中國奧園集團股份有限公司

China Aoyuan Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3883)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

2019 INTERIM RESULTS HIGHLIGHTS

- Contracted sales for the period was RMB53.63 billion, representing a year-on-year increase of 33%.
- Revenue for the period was RMB23.67 billion, representing a year-on-year increase of 73%.
- Gross profit for the period was RMB7.05 billion, representing a year-on-year increase of 81%; gross profit margin was 29.8%.
- Net profit for the period was RMB2.80 billion, representing a year-on-year increase of 90%; net profit margin was 11.8%.
- Core net profit for the period [Note 1] was RMB2.49 billion, representing a year-on-year increase of 79%; core net profit margin was 10.5%.
- Basic earnings per share for the period was RMB84.81 cents, and diluted earnings per share for the period was RMB84.66 cents.
- Bank balances and cash (including restricted bank deposits and structured deposits) as at 30 June 2019 was RMB54.84 billion, and net gearing ratio was 64.2%.
- In the first half of 2019, newly added GFA of approximately 7.26 million sq.m.; total GFA of land bank as at 30 June 2019 was 40.12 million sq.m..

Note 1: Excluding non-recurring profit or loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange differences, etc.

The board of directors (the "Board" or the "Directors") of China Aoyuan Group Limited ("China Aoyuan" or the "Company") is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**Six months ended**	
		30.6.2019	30.6.2018
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**23,669,677**	13,666,552
Cost of sales		**(16,623,992)**	(9,764,429)
Gross profit		**7,045,685**	3,902,123
Other income, gains and losses	*5*	**363,926**	72,831
Change in fair value of investment properties		**363,792**	406,700
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**3,392**	8,103
Gain on disposal of subsidiaries		**4,576**	18,288
Selling and distribution expenses		**(943,658)**	(599,773)
Administrative expenses		**(1,153,364)**	(651,176)
Share of results of joint ventures		**7,099**	87,882
Share of results of associates		**19,079**	1,430
Finance costs		**(276,415)**	(172,749)
Profit before tax		**5,434,112**	3,073,659
Income tax expense	*6*	**(2,634,076)**	(1,598,850)
Profit for the period	*7*	**2,800,036**	1,474,809
Other comprehensive expense			
Item that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(5,842)**	(18,702)
Profit and total comprehensive income for the period		**2,794,194**	1,456,107

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CON'T)

	Note	Six months ended 30.6.2019 RMB'000 (unaudited)	Six months ended 30.6.2018 RMB'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		**2,271,914**	1,216,254
Non-controlling interests		**528,122**	258,555
		2,800,036	1,474,809
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**2,266,152**	1,202,783
Non-controlling interests		**528,042**	253,324
		2,794,194	1,456,107
Earnings per share (RMB cents)	*9*		
Basic		**84.81**	45.37
Diluted		**84.66**	45.36

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30.6.2019** **RMB'000** **(unaudited)**	31.12.2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,604,271**	2,057,192
Right-of-use assets		**1,159,141**	–
Prepaid lease payments		–	337,977
Investment properties		**9,540,381**	8,833,493
Goodwill		**3,491**	3,491
Intangible assets		**3,050**	3,600
Interests in joint ventures		**1,912,497**	1,721,376
Interests in associates		**517,610**	217,131
Equity instruments at fair value through other comprehensive income		**143,726**	31,465
Deferred tax assets		**803,152**	676,948
Deposits paid for acquisitions of subsidiaries		**1,507,461**	1,531,947
Deposit paid for acquisition of a joint venture		**68,379**	40,941
Amounts due from non-controlling shareholders of subsidiaries		**66,667**	–
Amounts due from joint ventures		**1,314,763**	1,118,809
Trade and other receivables	*10*	**422,996**	476,296
		19,067,585	17,050,666
CURRENT ASSETS			
Properties for sale		**135,697,160**	114,894,214
Inventories		**71,979**	66,834
Trade and other receivables	*10*	**16,172,137**	12,274,166
Deposits paid for acquisitions of land use rights and property projects		**826,398**	177,065
Amounts due from non-controlling shareholders of subsidiaries		**2,245,637**	1,924,264
Amounts due from joint ventures		**569,547**	294,064
Amounts due from associates		**166,953**	48,292
Financial assets at fair value through profit or loss		**524,400**	524,400
Tax recoverable		**2,389,194**	1,967,938
Prepaid lease payments		–	14,772
Structured deposits		**2,776,289**	1,328,000
Restricted bank deposits		**4,186,984**	2,281,255
Bank balances and cash		**47,873,495**	36,012,289
		213,500,173	171,807,553

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	Notes	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**34,920,240**	25,564,843
Contract liabilities		**68,604,544**	59,966,365
Amounts due to non-controlling shareholders of subsidiaries		**2,885,797**	2,352,730
Amounts due to joint ventures		**2,416,986**	2,402,017
Amount due to an associate		**45**	49
Loan from non-controlling shareholders of subsidiaries		**542,900**	543,330
Lease liabilities/Obligation under finance lease		**142,456**	38,821
Tax liabilities		**6,307,033**	5,534,968
Bank and other borrowings		**27,568,351**	19,261,443
Senior notes and bonds		**5,986,146**	4,470,449
Provisions		**913,061**	897,617
		150,287,559	121,032,632
NET CURRENT ASSETS		**63,212,614**	50,774,921
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,280,199**	67,825,587
NON-CURRENT LIABILITIES			
Other payables	*11*	–	503,810
Loan from non-controlling shareholders of subsidiaries		**925,600**	1,153,300
Deferred tax liabilities		**1,493,609**	1,184,072
Lease liabilities/Obligations under finance leases		**491,844**	260,940
Bank and other borrowings		**26,102,327**	21,489,907
Senior notes and bonds		**17,899,534**	12,499,712
		46,912,914	37,091,741
NET ASSETS		**35,367,285**	30,733,846
CAPITAL AND RESERVES			
Share capital		**25,409**	25,343
Reserves		**13,371,854**	11,846,874
Equity attributable to owners of the Company		**13,397,263**	11,872,217
Non-controlling interests		**21,970,022**	18,861,629
TOTAL EQUITY		**35,367,285**	30,733,846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values as appropriate.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	For the six months ended 30 June 2019			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services				
Property development				
Residential apartments	18,779,491	–	–	18,779,491
Commercial apartments	1,525,137	–	–	1,525,137
Retail shops and others	1,807,216	–	–	1,807,216
Low-density residential	309,291	–	–	309,291
	22,421,135	–	–	22,421,135
Property investment				
Commercial and retail shops	–	88,467	–	88,467
Others				
Property management	–	–	176,815	176,815
Sales of goods	–	–	785,975	785,975
Others	–	–	197,285	197,285
	–	–	1,160,075	1,160,075
Total	22,421,135	88,467	1,160,075	23,669,677

	For the six months ended 30 June 2019			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Timing of revenue recognition				
At a point of time	22,421,135	–	813,206	23,234,341
Recognised over time	–	–	346,869	346,869
	22,421,135	–	1,160,075	23,581,210
Rental income	–	88,467	–	88,467
Total	22,421,135	88,467	1,160,075	23,669,677

Disaggregation of revenue

	For the six months ended 30 June 2018			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services				
Property development				
Residential apartments	8,616,781	–	–	8,616,781
Commercial apartments	1,383,185	–	–	1,383,185
Retail shops and others	2,084,060	–	–	2,084,060
Low-density residential	866,295	–	–	866,295
	12,950,321	–	–	12,950,321
Property investment				
Commercial and retail shops	–	53,311	–	53,311
Others				
Property management	–	–	170,792	170,792
Sales of goods	–	–	464,009	464,009
Others	–	–	28,119	28,119
	–	–	662,920	662,920
Total	12,950,321	53,311	662,920	13,666,552

	For the six months ended 30 June 2018			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Timing of revenue recognition				
At a point of time	12,950,321	–	492,128	13,442,449
Recognised over time	–	–	170,792	170,792
	12,950,321	–	662,920	13,613,241
Rental income	–	53,311	–	53,311
Total	12,950,321	53,311	662,920	13,666,552

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 2019 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	**22,421,135**	**88,467**	**1,160,075**	**23,669,677**
Segment profit	**4,987,263**	**386,443**	**62,584**	**5,436,290**
Other income, gains and losses				**363,926**
Gain on disposal of subsidiaries				**4,576**
Unallocated corporate expenses				**(120,443)**
Share of results of joint ventures				**7,099**
Share of results of associates				**19,079**
Finance costs				**(276,415)**
Profit before tax				**5,434,112**

Six months ended 30 June 2018 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	12,950,321	53,311	662,920	13,666,552
Segment profit	2,658,132	447,011	33,423	3,138,566
Other income, gains and losses				72,831
Gain on disposal of subsidiaries				18,288
Unallocated corporate expenses				(72,589)
Share of results of joint ventures				87,882
Share of results of associates				1,430
Finance costs				(172,749)
Profit before tax				3,073,659

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Property development	**157,461,689**	131,226,532
Property investment	**9,592,455**	8,886,419
Others	**1,322,276**	1,473,303
Total segment assets	**168,376,420**	141,586,254

Others mainly include hotel operations, provision of property management services and sale of goods.

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision makers also review the segment assets attributable to each operating segment, which comprises assets other than certain amount of property, plant and equipment, interests in associates and joint ventures, equity instruments at fair value through other comprehensive income, deferred tax assets, amounts due from joint ventures and associates, tax recoverable, financial assets at FVTPL, structured deposits, restricted bank deposits, bank balances and cash and other assets not attributable to respective segment.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**167,247**	88,545
Gain on change in fair value of derivative financial instruments	**–**	1,933
Dividend income from equity instruments at fair value through other comprehensive income	**–**	2,268
(Loss) gain on disposal of property, plant and equipment	**(902)**	11,983
Investment return from financial assets through profit or loss and structured deposits	**50,299**	–
Net exchange gain (loss)	**102,825**	(168,302)
Other interest income	**15,607**	76,929
Others *(note)*	**28,850**	59,475
	363,926	72,831

Note: Others mainly include the forfeited deposits from customers and government subsidy received.

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	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")	**1,705,072**	904,293
Land appreciation tax	**655,696**	624,939
Other jurisdiction	**80,370**	37
	2,441,138	1,529,269
Deferred tax:		
PRC	**175,754**	69,581
Other jurisdiction	**17,184**	–
	192,938	69,581
	2,634,076	1,598,850

The EIT is calculated at 25% of the estimated assessable profits for the current and prior periods.

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

Under Australian tax law, the tax rate used for the period is 30% (2018: 30%) on taxable profits on Australian incorporated entities. The Australian subsidiaries of the Company are considered as an income tax consolidated group and are taxed as a simple entity. No tax provision for Australian profits tax had been made in the condensed consolidated financial statements for prior period as there was no assessable profits arises in Australia.

Under Canadian tax law, the tax rate used for the period is 26.5% (2018: 26.5%) on taxable profits on Canadian incorporated entities.

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Interest on:		
Bank and other borrowings	**2,088,449**	1,125,878
Other payables	**16,268**	15,875
Loan from non-controlling shareholders of subsidiaries	**118,576**	92,646
Senior notes and bonds	**946,750**	487,647
Amount due to a joint venture	**31,169**	–
Lease liabilities	**20,513**	–
Others	**40,000**	–
	3,261,725	1,722,046
Less: amounts capitalised to properties under development for sale	**(2,975,662)**	(1,546,064)
amounts capitalised to investment properties under development	**(9,648)**	(3,233)
	276,415	172,749
Staff costs	**803,187**	466,251
Release of prepaid lease payments	**–**	218
Depreciation of property, plant and equipment	**75,836**	41,682
Depreciation of right-of-use assets	**60,428**	–
Amortisation of intangible assets (included in administrative expenses)	**550**	550
Loss (gain) on disposal of property, plant and equipment	**902**	(11,983)

8. DIVIDENDS

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
2018 final dividend of RMB36 cents (six months ended 30 June 2018: 2017 final dividend of RMB25 cents) per share	**990,794**	670,393

The directors of the Company do not recommend or declare any payment of an interim dividend for the six months ended 30 June 2019 (2018: nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of basic earnings per share, being profit for the period attributable to owners of the Company	**2,271,914**	1,216,254
Adjustment on over-allotment option issued by a subsidiary	**(32)**	–
Earnings for the purposes of diluted earnings per share	**2,271,882**	1,216,254

	Six months ended	
	30.6.2019	30.6.2018
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,678,857**	2,680,494
Effect of dilutive potential ordinary shares on share options	**4,529**	772
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,683,386**	2,681,266

10. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**609,762**	532,313
Less: Allowance for credit losses	**(6,332)**	(5,174)
	603,430	527,139
Rental receivables	**51,205**	46,058
Other receivables	**5,515,006**	3,926,064
Contract assets	**594,256**	663,815
Less: Allowance for credit losses	**(19,700)**	(19,700)
	6,089,562	4,570,179
Security deposits	**1,144,988**	713,185
Advance to constructors and suppliers	**2,270,048**	1,370,035
Deposits paid to local government and third parties for the potential purchase of land use rights	**2,682,580**	2,588,826
Other tax prepayments	**3,753,320**	2,935,040
	16,595,133	12,750,462

The following aged analysis of trade receivables determined based on the date of the properties delivered and sales is recognised:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**336,348**	318,460
61 to 180 days	**80,202**	91,168
181 to 365 days	**111,846**	50,534
1 to 2 years	**31,140**	22,853
2 to 3 years	**6,843**	6,671
Over 3 years	**43,383**	42,627
	609,762	532,313

11. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**15,587,050**	11,212,889
Other payables	**5,726,031**	2,957,947
Consideration payables for property projects	**6,526,851**	4,610,082
Consideration payables for acquisition of subsidiaries	**1,162,016**	2,265,870
Other taxes payables	**5,918,292**	5,021,865
	34,920,240	26,068,653

The following is an analysis of trade payables presented based on the invoice date:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**8,826,279**	6,634,805
61 to 180 days	**5,219,193**	2,943,332
181 to 365 days	**755,190**	587,747
1 to 2 years	**205,238**	301,008
2 to 3 years	**250,298**	336,429
Over 3 years	**330,852**	409,568
	15,587,050	11,212,889

MANAGEMENT DISCUSSION AND ANALYSIS

I. CHINA PROPERTY MARKET

In the first half of 2019, global economic growth slowed down with increasing uncertainties. Against the backdrop of complex domestic and international circumstances, China has maintained stable growth. Its major macroeconomic indicators were within a reasonable range and its economic structure was in the midst of adjustment toward optimisation.

In the PRC property market, greater policy coordination from central to local government was realised in relation to demand and supply management in the first half of 2019. Policies remain unchanged as the central government once again emphasised "no speculation on residential properties". In general, the market cooled slightly, but there was more significant differentiation among cities in different tiers. At the same time, industry consolidation continues with increasing market share among top-tier developers and vice versa for smaller developers.

II. BUSINESS REVIEW

In the first half of 2019, capitalised on its well-balanced regional layout and healthy financial management, the Company achieved robust growth. Simultaneously, the Group strengthened its principal property business and continued to diversify its business structure. China Aoyuan recorded 33% growth in contracted sales for the first six months of 2019. The inclusion of China Aoyuan in MSCI China Index and continued corporate rating and rating outlook upgrades demonstrated China Aoyuan's comprehensive strength is well recognised by all sectors. Aoyuan Healthy Life Group Company Limited ("Aoyuan Healthy") (3662.HK), a subsidiary of the Group, was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 18 March this year.

The Principal Business Achieves an Outstanding Performance and Steady Business Growth

As of 30 June 2019, the Group achieved total contracted sales of approximately RMB53,630 million, representing an increase of 33% year-on-year. Contracted gross floor area sold was approximately 5.32 million square-metres, representing an increase of 35% year-on-year, while the average selling price was RMB10,080 per square-metre. Cities in the south China area generated an excellent contracted sales performance of approximately RMB22,820 million, representing approximately 42% of total contracted sales.

Our sales in the first half of 2019 were mainly contributed by project: Shenzhen Aoyuan Jade Bay, Chengdu Chenghua Aoyuan Plaza, Zhuhai Aoyuan Hengqin Bay, and Dongguan Aoyuan Guanlan Glorious Mansion, etc.

Details of contracted sales breakdown by province and city are as follows:

Province or city	**Contracted Sales** *(RMB million)*	**Contracted GFA Sold** *(sq.m.)*
Guangdong	17,100	1,390,900
Guangxi	4,480	602,700
Hainan	1,240	59,400
Chongqing	2,180	277,600
Sichuan	5,480	518,000
Hunan	3,520	546,100
Hubei	1,330	169,100
Shaanxi	870	89,400
Jiangxi	450	75,100
Yunnan	510	46,800
Guizhou	150	28,400
Zhejiang	4,210	323,200
Jiangsu	1,980	199,000
Anhui	2,240	232,900
Fujian	1,410	187,800
Liaoning	500	95,500
Beijing	610	26,900
Tianjin	400	25,100
Hebei	2,550	313,500
Shandong	1,170	85,600
Offshore	1,250	27,000
	53,630	5,320,000

At the same time, the Group increased its growth potential through organisation adjustments. These aligned the standardisation of product design, investment and financing management and the sales system structure more closely with market and project demand. The measures also increased motivation for development in the second half of the year and laid a foundation for increasing the size of the land bank, product premium, market adaptation ability, etc.

A Clear Strategy for Diverse Business Expansion

The Group initiated a "one core business with vertical development" structure with focus on "property development, commercial, technology, health and wellness, cultural tourism, finance, e-commerce and urban redevelopment". During the first half of 2019, we further defined this development direction of strengthening the principal business and industry. We also focused on creating mutual efforts from each business to further enhance synergy and internal production effectiveness. Our business structure became yet more diverse with the official listing of Aoyuan Healthy, a subsidiary of the Group, on the Main Board of the Stock Exchange on 18 March this year.

Market Recognition with Continued Rating Upgrades

The Company's outstanding performance and comprehensive strength are well recognized by all sectors. China Aoyuan is named among "Forbes Asia's Fab 50 2018" and "Fortune China Top 50 Board of Directors 2019", as well as a three-time winner of "Fortune China 500". China Aoyuan is ranked 26th among "2019 China Top 100 Real Estate Developers" – the fifth consecutive year it has been ranked in the top 30. The Company has also been named as one of the "Top 20 Guangdong Property Enterprises with High Credit" for eighteen consecutive years. The Company's inclusion in the MSCI China Index represented the international capital market's recognition of China Aoyuan. Following the upgrades of corporate rating and rating outlook from all three major international rating agencies, namely Fitch, S&P and Moody's, in 2016 to 2018, Aoyuan's rating outlook was further upgraded by Moody's and S&P to "positive" in February and March 2019. In May 2019, Aoyuan's domestic credit rating was upgraded to the highest rating, "AAA", the highest credit rating in PRC, by United Credit Ratings.

Setting an Urban Redevelopment Model with Full Coverage of "Old Towns, Old Villages and Old Factories"

Responding to the highly focused redevelopment of "old towns, old villages and old factories" ("Three Olds") by local governments, China Aoyuan has a full coverage of Three Olds urban redevelopment.

Currently, China Aoyuan's efforts in this respect are focused on the Guangdong-Hong Kong-Macao Greater Bay Area, Beijing Rim, Yangtze River Delta and Nanning. Among these, China Aoyuan has fostered the "Beautiful Zhuhai" project, involving its intensive engagement in urban redevelopment. It has also implemented certain Three Olds projects at different stages of redevelopment. China Aoyuan has achieved all-round coverage of Three Olds redevelopment to create a positive demonstrational effect while increasing its own power.

Rapid Development of O2O Shopping Model Spurs Various Indicators to Record Significant Growth for Aomaijia

In 2019, Aomaijia Group spread out its O2O shopping model. Its O2O offline shops covers south and east China, including top-tier cities such as Beijing, Shenzhen, Guangzhou and Zhuhai. The model's extensive coverage attracted wide attention from the market, and the online and offline shops were popular among consumers, accelerating the growth of Aomaijia's performance results. In the first half of 2019, Aomaijia Group's sales volume hit new high records, with increasing trends in various business sectors. Growth in the number of visitors, registrations and new online shop (app, mini programs) customers surpassed expectations. Specifically, the number of visitors and number of new customers in the first half of 2019 recorded year-on-year increases of 2,035% and 2,458% respectively.

Realising Synergies as the Healthy Community Ecosystem Form

As a listed subsidiary of the Group, Aoyuan Healthy focused on developing the general health and wellness industry with medical beauty, community healthcare, and healthcare management, and implementing its business strategy of diversifying service offerings to meet the evolving demands of customers. Aoyuan Healthy offers diversified property management services for residential and non-residential properties, and a full range of commercial operational services for shopping malls, with a focus on mid to high-end 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. In the first half of 2019, the Group achieved a 2.1 million square-metres increase in the GFA under the property management service segment, an increase in the number of commercial operation contracts with an aggregate contracted GFA of 288,000 square-metres. Aoyuan Healthy applied diversified services in two ecosystems of "lives in properties and commercial complex" and continuously integrated resources to provide medical beauty services and traditional Chinese medicine services for customers, so as to introduce more healthy lifestyles and ideas of traditional Chinese medicine to communities, and to provide convenient, intelligent, and fascinating traditional Chinese medicine services.

III. LAND BANK

The Group's ample quality land reserve guarantees its continuous growth and future performance. China Aoyuan is based in Guangdong, with a focus on the Guangdong-Hong Kong-Macao Greater Bay Area, and other development areas in the south, east, core central and western China, as well as the Bohai Rim, which gives the Company an ample land bank. As of 30 June 2019, China Aoyuan has 230 projects located in 75 domestic and overseas cities. The land bank's total GFA was 40.12 million square-metres (attributable: 81%) with a total value of approximately RMB 425.5 billion, of which approximately 27% was attributable to Greater Bay Area. The Group's land bank has sufficient reserves for around three years of development. China Aoyuan is also undertaking a number of urban redevelopment projects with potential saleable resources, most of which are located in Greater Bay Area cities, amounting to approximately RMB219.7 billion.

As of 30 June 2019, the Group's average land cost was approximately RMB2,321 per square-metre. From this, 3.76 million square-metres of property was completed, 19.16 million square-metres was under construction, and 17.20 million square-metres was reserved for future development.

IV. FUTURE OUTLOOK

The year 2019 marks the 70th anniversary of the founding of the PRC. China will stabilise its economy within a reasonable range and achieve further high quality development. At the end of the previous year, the National Working Conference of Housing and Urban-Rural Development emphasised the objectives in 2019 of stabilising land prices, property prices and expectations to promote the steady and healthy development of the property market. The conference insisted on the building of houses for habitation, not speculation, and focused on building and improving the long-term mechanism for the steady and healthy property market development, as well as preventing and resolving risk in the property market. In respect to development companies, it is essential to seize the opportunities presented by continuing urbanisation, and to implement different property policies in different cities to satisfy demand for essentials and improvements. At the same time, the Group focused on the corporation itself to conduct product research and development, undertaking all-round managerial reform of customer management, enhancing competitiveness and pursuing high quality balanced development.

China Aoyuan will continue to strengthen its business structure of "one core business with vertical development" and forge an international platform to bring fruitful returns to our shareholders and investors.

V. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2019, the Group's total revenue was approximately RMB23,670 million, representing an increase of approximately RMB10,003 million or 73.2% over approximately RMB13,667 million in the same period of 2018. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 94.7%, 4.9% and 0.4% respectively.

In the first half of 2019, the Group's revenue generated from property development amounted to approximately RMB22,421 million, representing an increase of approximately RMB9,471 million or 73.1% over approximately RMB12,950 million in the same period of 2018. The GFA of delivered properties increased by 26.1% to 2.08 million sq.m. from 1.65 million sq.m. in the same period of 2018, while the average selling price exclusive of tax increased by 37.1% to RMB10,785 per sq.m. from RMB7,868 per sq.m. in the same period of 2018. This was mainly attributable to the average selling price of residential apartments in the first half of 2019, which is the highest proportion, increased by approximately 63.2% compared with the same period of 2018.

Breakdown of property development revenue in the first half of 2019 by product type was as follows:

Product	Sold and Delivered Revenue (RMB million)	Area ('000 sq.m.)
Residential apartments	18,779	1,800
Commercial apartments	1,525	119
Retail shops and others	1,807	135
Low-density residential	310	25
Total	22,421	2,079

Gross Profit and Margin

In the first half of 2019, the gross profit of the Group was approximately RMB7,046 million, representing an increase of 80.6% from approximately RMB3,902 million in the same period of 2018. The Group's gross profit margin increased from 28.6% in the same period of 2018 to 29.8%.

Other Income, Gains and Losses

In the first half of 2019, the Group's other income, gains and losses mainly included net exchange gain of approximately RMB103 million, interest income of approximately RMB183 million, and other income of approximately RMB78 million.

Selling and Administrative Expenses

In the first half of 2019, total selling and distribution expenses of the Group were approximately RMB944 million, representing an increase of 57.3% from approximately RMB600 million in the same period of 2018, which was mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in contracted sales amount during the year, boosted by the increase in the number of pre-sales properties during the year. Total administrative expenses increased by 77.1% from approximately RMB651 million in the same period of 2018 to approximately RMB1,153 million, which was mainly due to the increase in staff expenses and other management costs resulting from the expansion of operation scale of the Group.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 48% is higher than the standard PRC enterprise income tax rate of 25%, mainly attributable to land appreciation tax of approximately RMB656 million.

Profit Attributable to Owners of the Company

In the first half of 2019, profit attributable to owners of the Company was approximately RMB2,272 million, representing an increase of 86.8% from approximately RMB1,216 million in the same period of 2018. Core net profit (excluding non-recurring profit and loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange difference, etc.) for the period amounted to approximately RMB2,490 million.

Financial Position

As at 30 June 2019, the Group's total assets amounted to approximately RMB232,568 million (31 December 2018: approximately RMB188,858 million) and total liabilities were approximately RMB197,200 million (31 December 2018: approximately RMB158,124 million).

Current ratio was 1.4 as at 30 June 2019 (31 December 2018: 1.4).

Financial Resources and Liquidity

In the first half of 2019, the Group's sources of fund primarily included income generated from business operations, cash from bank and other borrowings, as well as issuance of senior notes in US dollar, which were used in our business operations and investment in development of projects.

The Group expects that income generated from business operations and borrowings will continue to be the main sources of funds in the coming year. Therefore, the Group will continue to strengthen cash flow management, improve the efficiency of capital returns of projects and stringently control the cost and various expenses. Besides, the Group will continue to explore the opportunities to cooperate with foreign and domestic investors, in order to provide other sources of funding for the expansion of projects and business development.

Cash Position

As at 30 June 2019, the Group had cash and bank deposits, structured deposits of approximately RMB47,873 million and RMB2,777 million (31 December 2018: approximately RMB36,013 million and RMB 1,328 million). As at 30 June 2019, the Group had restricted bank deposits of approximately RMB4,187 million (31 December 2018: approximately RMB2,281 million) which were mainly reserved for obtaining bank loans.

As at 30 June 2019, cash, bank deposits, structured deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB54,837 million, of which 88% was denominated in Renminbi and 12% was denominated in other currencies (mainly HK dollar, Australian dollar, Canadian dollar and US dollar).

In the first half of 2019, cash collection ratio (total sales proceeds received in first half of 2019 divided by the contract sales amount for the first half of the year) for the Group's contracted sales was approximately 75%.

Borrowings, Senior Notes and Bonds and Net Gearing Ratio

Borrowings and Senior Notes and Bonds

As at 30 June 2019, the Group had bank and other borrowings of approximately RMB53,670 million (31 December 2018: approximately RMB40,752 million) and senior notes and corporate bonds of approximately RMB23,886 million (31 December 2018: approximately RMB16,970 million) as follows:

Repayment Period	**30 June 2019** *(RMB million)*	31 December 2018 *(RMB million)*
Repayment on demand or within one year	**33,554**	23,732
More than one year, but not exceeding two years	**23,927**	21,172
More than two years, but not exceeding five years	**20,075**	12,818
	77,556	57,722

The majority of borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on annual basis, thus exposing the Group to fair value interest rate risk. In the first half of 2019, the effective interest rate on borrowings, senior notes and corporate bonds was 7.4%, which was the same as 7.4% at the end of 2018. The Group has implemented certain interest rate management policies which included, among others, the close monitoring of interest rate movements as well as the replacing of and the entering into new banking facilities when good pricing opportunities arise.

In January 2019, the Group successfully further issued offshore senior notes of US$275 million due 2021 for the Group's refinancing and general corporate purposes.

In January 2019, the Group successfully issued 3-year offshore senior notes of US$500 million due 2022 for the Group's refinancing and general corporate purposes.

In February and July 2019, the Group successfully issued 4-year offshore senior notes of aggregated US$475 million due 2023 to refinance the Group's existing offshore indebtedness.

In June 2019, the Group successfully issued 4-year offshore senior notes of US$200 million due 2023 to an internationally renowned institutional investor to refinance the Group's existing offshore indebtedness.

As at 30 June 2019, the Group had credit facilities of approximately RMB148,612 million (31 December 2018: approximately RMB94,924 million) for short-term and long- term borrowings, of which approximately RMB63,040 million (31 December 2018: approximately RMB31,783 million) were unutilised.

Net Gearing Ratio

Net gearing ratio is measured by the net borrowings (total amount of bank and other borrowings, senior notes and corporate bonds net of cash and cash equivalents, structured deposits and restricted bank deposits) over the total equity. As at 30 June 2019, the Group's net gearing ratio was 64.2%. The Group has implemented certain loan management policies, which mainly include the close monitoring of the gearing ratio and any changes in net gearing ratio, and optimisation of the bank credit structure when good pricing opportunities arise.

Contingent Liabilities

As at 30 June 2019, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures of the Group amounting to approximately RMB68,169 million (31 December 2018: approximately RMB53,604 million).

The Group acted as guarantor to the banks in respect of the bank's mortgage loans granted to certain property purchasers of the Group and agreed to repurchase the properties upon the purchasers' default on the repayment of the outstanding mortgage loans and the loan interests accrual thereon. The fair value of the financial guarantee contracts is not significant at the initial recognition, and no provision has been made as the default rate is low.

As at 30 June 2019, the Group had outstanding financial guarantees issued to banks in respect of banking facilities granted to the joint ventures of the Group. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which approximately RMB1,245 million (31 December 2018: approximately RMB1,620 million) were utilised by the joint ventures as at the end of the reporting period.

Commitments

As at 30 June 2019, the Group's construction cost, land payments and payments for acquisition of subsidiaries, joint ventures and fixed assets contracted but not provided for amounted to approximately RMB24,986 million (31 December 2018: approximately RMB23,322 million). The Group expects to fund these commitments principally with the proceeds from the property sales and bank borrowings.

Foreign Currency Risks

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, senior notes denominated in US dollar and Singapore dollar and bank loans denominated in US dollar and HK dollar, the Group's operating cash flow or liquidity is not directly subject to any other significant exchange rate fluctuations. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure when needed.

Pledge of Assets

As at 30 June 2019, the Group pledged its properties for sales, plant and equipment, investment properties, prepaid lease payment and restricted bank deposit amounting to approximately RMB43,496 million (31 December 2018: approximately RMB29,979 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had following significant events took place:

(a) On 19 July 2019, the Company entered into share transfer agreements to acquire 13.86% of total shares of Aeon Life Insurance Company, Ltd. at the consideration of RMB3,261,600,000. Details of the transaction are set out in the announcement of the Company dated 19 July 2019. The transaction has not yet completed up to the date of issuance of this interim results announcement.

(b) On 30 July 2019, the Company issued senior notes (the "2019 Notes 5") in an aggregate principal amount of US$250 million (equivalent to approximately RMB1,722 million) (to be consolidated to 2019 Notes 3 and form a single series with the US$225 million 7.95% senior note issued on 11 February 2019) carries interest at 7.95% per annum and due in 2023. Details of the terms and conditions are set out in the announcements issued by the Company on 30 July 2019. Up to the date of issuance of this interim results announcement, the net proceeds of approximately US$266 million (equivalent to approximately RMB1,832 million) from the issuance of the 2019 Notes 5 have been fully received.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2019 (2018: nil).

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the six months ended 30 June 2019, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2019.

HUMAN RESOURCES

As of 30 June 2019, the Group had about 14,398 employees (31 December 2018: 12,040). The remuneration policy and package of the Group's employees are structured in accordance with market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Cheung Kwok Keung as chairman as well as Mr. Tsui King Fai and Mr. Hu Jiang 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 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company. The interim report of the Company for the six months ended 30 June 2019 containing all the information required by Appendix 16 of 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
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 16 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Guo Zi Ning, Mr. Ma Jun and Mr. Chan Ka Yeung Jacky; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.