable results and the consumer market apparently emerged in a recovery trend. The Group will continue to upgrade its property operation capabilities and decision-making support capabilities through digitalisation construction, and further enhance its business control capabilities and customer experience. In terms of community business, in response to the needs of property owners and the characteristics of the community and combined with our internal resources, we will select products for community group purchase according to local conditions, precisely cater for the needs of property owners, offer a featured community group purchase, and further increase the operating income of non-related parties. We strive to achieve a win-win situation with quality merchants by strengthening resource integration with merchants surrounding our projects and efficiently utilizing project space resources.

In the second half of the year, the Group’s property management will put emphasis on promoting the implementation of “Four Modernizations”, namely, service standardisation, product standardization, product branding and brand value enhancement, to propel service quality improvement and efficiency as well as redefining the concept of business management. We will keep on exerting efforts in the Integrated Facilities Management service segment of non-residential businesses. We will elevate the professionalism of itemized service types, and thereby provide customers with solutions meeting their comprehensive demand. This approach aims to unearth the potential for value in new avenues.

Commercial Operation

In the second half of 2023, the Group will continue to prioritize cash flows and profits while scaling up investment in business tenant sourcing and operations, taking into account the current situation of the commercial real estate market. Specifically, the business types provided in respect of business tenant sourcing will align more closely with the consumption preferences of corresponding consumer groups. In terms of operation, the Group will attract more customer traffic to increase the conversion rate from customer traffic to sales. Meanwhile, with capability empowerment and customer diversion as our core, the Group will strengthen the bonus point and interest operations, further facilitate digital system development, continue to improve the membership programme, enhance customer experience and drive business development.

In addition, in the second half of the year, the Group will focus on deepening the strategy of the national presence of our projects, while continuing to export the asset-light management model and enhance parking lot management. In particular, leveraging our professional operation and management capabilities accumulated over the years and the recognition of the two brands of Aoyuan Plaza and Aoyuan City Plaza by consumers, our various businesses will demonstrate strong risk resistance and achieve growth amid a challenging external environment.

III. 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 2023, the Group's total revenue was approximately RMB786.5 million, representing a decrease of approximately RMB60.0 million or approximately 7.1% as compared to approximately RMB846.6 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, revenue generated from property management services and commercial operational services contributed 90.3% and 9.7% to the total revenue, respectively.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2023		2022			
	RMB'000	%	RMB'000	%		
Property management services segment	710,132	90.3	731,458	86.4	(21,326)	(2.9)
Commercial operational services segment	76,408	9.7	115,126	13.6	(38,718)	(33.6)
Total	<u>786,540</u>	<u>100.0</u>	<u>846,584</u>	<u>100.0</u>	<u>(60,044)</u>	<u>(7.1)</u>

Property Management Services

The revenue generated from property management services segment decreased by approximately RMB21.3 million, or approximately 2.9%, of which the revenue generated from property management services increased by approximately RMB18.4 million or approximately 3.3%. The revenue generated from major property owners value-added services decreased by approximately RMB23.9 million or approximately 72.3%, which was mainly due to fewer 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 RMB15.8 million or approximately 11.0%, which was mainly due to the decrease in revenue from the Group's intelligent installation projects.

	For the six months ended 30 June				Growth amount RMB'000	Growth rate %
	2023		2022			
	RMB'000	%	RMB'000	%		
Property management services	573,616	80.8	555,263	75.9	18,353	3.3
Major property owners value-added services	9,158	1.3	33,041	4.5	(23,883)	(72.3)
Community value-added services	127,358	17.9	143,154	19.6	(15,796)	(11.0)
Total	<u>710,132</u>	<u>100.0</u>	<u>731,458</u>	<u>100.0</u>	<u>(21,326)</u>	<u>(2.9)</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					
	2023			2022		
	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)	27,006	373,098	65.0	24,473	352,181	63.4
Third party property developers	19,471	200,518	35.0	22,899	203,082	36.6
Total	<u>46,477</u>	<u>573,616</u>	<u>100.0</u>	<u>47,372</u>	<u>555,263</u>	<u>100.0</u>

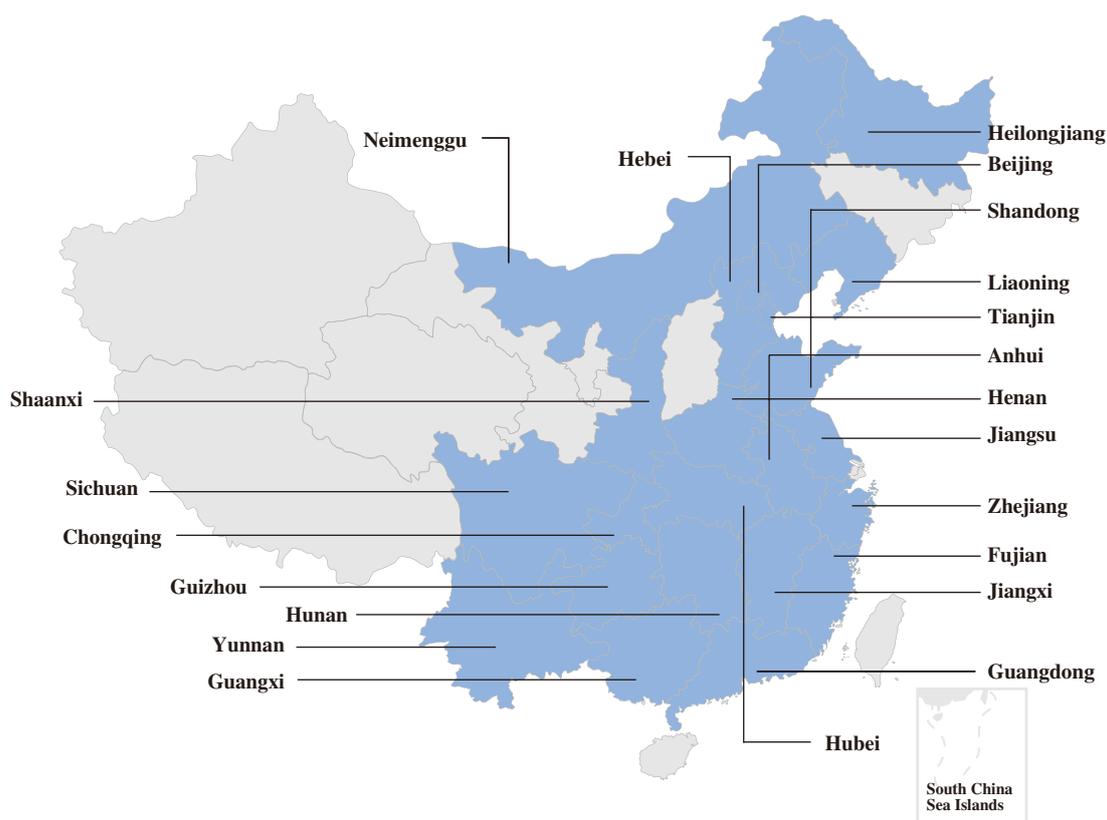
Note: Related parties of China Aoyuan Group include China Aoyuan Group's joint ventures and associates.

The following table sets forth a breakdown of the changes in the chargeable GFA under management for the period ended 30 June 2023 by property developer type:

	Chargeable GFA under management			Chargeable GFA under management as at 30 June 2023 ('000 sq.m.)
	as at 1 January 2023 ('000 sq.m.)	Increase for the period ('000 sq.m.)	Decrease for the period ('000 sq.m.)	
China Aoyuan Group and its related parties	25,625	1,906	525	27,006
Third party property developers	21,519	210	2,258	19,471
Total	47,144	2,116	2,783	46,477

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 2023:



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					
	2023			2022		
	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⁾	14,663	274,289	38.6	13,552	308,432	42.2
Southwestern China ⁽²⁾	4,449	76,438	10.8	3,873	70,308	9.6
Eastern China ⁽³⁾	8,622	103,861	14.6	8,529	87,044	11.9
Central and Northern China ⁽⁴⁾	16,357	221,961	31.3	19,077	235,005	32.1
Northeastern China ⁽⁵⁾	2,386	33,583	4.7	2,341	30,669	4.2
Total	46,477	710,132	100.0	47,372	731,458	100.0

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 and Henan Provinces, Inner Mongolia Autonomous Region, 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.

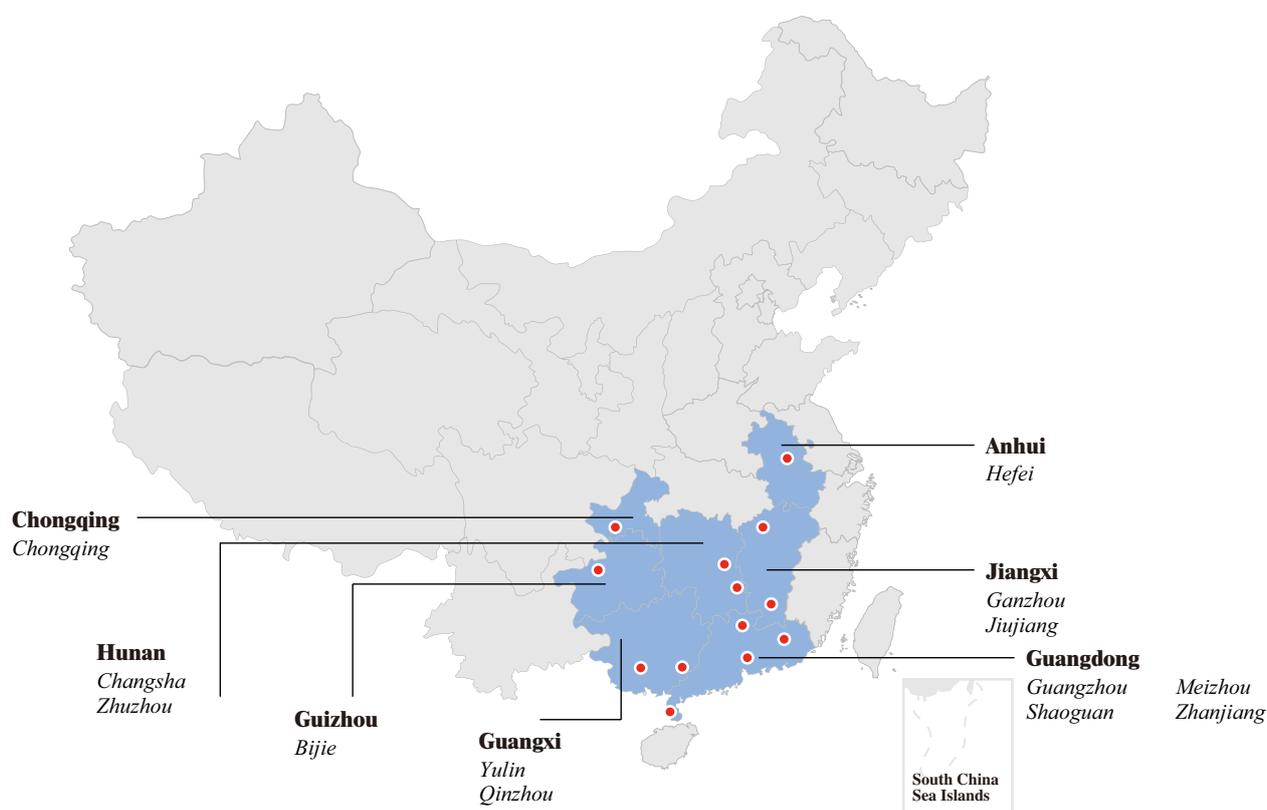
Commercial Operational Services

The revenue generated from commercial operational services segment decreased by approximately RMB38.7 million or approximately 33.6%. Of which, the revenue generated from commercial operation and management services decreased by approximately RMB33.0 million or approximately 31.1%, which was mainly due to the decrease in the total GFA under management of commercial operational services provided by the Group to shopping malls in operation. The revenue generated from market positioning and business tenant sourcing services decreased by approximately RMB5.7 million or approximately 62.9%. 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 RMB'000	Growth rate %
	2023		2022			
	RMB'000	%	RMB'000	%		
Commercial operation and management services	73,066	95.6	106,112	92.2	(33,046)	(31.1)
Market positioning and business tenant sourcing services	3,342	4.4	9,014	7.8	(5,672)	(62.9)
Total	76,408	100.0	115,126	100.0	(38,718)	(33.6)

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 2023:



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			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Southern China ⁽¹⁾	51,499	67.4	80,422	69.9
Southwestern China ⁽²⁾	18,982	24.8	18,931	16.4
Eastern China ⁽³⁾	2,810	3.7	10,083	8.8
Central and Northeast China ⁽⁴⁾	3,117	4.1	5,690	4.9
Total	76,408	100.0	115,126	100.0

Notes:

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

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 3.3% from approximately RMB603.4 million for the six months ended 30 June 2022 to approximately RMB583.2 million for the six months ended 30 June 2023.

Such decrease in cost of services was primarily attributable to:

- (i) the decrease in labour costs from approximately RMB438.2 million for the six months ended 30 June 2022 to approximately RMB429.7 million for the six months ended 30 June 2023, which was mainly due to a decrease in the number of employees, security staff and house-keeping services staff, resulting in lower labour outsourcing costs, as well as reduced expenses for cleaning and gardening services incurred as the Group reduced the provision of pre-construction consultation services, sales assistance services for sales offices, household inspection services and intelligent engineering services to major owners in response to changes in the environment of the real estate market; and

- (ii) the decrease in construction costs relating to intelligent engineering of approximately RMB11.4 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 2023, gross profit of the Group was approximately RMB203.3 million, representing a decrease of approximately RMB39.9 million or approximately 16.4% as compared to approximately RMB243.2 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, gross profit margin of the Group was 25.8%, representing a decrease of approximately 2.9 percentage point as compared to 28.7% for the six months ended 30 June 2022. Of which, the gross profit margin of the property management services segment was 24.5% (for the six months ended 30 June 2022: 27.2%) and the gross profit margin of the commercial operational services segment was 38.3% (for the six months ended 30 June 2022: 38.5%). The decrease in gross profit was mainly attributable to the fact that the Group reduced its provision of pre-construction consultation services, sales assistance services for sales offices, household inspection services and intelligent engineering services to major owners in response to the changes in the environment of the real estate market, resulting in changes in the revenue structure of property income. 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 2023 was approximately RMB0.28 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 2023, the administrative expenses and other expenses of the Group was approximately RMB65.1 million, representing a decrease of approximately RMB39.9 million or approximately 38.0% as compared to approximately RMB105.0 million for the six months ended 30 June 2022. The decrease was mainly due to the optimisation of the Company's organisational structure to improve management efficiency, reduce costs and increase efficiency during the reporting period.

Other income, Gains and Losses

For the six months ended 30 June 2023, other income of the Group amounted to a net revenue of approximately RMB37.7 million, representing a decrease of approximately RMB0.9 million as compared to approximately RMB38.6 million for the six months ended 30 June 2022, which remained basically unchanged as compared with the corresponding period of last year.

Income Tax

For the six months ended 30 June 2023, the income tax of the Group was approximately RMB18.8 million, representing an increase of approximately RMB7.3 million as compared to approximately RMB11.5 million for the six months ended 30 June 2022.

Profit for the Period

For the six months ended 30 June 2023, the net profit of the Group was approximately RMB68.7 million, representing an increase of approximately RMB17.0 million or approximately 32.8% as compared to approximately RMB51.7 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, profit attributable to equity shareholders of the Group was approximately RMB63.2 million, representing an increase of approximately 27.9% as compared to approximately RMB49.4 million for the six months ended 30 June 2022. Such increase was mainly attributable to the optimisation of the Company's organisational structure to improve management efficiency, reduce costs and increase efficiency.

Financial Position

The Group was in a good financial position. As at 30 June 2023, total assets of the Group were approximately RMB2,142.7 million (as at 31 December 2022: approximately RMB2,221.0 million), and total liabilities were approximately RMB1,064.1 million (as at 31 December 2022: approximately RMB1,228.7 million). As at 30 June 2023, the current ratio of the Group was 1.52 (as at 31 December 2022: 1.40).

As at 30 June 2023, the net assets of the Group were approximately RMB1,078.7 million (as at 31 December 2022: approximately RMB992.4 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 2023, ROE was approximately 6.6% (30 June 2022: 6.3%).

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 5.1% or approximately RMB1.5 million as at 30 June 2023 as compared to that as at 31 December 2022, 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 2023, the right-of-use assets of the Group were approximately RMB6.4 million, representing a decrease of approximately 61.3% as compared to that as of 31 December 2022, which was mainly due to early termination of leases for some properties.

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 RMB78.9 million as at 31 December 2022 to approximately RMB72.3 million as at 30 June 2023, 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 Property Services Company Limited* (安徽瀚林物業服務有限公司), Shenzhen Huazhong Property Management Company Limited* (深圳華中物業管理有限公司), Ningbo Hongjian Property Services Co., Ltd., Easy Life Smart Community Services Group Co., Ltd. and Beijing Boan Property Management Co., Ltd.* (北京博安物業服務有限公司) and their respective total identifiable net assets as at the respective acquisition dates. As at 30 June 2023, the goodwill of the Group was approximately RMB151.1 million, representing no change as compared to that as at 31 December 2022.

Trade and Other Receivables

As at 30 June 2023, trade and other receivables of the Group were approximately RMB624.9 million, representing a decrease of approximately RMB69.8 million or approximately 10.0% as compared to approximately RMB694.7 million as at 31 December 2022.

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

As at 30 June 2023, the Group's amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries and related parties amounted to approximately RMB54.0 million, representing a decrease of RMB6.5 million or 10.8% as compared to approximately RMB60.5 million as at 31 December 2022, which was due to the significant decrease in business trading volume caused by the overall real estate market environment.

Trade and Other Payables

As at 30 June 2023, trade and other payables of the Group were approximately RMB705.9 million, representing a decrease of approximately RMB66.9 million or 8.7% as compared to approximately RMB772.8 million as at 31 December 2022.

Bank Borrowings

As at 30 June 2023, the Group had (i) outstanding bank borrowings of approximately RMB135.0 million, and (ii) no unutilised banking facilities for short-term financing. Our bank borrowings were carried at fixed interest rate range from 4.35% to 6.15% per annum and guaranteed by certain subsidiary of the Group or certain fellow subsidiaries, and secured by the equity interests in certain subsidiaries.

Lease Liabilities

As at 30 June 2023, the lease liabilities of the Group due within one year were approximately RMB2.4 million and the balance of lease liabilities due over one year was approximately RMB4.2 million.

Contingent Liabilities

As at 30 June 2023, 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 2023, the gearing ratio of the Group was 0.50 (31 December 2022: 0.55).

Foreign Currency Risk

The functional currency of the Company is RMB, except that the functional currencies of certain overseas subsidiaries are currencies other than RMB. As at 30 June 2023, certain cash and bank balances and time deposits are denominated in RMB, HKD and USD, which would expose the Group to foreign currency risk. The Group has not used any foreign currency swap contracts to reduce the exposure to USD and HKD arising from bank balances. The Company also currently does not have any foreign exchange hedging policy.

Pledge of Assets

As at 30 June 2023, no asset of the Group was pledged, except for the pledge of equity in certain subsidiaries to obtain bank borrowings of approximately RMB133.0 million.

Proceeds from the Listing

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2019 (the “**Listing**”) and issued 175,000,000 new Shares. On 2 April 2019, the over-allotment option was fully exercised to allot 26,250,000 new Shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing and the over-allotment option amounted to approximately HK\$577.0 million and HK\$93.7 million (equivalent to approximately RMB493.1 million and RMB80.1 million). As at 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, Significant Investment and Future Plans for Material Investment and Capital Assets

During the six months ended 30 June 2023, 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 2023 and there was no plan for other material investments or additions of capital assets as at the date of this announcement.

Employment and Remuneration Policy

As at 30 June 2023, the Group had 2,729 employees in total. The staff cost was approximately RMB159.2 million in the first half of 2023. 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.

Treasury Policies

The Directors will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well placed to take advantage of future growth opportunities.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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 Shares during the six months ended 30 June 2023.

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 2023, 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 2023.

EVENTS AFTER THE REPORTING PERIOD

Resumption of Trading

The trading in the Shares was suspended from 9:00 a.m. on 1 April 2022 at the request of the Company. On 27 June 2022, the Company received the resumption guidance from the Stock Exchange, setting out seven specific items of resumption guidance for the Company to fulfill before resuming trading. On 1 August 2023, the Company has fulfilled all the resumption guidance and the trading in the Shares has been resumed from 9:00 a.m. on 2 August 2023.

Please refer to the announcements of the Company dated 30 March 2022, 1 April 2022, 3 May 2022, 2 June 2022, 30 June 2022, 31 August 2022, 30 September 2022, 3 October 2022, 12 December 2022, 30 December 2022, 13 January 2023, 16 February 2023, 31 March 2023, 4 May 2023, 17 May 2023, 23 May 2023, 6 June 2023, 30 June 2023, 18 July 2023, 26 July 2023 and 1 August 2023 for details.

Disposal of Shares by the Controlling Shareholder

On 16 February 2023, Main Trend Limited (“**Main Trend**”, as the vendor), a controlling shareholder of the Company, and Best Discovery International Limited (“**Best Discovery**”, as the purchaser) entered into a sale and purchase agreement, pursuant to which Main Trend conditionally agreed to sell and Best Discovery conditionally agreed to purchase a total of 217,148,750 Shares, representing 29.9% of the total number of issued Shares as at 16 February 2023, at the consideration of HK\$256,000,000 (the “**Disposal**”).

The completion of the Disposal took place on 17 July 2023. Immediately upon completion of the Disposal, Best Discovery and Main Trend held 217,148,750 Shares and 179,226,250 Shares, representing 29.9% and 24.68% of the total number of issued Shares respectively, and therefore Best Discovery becomes the single largest shareholder of the Company and Main Trend ceases to be the controlling shareholder of the Company but remains as a substantial shareholder of the Company.

Please refer to the announcements of the Company dated 16 February 2023 and 18 July 2023 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 2023.

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 2023 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
Cheng Siu Fai
Executive Director

Hong Kong, 28 August 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.