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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 2020

2020 INTERIM RESULTS HIGHLIGHTS

- Property contracted sales for the period was RMB50.87 billion.
- Revenue for the period was RMB28.24 billion, representing a year-on-year increase of 19%.
- Gross profit for the period was RMB8.28 billion, representing a year-on-year increase of 18%; gross profit margin was 29.3%.
- Core net profit for the period ^{Note 1} was RMB2.83 billion, representing a year-on-year increase of 14%; core net profit margin was 10.0%.
- Core net profit attributable to owners of the Company for the period ^{Note 1} was RMB2.45 billion, representing a year-on-year increase of 21%; core net profit attributable to owners of the Company margin was 8.7%.
- Basic earnings per share for the period was RMB89.61 cents, and diluted earnings per share for the period was RMB89.51 cents.
- Bank balances and cash (including restricted bank deposits and structured deposits) as at 30 June 2020 was RMB69.44 billion, and net gearing ratio was 79.8%.
- In the first half of 2020, newly added GFA of approximately 6.95 million sq.m.; total GFA of land bank as at 30 June 2020 was 48.74 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”) of China Aoyuan Group Limited (“China Aoyuan”, “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 2020 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 2020

	Notes	Six months ended	
		30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited)
Revenue	3		
Contracts with customers		28,144,517	23,581,210
Leases		98,483	88,467
Total revenue		28,243,000	23,669,677
Cost of sales		(19,960,897)	(16,623,992)
Gross profit		8,282,103	7,045,685
Other income, gains and losses	5	221,133	363,926
Change in fair value of investment properties		78,905	363,792
Recognition of change in fair value of properties for sale upon transfer to investment properties		273,393	3,392
Gain on disposal of subsidiaries		420,171	4,576
Selling and distribution expenses		(1,105,427)	(943,658)
Administrative expenses		(1,459,568)	(1,153,364)
Share of results of joint ventures		(120,209)	7,099
Share of results of associates		(26,664)	19,079
Finance costs		(443,769)	(276,415)
Profit before tax		6,120,068	5,434,112
Income tax expense	6	(3,280,182)	(2,634,076)
Profit for the period	7	2,839,886	2,800,036
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation foreign operations		2,829	(5,842)
Profit and total comprehensive income for the period		2,842,715	2,794,194

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

		Six months ended	
		30.6.2020	30.6.2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		2,416,088	2,271,914
Non-controlling interests		423,798	528,122
		<u>2,839,886</u>	<u>2,800,036</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		2,419,079	2,266,152
Non-controlling interests		423,636	528,042
		<u>2,842,715</u>	<u>2,794,194</u>
Earnings per share (<i>RMB cents</i>)			
Basic	<i>9</i>	<u>89.61</u>	<u>84.81</u>
Diluted		<u>89.51</u>	<u>84.66</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,892,593	2,686,443
Right-of-use assets		1,402,669	1,552,814
Investment properties		10,705,079	10,072,375
Goodwill		3,491	3,491
Intangible assets		3,635	4,320
Interests in joint ventures		5,678,603	4,280,364
Interests in associates		1,597,429	1,584,516
Equity instrument at fair value through profit or loss ("FVTPL")		52,736	–
Equity instruments at fair value through other comprehensive income		545,777	245,777
Deferred tax assets		1,193,837	998,444
Deposits paid for acquisitions of subsidiaries		3,328,397	4,110,308
Deposit paid for acquisition of property, plant and equipment		521	–
Deposit paid for acquisition of a joint venture		85,849	44,377
Amounts due from non-controlling shareholders of subsidiaries		313,920	363,920
Amounts due from joint ventures		1,024,165	1,167,161
Trade and other receivables	<i>10</i>	360,896	308,596
		29,189,597	27,422,906
CURRENT ASSETS			
Properties for sale		160,152,157	158,931,481
Inventories		172,568	83,530
Trade and other receivables	<i>10</i>	25,468,406	26,258,864
Deposits paid for acquisitions of land use rights and property projects		841,800	266,454
Amounts due from non-controlling shareholders of subsidiaries		4,043,205	3,588,439
Amounts due from joint ventures		4,776,295	1,316,451
Amounts due from associates		648,632	464,419
Financial assets at FVTPL		484,380	574,400
Tax recoverable		3,370,922	2,913,645
Structured deposits		755,000	704,500
Restricted bank deposits		15,657,071	9,312,790
Bank balances and cash		53,027,103	58,042,554
		269,397,539	262,457,527

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	<i>Notes</i>	30.6.2020	31.12.2019
		RMB'000	RMB'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade and other payables	<i>11</i>	37,567,135	36,837,682
Financial liability at FVTPL		27,646	–
Contract liabilities		78,728,399	86,056,335
Amounts due to non-controlling shareholders of subsidiaries		5,355,416	9,991,460
Amounts due to joint ventures		18,314,598	12,713,851
Amounts due to associates		325,771	116,632
Lease liabilities		272,491	242,844
Tax liabilities		9,006,723	8,081,061
Bank and other borrowings		36,643,040	33,809,040
Senior notes and bonds		10,868,955	8,064,013
Provisions		1,826,472	934,406
		<u>198,936,646</u>	<u>196,847,324</u>
NET CURRENT ASSETS		<u>70,460,893</u>	<u>65,610,203</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>99,650,490</u>	<u>93,033,109</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,411,427	1,441,881
Lease liabilities		609,343	703,743
Bank and other borrowings		36,971,462	35,151,698
Senior notes and bonds		18,564,298	18,739,179
		<u>57,556,530</u>	<u>56,036,501</u>
NET ASSETS		<u>42,093,960</u>	<u>36,996,608</u>
CAPITAL AND RESERVES			
Share capital		25,568	25,453
Reserves		15,238,013	15,004,428
Equity attributable to owners of the Company		15,263,581	15,029,881
Non-controlling interests		26,830,379	21,966,727
TOTAL EQUITY		<u>42,093,960</u>	<u>36,996,608</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, 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 became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

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

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

3. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2020			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sales of properties				
Residential apartments	21,279,210	–	–	21,279,210
Commercial apartments	2,204,034	–	–	2,204,034
Retail shops and others	1,654,616	–	–	1,654,616
Low-density residential	2,202,817	–	–	2,202,817
	<u>27,340,677</u>	<u>–</u>	<u>–</u>	<u>27,340,677</u>
Others				
Property management	–	–	315,894	315,894
Sales of goods	–	–	376,459	376,459
Others	–	–	111,487	111,487
	<u>–</u>	<u>–</u>	<u>803,840</u>	<u>803,840</u>
Revenue from contracts with customers	27,340,677	–	803,840	28,144,517
Property investment				
Commercial and retail shops	–	98,483	–	98,483
Total	<u>27,340,677</u>	<u>98,483</u>	<u>803,840</u>	<u>28,243,000</u>

	For the six months ended 30 June 2020			
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
At a point of time	27,340,677	–	401,591	27,742,268
Recognised over time	–	–	402,249	402,249
	<u>27,340,677</u>	<u>–</u>	<u>803,840</u>	<u>28,144,517</u>
Rental income	–	98,483	–	98,483
Total	<u>27,340,677</u>	<u>98,483</u>	<u>803,840</u>	<u>28,243,000</u>

For the six months ended 30 June 2019

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services				
Sales of properties				
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
	<u>22,421,135</u>	<u>–</u>	<u>–</u>	<u>22,421,135</u>
Others				
Property management	–	–	231,446	231,446
Sales of goods	–	–	785,975	785,975
Others	–	–	142,654	142,654
	<u>–</u>	<u>–</u>	<u>1,160,075</u>	<u>1,160,075</u>
Revenue from contracts with customers	22,421,135	–	1,160,075	23,581,210
Property investment				
Commercial and retail shops	–	88,467	–	88,467
Total	<u>22,421,135</u>	<u>88,467</u>	<u>1,160,075</u>	<u>23,669,677</u>

For the six months ended 30 June 2019

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
At a point of time	22,421,135	–	813,206	23,234,341
Recognised over time	–	–	346,869	346,869
	<u>22,421,135</u>	<u>–</u>	<u>1,160,075</u>	<u>23,581,210</u>
Rental income	–	88,467	–	88,467
Total	<u>22,421,135</u>	<u>88,467</u>	<u>1,160,075</u>	<u>23,669,677</u>

4. SEGMENT INFORMATION

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

Six months ended 30 June 2020 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
External segment revenue	<u>27,340,677</u>	<u>98,483</u>	<u>803,840</u>	<u>28,243,000</u>
Segment profit (loss)	<u>5,972,118</u>	<u>385,503</u>	<u>(162,823)</u>	6,194,798
Other income, gains and losses				261,445
Gain on disposal of subsidiaries				420,171
Unallocated corporate expenses				(165,704)
Share of results of joint ventures				(120,209)
Share of results of associates				(26,664)
Finance costs				<u>(443,769)</u>
Profit before tax				<u>6,120,068</u>

Six months ended 30 June 2019 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
External segment revenue	<u>22,421,135</u>	<u>88,467</u>	<u>1,160,075</u>	<u>23,669,677</u>
Segment profit	<u>4,987,263</u>	<u>386,443</u>	<u>62,584</u>	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				<u>(276,415)</u>
Profit before tax				<u>5,434,112</u>

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

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Property development	195,034,549	194,626,996
Property investment	10,768,406	10,136,687
Others (<i>note</i>)	2,755,164	2,250,766
Total segment assets	<u>208,558,119</u>	<u>207,014,449</u>

Note: Others mainly include hotel operations, provision of property management services and sales 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 right-of-use assets and property, plant and equipment, interests in associates and joint ventures, equity instrument at fair value through profit or loss ("FVTPL"), 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	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	419,949	167,247
Loss on disposal of property, plant and equipment	(1,662)	(902)
Investment return from financial assets at FVTPL and structured deposits	22,867	50,299
Net exchange (loss) gain	(213,394)	102,825
Loss on change in fair value of financial assets at FVTPL	(40,300)	–
Other interest income	50,298	15,607
Others (<i>note</i>)	63,998	30,008
Impairment losses on trade and other receivables	(61,626)	(1,158)
Impairment losses on right-of-use assets	(18,997)	–
	<u>221,133</u>	<u>363,926</u>

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

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Income tax expense recognised comprises of:		
Current tax:		
The People's Republic of China (the "PRC")		
Enterprise income tax ("EIT")	2,515,252	1,705,072
Land appreciation tax	838,144	655,696
Other jurisdictions	5,250	80,370
	<u>3,358,646</u>	<u>2,441,138</u>
Deferred tax:		
PRC	(97,370)	175,754
Other jurisdiction	18,906	17,184
	<u>(78,464)</u>	<u>192,938</u>
	<u>3,280,182</u>	<u>2,634,076</u>

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 for both periods.

Under Australian tax law, the tax rate used for the period is 30% (2019: 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.

Under Canadian tax law, the tax rate used for the period is 26.5% (2019: 26.5%) on taxable profits on Canadian incorporated entities.

Tax provision for Australian and Canadian profits tax has been made in the condensed consolidated financial statements for the period ended 30 June 2020 and 30 June 2019 as there were assessable profits arises in both jurisdictions for both periods.

7. PROFIT FOR THE PERIOD

Six months ended	
30.6.2020	30.6.2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Profit for the period has been arrived at after charging (crediting) the following items:

Interest on:

Bank and other borrowings	3,153,412	2,088,449
Other payables	13,416	16,268
Loans from non-controlling shareholders of subsidiaries	–	118,576
Senior notes and bonds	1,212,612	946,750
Amount due to a joint venture	16,610	31,169
Lease liabilities	30,778	20,513
Others	–	40,000
	<u>4,426,828</u>	<u>3,261,725</u>
Less: amounts capitalised to properties under development for sale	(3,963,104)	(2,975,662)
amounts capitalised to investment properties under construction	<u>(19,955)</u>	<u>(9,648)</u>
	<u>443,769</u>	<u>276,415</u>
Staff costs	1,091,765	803,187
Depreciation of property, plant and equipment	98,294	75,836
Depreciation of right-of-use assets	127,047	60,428
Amortisation of intangible assets (included in administrative expenses)	<u>685</u>	<u>550</u>

8. DIVIDENDS

Six months ended	
30.6.2020	30.6.2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

2019 final dividend of RMB55 cents

(six months ended 30 June 2019: 2018 final dividend of RMB36 cents) per share

<u>1,479,711</u>	<u>990,794</u>
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The directors of the Company do not recommend or declare any payment of an interim dividend for the six months ended 30 June 2020 (2019: 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	
	30.6.2020	30.6.2019
	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	2,416,088	2,271,914
Adjustment on over-allotment option issued by a subsidiary	<u> –</u>	<u> (32)</u>
Earnings for the purposes of diluted earnings per share	<u>2,416,088</u>	<u>2,271,882</u>
	30.6.2020	30.6.2019
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	2,696,084	2,678,857
Effect of dilutive potential ordinary shares:		
– Share options	<u> 3,298</u>	<u> 4,529</u>
Weighted average number of ordinary shares for the purpose of		
diluted earnings per share	<u>2,699,382</u>	<u>2,683,386</u>

Those share options granted by Aoyuan Healthy Life Company Group Limited (“Aoyuan Healthy Life”), a non-wholly owned subsidiary of the Company, have no impact on the computation of diluted earnings per share for the current period, where the exercise price of the share options was higher than the average market price of the Aoyuan Healthy Life’s share.

10. TRADE AND OTHER RECEIVABLES

	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Trade receivables	947,655	916,937
Less: Allowance for credit losses	<u>(12,492)</u>	<u>(8,721)</u>
	935,163	908,216
Rental receivables	54,770	54,030
Other receivables	9,194,226	11,618,829
Security deposits	2,216,726	2,475,112
Less: Allowance for credit losses	<u>(165,192)</u>	<u>(107,337)</u>
	11,245,760	13,986,604
Contract costs	687,353	637,195
Advance to constructors and suppliers	4,225,657	3,440,030
Deposits paid to local government and third parties for the potential purchases of land use rights and property projects	4,597,938	3,621,624
Other tax prepayments	<u>4,082,661</u>	<u>3,919,761</u>
	25,829,302	26,567,460
Analysis for reporting purpose:		
Non-current assets	360,896	308,596
Current assets	<u>25,468,406</u>	<u>26,258,864</u>
	25,829,302	26,567,460

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

	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
0 – 60 days	365,261	502,909
61 – 180 days	54,042	71,980
181 – 365 days	258,154	226,764
1 – 2 years	214,698	63,870
2 – 3 years	10,179	8,326
Over 3 years	<u>45,321</u>	<u>43,088</u>
	947,655	916,937

11. TRADE AND OTHER PAYABLES

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	17,561,774	18,074,095
Other payables	7,145,350	5,185,100
Consideration payables for property projects	2,687,440	3,440,341
Consideration payables for acquisition of subsidiaries	2,063,034	2,286,898
Other taxes payables	8,109,537	7,851,248
	<u>37,567,135</u>	<u>36,837,682</u>

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

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
0 – 60 days	8,878,364	9,522,774
61 – 180 days	6,051,109	6,174,922
181 – 365 days	1,014,519	982,462
1 – 2 years	990,485	416,058
2 – 3 years	155,739	362,979
Over 3 years	471,558	614,900
	<u>17,561,774</u>	<u>18,074,095</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. CHINA PROPERTY MARKET

At the beginning of 2020, the COVID-19 pandemic broke out and developed into a global pandemic, which has had a rapid and huge impact on countries around the world. The world economy has fallen into a severe recession with heightened Sino-US friction and uncertainty. At present, the COVID-19 pandemic in the world is still severe with many places seeing rebound in infections after relaxation of prevention measures.

Benefiting from the strong and effective joint prevention and control mechanism, the COVID-19 pandemic in China is under control. Economic activities have been on an obvious recovery trajectory, and the real estate industry continues to grow in a stable and healthy manner. According to the National Bureau of Statistics, gross domestic product (GDP) for the first half of 2020 dropped 1.6% year-on-year, while GDP growth for the second quarter has returned to the positive territory, recording year-on-year increase of 3.2%. Data from the National Bureau of Statistics also shows that from January to June, the gross floor area (GFA) sold of commodity housing was 690 million square metres, down 8.4% year-on-year, improving by 3.9% from the decrease for the first five months. Sales of commodity housing was RMB6.7 trillion, down 5.4% year-on-year, improving by 5.2% from the decrease recorded for the first five months.

Firmly upholding the principle of “housing is for living in, not for speculation”, China has been promoting the implementation of a long-term real estate mechanism and implementing the primary responsibility of cities. In response to the impact of the COVID-19, local governments adopted more flexible city-specific policies and targeted control measures to ensure a smooth running and stable property market. At the same time, the pandemic has spurred greater demand for high-quality residential space. As such, amid the pursuit of scale, real estate companies need to improve their own management level and operating efficiency, and pay attention to the improvement of product development and service quality.

II. BUSINESS REVIEW

Sales performance

Since the outbreak of the COVID-19 pandemic in 2020, Aoyuan has actively shouldered its corporate social responsibility and procured over 1.2 million medical masks of various types and a considerable number of medical ventilators, protective clothing, testing kits, thermometers and gloves etc. through global medical supplies channels in support of medical professionals battling the epidemic at the frontline in Wuhan and Guangzhou. Aoyuan was one of the first real estate companies to support Wuhan, and among the first batch of companies to directly procure urgently-needed medical supplies and support frontline hospitals in fighting against the COVID-19 pandemic.

Facing the challenges brought by the COVID-19 pandemic and the complex and ever-changing domestic and foreign environment, China Aoyuan, on one hand, focused on prevention and control of COVID-19 pandemic, and on the other hand, worked hard on resumption of work and production to back the steady recovery of sales performance.

With the full resumption of work and production at the sales offices and construction sites in late March and early April, monthly sales have shown a steady upward trend. In the first half of 2020, the Group achieved property contracted sales of approximately RMB50.87 billion, ranking among the national Top 30 according to the “China Property Developer Sales Ranking for the first half of 2020” released by CRIC.

Our sales in the first half of 2020 were mainly contributed by the following projects: Xi’an Aoyuan Heyue Mansion, Chengdu Aoyuan One Peninsula, Aoyuan Huajingchuan Urban Park, Aoyuan Jinji Tianzhu House, and Dongguan Aoyuan Guanlan Glorious Mansion, etc.

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

Province or city	Contracted Sales <i>(RMB million)</i>	Contracted GFA Sold <i>(’000 sq.m.)</i>
Guangdong	10,416	1,069
Guangxi	1,838	380
Hainan	482	19
Chongqing	3,630	300
Sichuan	6,287	483
Hunan	1,906	308
Hubei	422	38
Shaanxi	3,011	184
Henan	2,078	276
Jiangxi	826	130
Yunnan	241	36
Guizhou	160	26
Zhejiang	2,629	170
Jiangsu	6,909	564
Anhui	4,254	550
Fujian	2,140	185
Liaoning	305	73
Beijing	287	13
Tianjin	488	41
Hebei	1,594	225
Shandong	351	28
Offshore	618	13
	50,872	5,111

Multi-channel land bank replenishment

The abundant and high-quality land bank underpins the Group’s future growth. During the reporting period, the Group continued to leverage its traditional merger and acquisition (“M&A”) strength in land acquisition and track the public land auction market, while actively exploring M&A opportunities of asset portfolios and accelerating conversion of urban redevelopment projects, as well as tapping into cross industry collaboration channels to increase its land bank.

In first half of 2020, the Group acquired 44 projects with newly added GFA of approximately 6.95 million sq.m. and newly added saleable resources of approximately RMB83.2 billion, maintaining reasonable land cost and stable margins to weather market downturn. As at 30 June 2020, the Group’s 317 projects span 90 onshore and offshore cities with total GFA of approximately 48.74 million sq.m. (attributable: 78%) and total saleable resources of approximately RMB501.5 billion. Total saleable resources including urban redevelopment projects amounted to RMB1,160.2 billion, which is sufficient for the development needs in the next 4 to 5 years.

During the period, the Group leveraged its M&A strength and acquired 29.30% shareholdings, which is equivalent to approximately 29.99% of the issued shares with voting rights, of Kinghand Industrial Investment Group Co., Ltd. (“Kinghand Industrial”) (stock code of Shenzhen Stock Exchange: 000615.SZ) and became its de facto controller. These projects held by Kinghand Industrial were mainly located in Beijing, Tianjin, Chongqing, Chengdu, Nanjing, Taiyuan, Guangdong Province and Hebei Province, etc.. The acquisition allowed the Group to cultivate the existing region and strengthen its land bank.

China Aoyuan closely follows the urban redevelopment policies and city development plans in the Guangdong-Hong Kong-Macao Greater Bay Area, and has achieved a full coverage of “Three Olds” urban redevelopment – old towns, old villages and old factories. During the period, the Group’s urban redevelopment projects have seen satisfactory progress. The Group has become the implementation developer of the Zhuhai Lian’an Old Village Urban Redevelopment Project, a cooperative enterprise for the urban redevelopment of Henglang Village in Zengcheng, Guangzhou, and signed a contract to become the early-stage service provider for the redevelopment project of Lychee Village South, Qingxi Town, Dongguan, Guangdong. As at 30 June 2020, the Group has over 50 urban redevelopment projects with planned total GFA of 30.58 million sq.m., estimated saleable GFA of approximately 17.59 million sq.m., and estimated saleable resources of approximately RMB658.7 billion, 95% of which are located in the Guangdong, Hong Kong and Macao Greater Bay Area, providing additional land bank resources.

Optimizing debt structure through diversified financing

In the first half of 2020, due to the COVID-19 pandemic and the intensified Sino-US friction, the capital market has been volatile, and the financing environment for Chinese property developers was full of challenges. The Group seized the financing window to complete a number of financing activities.

In February and July 2020, the Group successfully issued USD188 million of 363-day 4.8% offshore senior notes and USD460 million of 6.35% offshore senior notes due 2024, which were highly sought after by the capital market. In January and April 2020, secured two tranches of three-year offshore syndicated bank loans equivalent to approximately USD280 million, at an annual interest rate of HIBOR/LIBOR + 4.3% per annum, with a total of nine offshore commercial banks led by Hang Seng Bank and HSBC.

In February 2020, the Group successfully issued RMB2.54 billion 5.5% onshore corporate bond due 2025. In August 2020, the Group successfully issued RMB1.18 billion 5.65% onshore corporate bond due 2025.

Thanks to a steady improvement in sales performance, disciplined land bank replenishment and prudent financial management, during the reporting period, the Group's credit rating and "positive" rating outlook were reaffirmed by S&P and Moody's. The Company's domestic credit rating has been rated as "AAA" by United Credit Ratings.

An impressive first anniversary since Aoyuan Healthy's listing

Since its listing on the Main Board of Hong Kong Stock Exchange in March 2019, the share price of the Group's subsidiary Aoyuan Healthy Life Group (3662.HK) has hit new record highs and the stock has been covered by a number of brokers with positive ratings. During the period, Aoyuan Healthy announced the acquisitions of 80% of the equity interest in Easy Life Smart Community Services Group Co., Ltd. and 65% equity interest in Ningbo Hongjian Property Services Company Limited. Upon the completion of the acquisitions, Aoyuan Healthy's management area will exceed 40 million sq.m., and the property management service portfolio and scale will be further expanded.

After the outbreak of the COVID-19 pandemic this year, Aoyuan Healthy responded quickly and effectively carried out community epidemic prevention and control measures while continuing to provide high-quality comprehensive property management services, which was widely recognized by the owners and received extensive coverage by mainstream media such as CCTVS evening news programme "Xinwen Lianbo", People's Daily Online, Nanfang Daily.

During the period, Aoyuan Healthy was included in the "Top 10 Listed Property Companies in China in 2020" and the "Top 8 in Investment Value of Property Companies in China in 2020" by Yihan Think Tank, an independent third party. Its comprehensive strength and investment value were once again widely recognised by the industry.

III. OUTLOOK

Since the outbreak of the COVID-19 pandemic from early 2020, economic activities and daily life have been affected to varying degrees, and impact has also been felt in the Chinese real estate market and the operation of real estate companies. With the COVID-19 pandemic under control, the overall operations of Chinese real estate companies have gradually recovered. Under the influence of the slowdown in industry growth and the COVID-19 pandemic, competition in the Chinese real estate market has intensified with greater divergence among echelons.

At the same time, the just-concluded meeting of the Political Bureau of the Central Committee has further reiterated policy tone of “housing is for living in, not for speculation” to better implement the long-term control objectives of stabilizing land prices, housing prices and expectations. We believe that the current regulatory policies will not see large-scale adjustments, but local governments shall, based on the impact of the COVID-19 pandemic, adjust policies in accordance with actual conditions to better implement the goal of stable and healthy development of the real estate market.

China Aoyuan will actively adjust its strategy in accordance with market changes, increase investment in Tier 1, Tier 2 and core Tier 3 cities, and focus on cultivating the four core regions of Guangdong-Hong Kong-Macao Greater Bay Area, Bohai Rim, Yangtze River Delta, and Central and Western Regions. The Group will also accelerate the transformation of urban redevelopment projects, continue to improve the standardization system requirements on product design, operation and safety management in a bid to provide customers with high-quality products and services, pursue high-quality and balanced sustainable development, thereby bringing stable and long-term returns to the shareholders and investors.

IV. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2020, the Group’s total revenue was approximately RMB28,243 million, representing an increase of approximately RMB4,573 million or 19.3% over approximately RMB23,670 million in the same period of 2019. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 96.8%, 2.9% and 0.3% respectively.

In the first half of 2020, the Group’s revenue generated from property development amounted to approximately RMB27,341 million, representing an increase of approximately RMB4,920 million or 21.9% over approximately RMB22,421 million in the same period of 2019. The GFA of delivered properties increased by 38.5% to 2.88 million sq.m. from 2.08 million sq.m. in the same period of 2019, while the average selling price exclusive of tax decreased by 12.1% to RMB9,484 per sq.m. from RMB10,785 per sq.m. in the same period of 2019. This was because the properties delivered in the first half of 2020 was mainly contributed from Ningbo, Nanning, etc., while in the corresponding period of last year was contributed from Shenzhen and Guangzhou.

Breakdown of property development revenue in the first half of 2020 by product type was as follows:

Product	Sold and Delivered	
	Revenue <i>(RMB million)</i>	Area <i>('000 sq.m.)</i>
Residential apartments	21,279	2,420
Commercial apartments	2,204	170
Retail shops and others	1,655	99
Low-density residential	2,203	194
	<hr/>	<hr/>
Total	<u>27,341</u>	<u>2,883</u>

Gross Profit and Margin

In the first half of 2020, the gross profit of the Group was approximately RMB8,282 million, representing an increase of 17.5% from approximately RMB7,046 million in the same period of 2019. The Group's gross profit margin decreased from 29.8% in the same period of 2019 to 29.3%.

Other Income, Gains and Losses

In the first half of 2020, the Group's other income, gains and losses mainly included net exchange loss of approximately RMB213 million, interest income of approximately RMB470 million, and other losses of approximately RMB36 million.

Selling and Administrative Expenses

In the first half of 2020, total selling and distribution expenses of the Group were approximately RMB1,105 million, representing an increase of 17.1% from approximately RMB944 million in the same period of 2019, which was mainly attributable to the increase in marketing and promotional activities during the period. Total administrative expenses increased by 26.6% from approximately RMB1,153 million in the same period of 2019 to approximately RMB1,460 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 54% is higher than the standard PRC enterprise income tax rate of 25%, mainly attributable to land appreciation tax of approximately RMB838 million.

Profit Attributable to Owners of the Company

In the first half of 2020, profit attributable to owners of the Company was approximately RMB2,416 million, representing an increase of 6.3% from approximately RMB2,272 million in the same period of 2019. 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 RMB2,828 million.

Financial Position

As at 30 June 2020, the Group's total assets amounted to approximately RMB298,587 million (31 December 2019: approximately RMB289,880 million) and total liabilities were approximately RMB256,493 million (31 December 2019: approximately RMB252,884 million).

Current ratio was 1.4 as at 30 June 2020 (31 December 2019: 1.3).

Financial Resources and Liquidity

In the first half of 2020, 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 2020, the Group had cash and bank deposits, structured deposits of approximately RMB53,027 million and RMB755 million (31 December 2019: approximately RMB58,043 million and RMB705 million). As at 30 June 2020, the Group had restricted bank deposits of approximately RMB15,657 million (31 December 2019: approximately RMB9,313 million) which were mainly reserved for obtaining bank loans.

As at 30 June 2020, cash and bank deposits, structured deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB69,439 million, of which 86% was denominated in Renminbi and 14% was denominated in other currencies (mainly HK dollar, Australian dollar, Canadian dollar and US dollar).

In the first half of 2020, cash collection ratio (total sales proceeds received in the first half of 2020 divided by the contract sales amount for the first half of the year) for the Group's contracted sales was approximately 90%.

Borrowings, Senior Notes and Bonds

As at 30 June 2020, the Group had bank and other borrowings of approximately RMB73,615 million (31 December 2019: approximately RMB68,961 million) and senior notes and corporate bonds of approximately RMB29,433 million (31 December 2019: approximately RMB26,803 million) as follows:

Repayment Period	30 June 2020 (RMB million)	31 December 2019 (RMB million)
Repayment on demand or within one year	47,512	41,873
More than one year, but not exceeding two years	31,995	30,698
More than two years, but not exceeding five years	22,051	22,538
More than five years	1,490	655
	<u>103,048</u>	<u>95,764</u>

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 cash flow interest rate risk. In the first half of 2020, the effective interest rate on borrowings, senior notes and corporate bonds was 7.5%, which was the same as 7.5% at the end of 2019. 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.

As at 30 June 2020, the Group had credit facilities of approximately RMB225,625 million (31 December 2019: approximately RMB183,996 million) for short-term and long-term borrowings, of which approximately RMB94,304 million (31 December 2019: approximately RMB64,666 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 bonds net of bank balances and cash, structured deposits and restricted bank deposits) over the total equity. As at 30 June 2020, the Group's net gearing ratio was 79.8%. 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 2020, 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 and associates of the Group amounting to approximately RMB102,824 million (31 December 2019: approximately RMB85,723 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 2020, the Group had outstanding financial guarantees issued to banks in respect of banking facilities granted to the joint ventures and associates 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 RMB20,682 million (31 December 2019: approximately RMB8,029 million) were utilised by the joint ventures and associates as at the end of the reporting period.

Commitments

As at 30 June 2020, 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 RMB31,489 million (31 December 2019: approximately RMB36,202 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, HK dollar, Australian dollar and Canadian 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 2020, the Group pledged its properties for sale, property, plant and equipment, investment properties, prepaid lease payments and restricted bank deposits amounting to approximately RMB61,444 million (31 December 2019: approximately RMB59,692 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 following significant events have taken place:

- (a) On 2 July 2020, the Company issued senior notes in an aggregate principal amount of USD460,000,000 (equivalent to approximately RMB3,202,428,000) carries interest at 6.35% per annum and due in 2024. Details of the terms and conditions are set out in the announcement issued by the Company on 24 June 2020. Up to the date of this interim results announcement, the net proceeds of approximately USD453,445,000 (equivalent to approximately RMB3,156,796,000) from the issuance have been fully received.
- (b) On 10 July 2020, the Group entered into an agreement with an independent third party (the “Vendor”) to acquire 98% equity interests and partial debt of 成都通威實業有限公司 (Chengdu Tongwei Industries Co., Ltd.) (“Chengdu Tongwei”), with cash consideration of RMB1,936,265,000. Chengdu Tongwei currently holds three land parcels located at Chenghua District, Chengdu City, Sichuan Province, the PRC (中國四川省成都市成華區), which are classified as type 2 residential land and the relevant state-owned land use right certificates have been granted.

Details of the terms and conditions are set out in the announcements issued by the Company on 13 July 2020.

- (c) On 7 April 2020 and 18 May 2020, a wholly-owned subsidiary of the Company (the “Purchaser”), has entered into a share transfer framework agreement and a formal share transfer agreement respectively (collectively referred as the “Share Transfer Agreements”) with Kinghand Holdings Group Co., Ltd. and Jianshui Tairong Business Management Co., Ltd. (collectively referred as the “Vendors”) and Mr. Tian Han. Pursuant to the Share Transfer Agreements, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell approximately 29.30% of the share capital, which is equivalent to approximately 29.99% of the issued shares with voting rights, of Kinghand Industrial, which its shares are listed on the Shenzhen Stock Exchange, at a consideration of RMB1,160,000,000 in cash.

On 5 August 2020, the Company announced that all the conditions precedent under the formal share transfer agreement have been fulfilled and completion of the acquisition took place on 21 July 2020.

Details of the terms and conditions are set out in the announcements issued by the Company on 7 April 2020, 18 May 2020 and 5 August 2020.

- (d) On 5 August 2020, Aoyuan Corporation (Group) Limited (“Aoyuan Corporation”), a wholly-owned subsidiary of the Company issued domestic bonds in an aggregate principal amount of RMB1,180,000,000 carries interest at 5.65% per annum and due in 2025, unless the bonds holders sell back to Aoyuan Corporation earlier. Details of the terms and conditions are set out in the announcement issued by the Company on 6 August 2020. Up to the date of this interim results announcement, the net proceeds from the issuance have been fully received.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2020 (2019: nil).

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

During the six months ended 30 June 2020, 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 2020, 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 2020.

EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2020, the Group had about 17,742 employees (31 December 2019: 16,504). 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, the Group provides contributions to social insurance of the China and contribution to the Mandatory Provident Fund Scheme of Hong Kong for eligible employees. The Group also provides employees in China with medical insurance, individual work injury insurance, maternity insurance and unemployment insurance.

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 2020.

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 2020 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, 14 August 2020

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, Mr. Chan Ka Yeung Jacky and Mr. Zhang Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Hu Jiang.