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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 2021

2021 INTERIM RESULTS HIGHLIGHTS

- Property contracted sales for the period was RMB67.58 billion, representing a year-on-year increase of 33%.
- Revenue for the period was RMB32.51 billion, representing a year-on-year increase of 15%.
- Net profit for the period was RMB2.84 billion; net profit margin was 8.7%.
- Core net profit for the period ^{Note 1} was RMB2.87 billion; core net profit margin was 8.8%.
- Basic earnings per share for the period was RMB77.44 cents.
- Bank balances and cash (including restricted bank deposits) as at 30 June 2021 was RMB68.32 billion.
- Total GFA of land bank as at 30 June 2021 was 53.58 million sq.m..

^{Note1:} 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 2021 (the “Reporting Period”) 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 2021

| | Notes | Six months ended | |
|--|-------|-------------------------------------|-------------------------------------|
| | | 30.6.2021 RMB'000 (unaudited) | 30.6.2020 RMB'000 (unaudited) |
| Revenue | 3 | | |
| Contracts with customers | | 32,390,181 | 28,144,517 |
| Leases | | 119,486 | 98,483 |
| | | <u>32,509,667</u> | <u>28,243,000</u> |
| Total revenue | | 32,509,667 | 28,243,000 |
| Cost of sales | | (24,380,002) | (19,960,897) |
| | | <u>8,129,665</u> | <u>8,282,103</u> |
| Gross profit | | 8,129,665 | 8,282,103 |
| Other income, gains and losses | 5 | 314,579 | 221,133 |
| Change in fair value of investment properties | | 314,204 | 78,905 |
| Recognition of change in fair value of properties for sale upon transfer to investment properties | | – | 273,393 |
| Gain on disposal of subsidiaries | | 457,125 | 420,171 |
| Selling and distribution expenses | | (1,129,933) | (1,105,427) |
| Administrative expenses | | (1,527,768) | (1,459,568) |
| Share of results of joint ventures | | (116,195) | (120,209) |
| Share of results of associates | | (13,383) | (26,664) |
| Finance costs | | (343,918) | (443,769) |
| | | <u>6,084,376</u> | <u>6,120,068</u> |
| Profit before tax | | 6,084,376 | 6,120,068 |
| Income tax expense | 6 | (3,241,819) | (3,280,182) |
| | | <u>2,842,557</u> | <u>2,839,886</u> |
| Profit for the period | 7 | 2,842,557 | 2,839,886 |

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

| | | Six months ended | |
|---|--------------|-------------------------|--------------------|
| | | 30.6.2021 | 30.6.2020 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Other comprehensive (expense) income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | (6,048) | 2,829 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Fair value loss on equity instruments at fair value through other comprehensive income (“FVTOCI”) | | (16,860) | – |
| Change in fair value of property, plant and equipment upon transfer to investment properties | | 7,645 | – |
| Other comprehensive (expense) income for the period | | (15,263) | 2,829 |
| Profit and total comprehensive income for the period | | 2,827,294 | 2,842,715 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 2,088,644 | 2,416,088 |
| Non-controlling interests | | 753,913 | 423,798 |
| | | 2,842,557 | 2,839,886 |
| Profit and total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 2,075,132 | 2,419,079 |
| Non-controlling interests | | 752,162 | 423,636 |
| | | 2,827,294 | 2,842,715 |
| Earnings per share (<i>RMB cents</i>) | | | |
| Basic | 9 | 77.44 | 89.61 |
| Diluted | | 77.43 | 89.51 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

| | <i>Note</i> | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 RMB'000 (audited) |
|--|-------------|--|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,936,665 | 4,188,978 |
| Right-of-use assets | | 1,733,205 | 1,622,716 |
| Investment properties | | 13,324,185 | 12,408,539 |
| Goodwill | | 995,254 | 688,144 |
| Intangible assets | | 1,238,358 | 282,038 |
| Interests in joint ventures | | 6,637,036 | 6,735,883 |
| Interests in associates | | 5,520,240 | 4,008,334 |
| Equity instruments at fair value through profit or loss ("FVTPL") | | 186,910 | 249,784 |
| Equity instruments at FVTOCI | | 606,037 | 628,517 |
| Deferred tax assets | | 1,668,319 | 1,636,606 |
| Deposits paid for acquisitions of subsidiaries | | 81,600 | 81,600 |
| Deposits paid for acquisitions of property, plant and equipment | | 46,713 | 41,382 |
| Deposits paid for acquisitions of joint ventures | | 877,611 | 877,611 |
| Amounts due from non-controlling shareholders of subsidiaries | | – | 27,000 |
| Amounts due from joint ventures | | 1,112,703 | 1,292,472 |
| Trade and other receivables | <i>10</i> | – | 259,433 |
| | | 37,964,836 | 35,029,037 |
| CURRENT ASSETS | | | |
| Properties for sale | | 155,972,142 | 158,280,712 |
| Inventories | | 326,965 | 265,954 |
| Trade and other receivables | <i>10</i> | 28,600,215 | 29,167,308 |
| Amounts due from non-controlling shareholders of subsidiaries | | 4,697,587 | 5,548,176 |
| Amounts due from joint ventures | | 13,064,393 | 21,916,040 |
| Amounts due from associates | | 847,636 | 1,040,784 |
| Financial assets at FVTPL | | 503,280 | 791,042 |
| Tax recoverable | | 4,154,785 | 3,613,743 |
| Structured deposits | | 1,700,000 | – |
| Restricted bank deposits | | 7,677,301 | 17,521,833 |
| Bank balances and cash | | 60,645,490 | 52,503,827 |
| | | 278,189,794 | 290,649,419 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

| | <i>Note</i> | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 RMB'000 (audited) |
|---|-------------|--|--|
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 41,120,159 | 40,557,088 |
| Financial liability at FVTPL | | – | 29,050 |
| Contract liabilities | | 63,410,482 | 69,039,857 |
| Amounts due to non-controlling shareholders of subsidiaries | | 4,310,654 | 5,481,613 |
| Amounts due to joint ventures | | 24,415,303 | 23,938,123 |
| Amounts due to associates | | 772,218 | 683,862 |
| Lease liabilities | | 183,409 | 148,036 |
| Tax liabilities | | 12,073,970 | 11,732,743 |
| Bank and other borrowings | | 40,726,409 | 38,514,135 |
| Senior notes and bonds | | 10,996,184 | 13,753,322 |
| Provisions | | 2,125,639 | 2,274,284 |
| | | <u>200,134,427</u> | <u>206,152,113</u> |
| NET CURRENT ASSETS | | <u>78,055,367</u> | <u>84,497,306</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>116,020,203</u> | <u>119,526,343</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 2,346,561 | 1,959,942 |
| Lease liabilities | | 610,919 | 521,361 |
| Bank and other borrowings | | 39,478,258 | 42,439,159 |
| Senior notes and bonds | | 20,110,287 | 20,166,368 |
| Deferred income | | 183,199 | 186,867 |
| | | <u>62,729,224</u> | <u>65,273,697</u> |
| NET ASSETS | | <u>53,290,979</u> | <u>54,252,646</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 25,509 | 25,567 |
| Reserves | | 18,351,945 | 18,527,320 |
| Equity attributable to owners of the Company | | <u>18,377,454</u> | <u>18,552,887</u> |
| Non-controlling interests | | <u>34,913,525</u> | <u>35,699,759</u> |
| TOTAL EQUITY | | <u>53,290,979</u> | <u>54,252,646</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 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.

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

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank and other borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

3. REVENUE

Disaggregation of revenue from contracts with customers

| | For the six months ended 30 June 2021 | | | |
|---------------------------------------|---|--|--------------------------|-------------------------|
| | 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 | 21,765,628 | – | – | 21,765,628 |
| Commercial apartments | 4,354,889 | – | – | 4,354,889 |
| Retail shops and others | 2,625,043 | – | – | 2,625,043 |
| Low-density residential | 928,893 | – | – | 928,893 |
| | <u>29,674,453</u> | <u>–</u> | <u>–</u> | <u>29,674,453</u> |
| Urban redevelopment | <u>1,035,562</u> | <u>–</u> | <u>–</u> | <u>1,035,562</u> |
| Others | | | | |
| Property management | – | – | 757,906 | 757,906 |
| Sales of goods | – | – | 336,364 | 336,364 |
| Others (<i>Note</i>) | – | – | 585,896 | 585,896 |
| | <u>–</u> | <u>–</u> | <u>1,680,166</u> | <u>1,680,166</u> |
| Revenue from contracts with customers | 30,710,015 | – | 1,680,166 | 32,390,181 |
| Property investment | | | | |
| Commercial and retail shops | – | 119,486 | – | 119,486 |
| Total | <u>30,710,015</u> | <u>119,486</u> | <u>1,680,166</u> | <u>32,509,667</u> |
| Timing of revenue recognition | | | | |
| At a point of time | 30,710,015 | – | 715,980 | 31,425,995 |
| Recognised over time | – | – | 964,186 | 964,186 |
| | <u>30,710,015</u> | <u>–</u> | <u>1,680,166</u> | <u>32,390,181</u> |
| Rental income | – | 119,486 | – | 119,486 |
| Total | <u>30,710,015</u> | <u>119,486</u> | <u>1,680,166</u> | <u>32,509,667</u> |

Note: The amount includes revenue related to provision of medical aesthetic services in the People's Republic of China (the "PRC") by Zhejiang Liantianmei Enterprise Management Co., Ltd ("Liantianmei").

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> |
| 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> |

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 2021 (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>30,710,015</u> | <u>119,486</u> | <u>1,680,166</u> | <u>32,509,667</u> |
| Segment profit (<i>Note</i>) | <u>4,994,846</u> | <u>334,748</u> | <u>221,536</u> | 5,551,130 |
| Other income, gains and losses | | | | 730,435 |
| Gain on disposal of subsidiaries | | | | 457,125 |
| Unallocated corporate expenses | | | | (180,818) |
| Share of results of joint ventures | | | | (116,195) |
| Share of results of associates | | | | (13,383) |
| Finance costs | | | | <u>(343,918)</u> |
| Profit before tax | | | | <u>6,084,376</u> |

Note: Segment profit in others segment for the period included profit from Liantianmei.

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> |

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

| | 30.6.2021 | 31.12.2020 |
|------------------------|--------------------|-------------|
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| Property development | 189,878,222 | 194,736,861 |
| Property investment | 13,393,647 | 12,474,933 |
| Others (<i>Note</i>) | 7,412,871 | 5,328,893 |
| | <hr/> | <hr/> |
| Total segment assets | 210,684,740 | 212,540,687 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note: Others mainly include hotel operations, provision of property management services, sales of goods and provision of medical aesthetic services.

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 and right-of-use assets, interests in joint ventures and associates, equity instruments at FVTPL, equity instruments at FVTOCI, 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 | |
|--|-------------------------|-------------|
| | 30.6.2021 | 30.6.2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Bank interest income | 418,463 | 419,949 |
| Loss on disposal of property, plant and equipment | (31,593) | (1,662) |
| Gain on disposal of joint ventures | 20,543 | – |
| Write-down of properties for sale | (297,571) | – |
| Investment return from financial assets at FVTPL and structured deposits | – | 22,867 |
| Net exchange gain (loss) | 228,843 | (213,394) |
| Loss on change in fair value of financial assets at FVTPL | (97,650) | (40,300) |
| Other interest income | 37,963 | 50,298 |
| Others (<i>Note</i>) | 143,080 | 63,998 |
| Impairment losses on trade and other receivables | (107,499) | (61,626) |
| Impairment losses on right-of-use assets | – | (18,997) |
| | <hr/> | <hr/> |
| | 314,579 | 221,133 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

6. INCOME TAX EXPENSE

| | Six months ended | |
|---|--------------------------------|-------------------------|
| | 30.6.2021 | 30.6.2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Income tax expense recognised comprises of: | | |
| Current tax: | | |
| PRC | | |
| Enterprise Income Tax (“EIT”) | 1,980,508 | 2,515,252 |
| Land Appreciation Tax | 1,133,325 | 838,144 |
| Other jurisdictions | 1,773 | 5,250 |
| | <u>3,115,606</u> | <u>3,358,646</u> |
| Deferred tax: | | |
| PRC | 127,792 | (97,370) |
| Other jurisdiction | (1,579) | 18,906 |
| | <u>126,213</u> | <u>(78,464)</u> |
| | <u><u>3,241,819</u></u> | <u><u>3,280,182</u></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% (2020: 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% (2020: 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 2021 and 30 June 2020 as there were assessable profits arises in both jurisdictions for both periods.

7. PROFIT FOR THE PERIOD

| | Six months ended | |
|---|-------------------------|-------------|
| | 30.6.2021 | 30.6.2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Profit for the period has been arrived at after charging (crediting) the following items: | | |
| Interest on: | | |
| Bank and other borrowings | 3,141,313 | 3,153,412 |
| Other payables | 13,416 | 13,416 |
| Senior notes and bonds | 1,194,041 | 1,212,612 |
| Amount due to a joint venture | 8,867 | 16,610 |
| Lease liabilities | 33,002 | 30,778 |
| | 4,390,639 | 4,426,828 |
| Less: amounts capitalised to properties under development for sale | (4,016,408) | (3,963,104) |
| amounts capitalised to investment properties under construction | (30,313) | (19,955) |
| | 343,918 | 443,769 |
| Staff costs | 1,358,994 | 1,091,765 |
| Depreciation of property, plant and equipment | 196,367 | 98,294 |
| Depreciation of right-of-use assets | 61,639 | 127,047 |
| Amortisation of intangible assets (included in administrative expenses) | 30,377 | 685 |

8. DIVIDENDS

| | Six months ended | |
|--|-------------------------|-------------|
| | 30.6.2021 | 30.6.2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| 2020 final dividend of RMB66 cents and a special dividend of RMB11 cents (six months ended 30 June 2020: 2019 final dividend of RMB55 cents) per share | 2,075,830 | 1,479,711 |

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

9. EARNINGS PER SHARE

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

| | Six months ended | |
|---|-------------------------|------------------|
| | 30.6.2021 | 30.6.2020 |
| | 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 | 2,088,644 | 2,416,088 |
| Effect of dilutive potential ordinary shares on adjustment to the share of profit of subsidiaries based on dilution of their earnings per share (<i>Note a</i>) | (170) | – |
| | <u>2,088,474</u> | <u>2,416,088</u> |
| Earnings for the purposes of diluted earnings per share | 2,088,474 | 2,416,088 |
| | 30.6.2021 | 30.6.2020 |
| | '000 | '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,697,214 | 2,696,084 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options (<i>Note b</i>) | – | 3,298 |
| | <u>2,697,214</u> | <u>2,699,382</u> |

Note a: For the period ended 30 June 2021, the computation of diluted earnings per share assumes the exercise of share options of Aoyuan Beauty Valley Technology Co., Ltd. 奥園美谷科技股份有限公司, a non-wholly owned subsidiary of the Company, because the exercise price of those options was lower than the average market price for shares. Therefore, their assumed exercise has resulted in a decrease in earnings per share of the Company.

Those share options granted by Aoyuan Healthy Life Group Company Limited (“Aoyuan Healthy”), 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’s share.

Note b: No share options of the Company have been outstanding during the six months ended 30 June 2021.

10. TRADE AND OTHER RECEIVABLES

| | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 RMB'000 (audited) |
|--|--|--|
| Trade receivables | 2,715,771 | 2,376,794 |
| Less: Allowance for credit losses | <u>(44,838)</u> | <u>(39,980)</u> |
| | 2,670,933 | 2,336,814 |
| Rental receivables | 56,915 | 43,960 |
| Other receivables | 13,427,538 | 12,474,548 |
| Security deposits | 1,321,683 | 1,353,648 |
| Less: Allowance for credit losses | <u>(301,195)</u> | <u>(198,554)</u> |
| | 14,448,026 | 13,629,642 |
| Contract assets | 143,032 | 77,540 |
| Contract costs | 533,321 | 564,413 |
| Advance to constructors and suppliers | 3,702,851 | 4,436,573 |
| Deposits paid for potential purchases of land use rights and property projects | 5,074,524 | 3,862,580 |
| Other tax prepayments | <u>1,970,613</u> | <u>4,475,219</u> |
| | 28,600,215 | 29,426,741 |
| Analysis for reporting purpose: | | |
| Non-current assets | – | 259,433 |
| Current assets | <u>28,600,215</u> | <u>29,167,308</u> |
| | 28,600,215 | 29,426,741 |

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

| | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 RMB'000 (audited) |
|----------------|--|--|
| 0 – 60 days | 1,015,662 | 1,735,473 |
| 61 – 180 days | 874,063 | 102,268 |
| 181 – 365 days | 475,314 | 109,460 |
| 1 – 2 years | 193,234 | 352,412 |
| 2 – 3 years | 110,908 | 34,828 |
| Over 3 years | <u>46,590</u> | <u>42,353</u> |
| | 2,715,771 | 2,376,794 |

11. TRADE AND OTHER PAYABLES

| | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 <i>RMB'000</i> (audited) |
|--|--|---|
| Trade payables | 20,751,203 | 21,561,115 |
| Other payables | 10,834,312 | 7,541,233 |
| Consideration payables for property projects | 1,792,324 | 2,216,739 |
| Consideration payables for acquisition of subsidiaries | 2,023,746 | 1,926,608 |
| Other taxes payables | 456,012 | 1,750,558 |
| Value-added tax payables | 5,262,562 | 5,560,835 |
| | 41,120,159 | 40,557,088 |

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

| | 30.6.2021 RMB'000 (unaudited) | 31.12.2020 <i>RMB'000</i> (audited) |
|----------------|--|---|
| 0 – 60 days | 5,445,241 | 5,815,802 |
| 61 – 180 days | 10,495,297 | 11,872,061 |
| 181 – 365 days | 2,555,422 | 1,229,812 |
| 1 – 2 years | 1,308,590 | 1,644,273 |
| 2 – 3 years | 609,597 | 602,180 |
| Over 3 years | 337,056 | 396,987 |
| | 20,751,203 | 21,561,115 |

MANAGEMENT DISCUSSION AND ANALYSIS

I. CHINA PROPERTY MARKET

2021 marks the beginning of the 14th Five-Year Plan. With effective epidemic prevention and control measures as well as solid progress of economic and social development, China's economy sustained recovery and the property sector remained stable. According to the National Bureau of Statistics, from January to June 2021, the gross floor area (GFA) sold of commodity housing was 886.35 million sq.m., up 27.7% year-on-year, representing a growth of 17.0% from the same period of 2019, with a compound annual growth rate of 8.1% between 2019 and 2020. The sales of commodity housing increased by 38.9% to RMB9,293.1 billion, representing an increase of 31.4% as compared with the same period in 2019, and compared with a compound annual growth rate of 14.7% between 2019 and 2020. The scale of residential land supply and demand in 300 cities nationwide declined due to the launch of "centralized land auction", driving up the land market in some red-hot cities. The central and local governments continued to promote the stable and healthy development of the real estate market by introducing financial, land, market and regulatory policies and insisting on the implementation of the long-term mechanism of "housing is for living in". Real estate enterprises have engaged in active adjustments to improve their management and operational efficiency, thereby laying a solid foundation for stable development.

II. BUSINESS REVIEW

Sales performance

In the first half of 2021, the Group achieved improvements in sales, cash collection, project delivery and customer satisfaction through delicacy management and regional penetration. The Group pressed ahead with its work in various aspects including organisational upgrade, integrated operations management and control, capital revitalization and information consolidation, and achieved the expected results.

During the Reporting Period, the Group achieved property contracted sales of approximately RMB67.58 billion with contracted GFA sold of approximately 5.963 million sq.m., representing a year-on-year increase of 33% and 17% respectively, the average selling price was approximately RMB11,333 per sq.m..

Details of property contracted sales breakdown by region are as follows:

| Region | Property contracted sales amount (RMB billion) | Contracted GFA sold (‘000 sq.m.) |
|--|---|---|
| South China | 19.45 | 1,853.5 |
| Core Region of Central & Western China | 17.74 | 1,794.6 |
| East China | 22.76 | 1,816.1 |
| Bohai Rim | 6.69 | 479.5 |
| Overseas | 0.94 | 19.3 |
| | | |
| Total | 67.58 | 5,963.0 |

Accelerating conversion of urban redevelopment projects

“Urban redevelopment” was first included into this year’s government work report, specifying that the new urbanization strategy with people at the core should be promoted thoroughly during the 14th Five-Year Plan period. As one of the earliest property developers in the Greater Bay Area to make foray into urban redevelopment, the Group has benefited from its foresight, and achieved the full coverage of urban redevelopment of “Three Olds” – old towns, old villages and old factories with the “Composite Aoyuan Urban Redevelopment Model”. Leveraging its outstanding performance in urban redevelopment, the Group was awarded “Top 8 China Real Estate Development Enterprises in Urban Redevelopment in 2021”.

Since entering the urban redevelopment field in 2011, the Group has focused on core areas including the Guangdong-Hong Kong-Macao Greater Bay Area and continued to make efforts in optimization of organizational structure, resource integration and team capacity enhancement. As at the end of the Reporting Period, the Group had over 70 urban redevelopment projects at different stages and is expected to provide additional saleable resources of approximately RMB 754.3 billion, of which the saleable resources in Greater Bay Area are approximately RMB 748.7 billion, accounting for 99%.

Proactively changing and improving management

During the Reporting Period, the Group insisted on promoting development through integration. It fully integrated the property business segment, which realized flat management and control, as well as strengthened direct control of the headquarters over city subsidiaries, giving full play to the overall productivity and, gathering advantages and core talents, thereby continuously enhancing efficiency and product competitiveness.

Product quality and service are of cardinal importance to development. The Group has established an integrated operations management mechanism connecting through from the early stage to final stage of product development, involving core competencies including product, customer service, marketing, operations and branding. This has led to a full upgrade in product competitiveness and steady improvement of customer experience and satisfaction. In the first half of 2021, the Group won 14 onshore and offshore awards, including RTF Award, Outstanding Property Award London, DNA Paris Design Awards and Grand Prix du Design Paris.

Comprehensive strength recognized by the market

Following the inclusion in the MSCI China Index, Hang Seng Composite LargeCap & MidCap (Investable) Index, Hang Seng Stock Connect and Hang Seng Stock Connect Greater Bay Area Composite Index, during the Reporting Period, Aoyuan has also become a constituent in the Hang Seng High Dividend Yield Index and the Hang Seng China High Dividend Yield Index, which fully demonstrates the recognition of Aoyuan by the capital market.

With steady growth in performance and continuous improvement in comprehensive strength, Aoyuan continues to gain recognition from the industry. Aoyuan has been listed on “Forbes 2021 Global 2000” with its ranking climbing 303 places to 849th, and listed on “Fortune China 500” for the fifth consecutive year with its ranking surging to 170th, which was 34 places higher than last year. It ranked 22nd among the “2021 Top 100 Listed Property Developers in China”.

III. LAND BANK

The Group further deepened its urban cultivation strategy by focusing on regions with value growth potential, including Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta, and continued to actively explore opportunities in urban redevelopment, and cultivate urban areas which covered “Major + satellite cities” with emphasis on Tier-1 and 2 cities to support city companies to develop 10-billion worth bases.

As at 30 June 2021, the Group’s 360 projects spanned 95 onshore and offshore cities with total GFA of approximately 53.58 million sq.m. and total saleable resources of approximately RMB593.9 billion. Total saleable resources including urban redevelopment projects amounted to RMB1,348.2 billion, which is sufficient for the development needs in the next 4 to 5 years.

IV. OUTLOOK

Looking ahead to the second half of the year, China will continue to with the policy tone of “housing is for living in”, and to strengthen the regulation on property finance. Housing credit environment is expected to continue to be tightened.

The Group will continue to strengthen sales on all fronts with greater focus on cash collection, speed up delivery and enhance management effectiveness. At the same time, the Group will continue to reduce its overall debt size and optimize its credit metrics. The Group will continue to leverage on its traditional strengths in mergers and acquisitions, urban redevelopment, etc. to prudently replenish its quality land bank.

2021 is not only the 25th anniversary of the Group’s establishment but also a milestone year for a new stage of development. The Group will continue to pursue high-quality development and realize delicacy management, strengthen its strategy of “one core business with vertical development”, accelerate the two-way empowerment of Quality Living segment and Joyful & Healthy Lifestyle segment, stimulate the new vitality of the organizational structure, and enhance the comprehensive competitiveness of the enterprise, so as to achieve sustainable and high-quality development.

V. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2021, the Group’s total revenue was approximately RMB32,510 million, representing an increase of approximately RMB4,267 million or 15.1% over approximately RMB28,243 million in the same period of 2020. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 94.5%, 5.2% and 0.3% respectively.

In the first half of 2021, the Group’s revenue generated from sales of properties amounted to approximately RMB29,674 million, representing an increase of approximately RMB2,333 million or 8.5% over approximately RMB27,341 million in the same period of 2020. The GFA of delivered properties increased by 27.8% to 3.68 million sq.m. from 2.88 million sq.m. in the same period of 2020.

Breakdown of revenue from sales of properties in the first half of 2021 by product type was as follows:

| Product | Sold and Delivered | |
|-------------------------|--|------------------------------------|
| | Revenue <i>(RMB million)</i> | Area <i>('000 sq.m.)</i> |
| Residential apartments | 21,766 | 2,985 |
| Commercial apartments | 4,355 | 412 |
| Retail shops and others | 2,625 | 202 |
| Low-density residential | 928 | 80 |
| | <hr/> | <hr/> |
| Total | <u>29,674</u> | <u>3,679</u> |

Gross Profit and Margin

In the first half of 2021, the gross profit of the Group was approximately RMB8,130 million, representing a decrease of 1.8% from approximately RMB8,282 million in the same period of 2020. The Group's gross profit margin decreased from 29.3% in the same period of 2020 to 25.0%.

Other Income, Gains and Losses

In the first half of 2021, the Group's other income, gains and losses mainly included net exchange gain of approximately RMB229 million, interest income of approximately RMB456 million, and other losses of approximately RMB370 million.

Selling and Administrative Expenses

In the first half of 2021, total selling and distribution expenses of the Group were approximately RMB1,130 million, representing an increase of 2.2% from approximately RMB1,105 million in the same period of 2020, which was mainly attributable to the increase in marketing and promotional activities during the period. Total administrative expenses increased by 4.7% from approximately RMB1,460 million in the same period of 2020 to approximately RMB1,528 million, which was mainly due to the increase in staff expenses and other management costs resulting from the expansion of operation scope of the Group.

Taxation

Income tax expense comprised of PRC enterprise income tax, land appreciation tax and deferred taxation. The effective tax rate of 53% is higher than the standard PRC enterprise income tax rate of 25%, mainly attributable to land appreciation tax of approximately RMB1,133 million.

Profit Attributable to Owners of the Company

In the first half of 2021, profit attributable to owners of the Company was approximately RMB2,089 million, representing a decrease of 13.6% from approximately RMB2,416 million in the same period of 2020. 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 RMB2,868 million.

Financial Position

As at 30 June 2021, the Group's total assets amounted to approximately RMB316,155 million (31 December 2020: approximately RMB325,678 million) and total liabilities were approximately RMB262,864 million (31 December 2020: approximately RMB271,426 million).

Current ratio was 1.4 as at 30 June 2021 (31 December 2020: 1.4).

Financial Resources and Liquidity

In the first half of 2021, 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 2021, the Group had cash and bank deposits of approximately RMB60,645 million (31 December 2020: approximately RMB52,504 million). As at 30 June 2021, the Group had restricted bank deposits of approximately RMB7,677 million (31 December 2020: approximately RMB17,522 million) which were mainly reserved for obtaining bank loans.

As at 30 June 2021, cash and bank deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB68,323 million, of which 94% was denominated in Renminbi and 6% was denominated in other currencies (mainly HK dollar, Australian dollar, Canadian dollar and US dollar).

In the first half of 2021, cash collection ratio (total sales proceeds received in the first half of 2021 divided by the contract sales amount for the first half of the year) for the Group's contracted sales was approximately 87%.

Borrowings, Senior Notes and Bonds

As at 30 June 2021, the Group had bank and other borrowings of approximately RMB80,205 million (31 December 2020: approximately RMB80,953 million) and senior notes and corporate bonds of approximately RMB31,106 million (31 December 2020: approximately RMB33,920 million) as follows:

| Repayment Period | 30 June 2021 (RMB million) | 31 December 2020 (RMB million) |
|---|----------------------------------|--------------------------------------|
| Repayment on demand or within one year | 51,722 | 52,267 |
| More than one year, but not exceeding two years | 23,367 | 26,442 |
| More than two years, but not exceeding five years | 31,228 | 31,636 |
| More than five years | 4,994 | 4,528 |
| | <u>111,311</u> | <u>114,873</u> |

Part of the borrowings of the Group are floating-rate borrowings, of which interest rates are subject to negotiation on an annual basis, thus exposing the Group to cash flow interest rate risk. The Group has implemented certain interest rate management policies which included, among other, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

In January 2021, the Group successfully issued USD188 million 364-day 4.2% offshore senior notes for the Group's refinancing purposes.

In February 2021, the Group successfully issued 5.88% offshore senior notes of USD350 million due 2027 for the Group's refinancing purposes.

In June 2021, the Group successfully issued 7.95% offshore senior notes of a total of USD200 million due 2024 for the Group's refinancing purposes.

As at 30 June 2021, the Group had credit facilities of approximately RMB242,613 million (31 December 2020: approximately RMB254,994 million) for short-term and long-term borrowings, of which approximately RMB128,337 million (31 December 2020: approximately RMB134,801 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 bank balances and cash and restricted bank deposits) over the total equity. As at 30 June 2021, the Group's net gearing ratio was 80.7%. 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 2021, 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 RMB97,584 million (31 December 2020: approximately RMB110,427 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 2021, 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 RMB27,152 million (31 December 2020: approximately RMB24,836 million) were utilised by the joint ventures and associates as at the end of the Reporting Period.

Commitments

As at 30 June 2021, the Group's construction cost, payments for acquisition of joint ventures and registered capital injection in a joint venture contracted but not provided for amounted to approximately RMB23,053 million (31 December 2020: approximately RMB30,665 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 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 2021, the Group pledged its properties for sale, property, plant and equipment, investment properties, right-of-use assets and restricted bank deposits amounting to approximately RMB47,193 million (31 December 2020: approximately RMB66,653 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER REPORTING PERIOD

On 2 July 2021, Aoyuan Corporation (Group) Limited (“Aoyuan Corporation”), a wholly-owned subsidiary of the Company, issued domestic bonds in an aggregate principal amount of RMB1,820,000,000 carrying interest at 6.80% per annum and due in 2025, with the Aoyuan Corporation’s option to adjust the coupon rate and the investors have the option to sell back the domestic bonds at the end of the second year. Details of the terms and conditions are set out in the announcement issued by the Company on 30 June 2021. 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 2021 (For the six months ended 30 June 2020: nil).

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

Save for the Company’s purchase of its own shares on the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2021.

| Month | Number of shares repurchased | Purchase consideration per share | | Aggregate consideration paid |
|----------|------------------------------------|-------------------------------------|-------------|------------------------------------|
| | | Highest | Lowest | (before expenses) |
| | | HK\$ | HK\$ | HK\$ |
| February | <u>7,000,000</u> | <u>7.12</u> | <u>6.93</u> | <u>49,155,690</u> |

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 2021, the Company has complied with the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2021.

EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2021, the Group had about 22,889 employees (31 December 2020: 23,773). 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. Lee Thomas Kang Bor as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company. The interim report of the Company for the six months ended 30 June 2021 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, 20 August 2021

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. Chen Zhi Bin and Mr. Chan Ka Yeung Jacky; the non-executive director of the Company is Mr. Zhang Jun; and the independent non-executive directors of the Company are Mr. Tsui King Fai, Mr. Cheung Kwok Keung and Mr. Lee Thomas Kang Bor.