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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 2022**

The board of directors (the “Board”) of China Aoyuan Group Limited (“China Aoyuan”, “Aoyuan” or the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (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 2022

| | | Six months ended | |
|---|--------------|-------------------------|---------------------------|
| | | 30.6.2022 | 30.6.2021 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) (restated) |
| Revenue | 3 | | |
| Contracts with customers | | 8,694,877 | 32,390,181 |
| Leases | | 50,307 | 119,486 |
| | | <hr/> | <hr/> |
| Total revenue | | 8,745,184 | 32,509,667 |
| Cost of sales | | (8,588,428) | (24,677,573) |
| | | <hr/> | <hr/> |
| Gross profit | | 156,756 | 7,832,094 |
| Other income, gains and losses, net | 5 | (1,249,679) | 612,150 |
| Change in fair value of investment properties | | 93,093 | 314,204 |
| Selling and distribution expenses | | (686,974) | (1,129,933) |
| Administrative expenses | | (1,193,454) | (1,527,768) |
| (Loss)/Gain on disposal of subsidiaries | | (407,498) | 457,125 |
| Share of results of joint ventures | | (303,907) | (116,195) |
| Share of results of associates | | 9,188 | (13,383) |
| Finance costs | | (153,730) | (343,918) |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

| | | Six months ended | |
|--|--------------|---------------------------|--------------------|
| | | 30.6.2022 | 30.6.2021 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| | | | (restated) |
| (Loss)/Profit before tax | | (3,736,205) | 6,084,376 |
| Income tax credit/(expense) | 6 | <u>219,010</u> | <u>(3,241,819)</u> |
| (Loss)/Profit for the period | 7 | <u>(3,517,195)</u> | <u>2,842,557</u> |
| Other comprehensive (expenses)/income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | (13,519) | (6,048) |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Fair value loss on equity instruments designated at fair value through other comprehensive income ("FVTOCI") | | (20,095) | (16,860) |
| Change in fair value of property, plant and equipment upon transfer to investment properties | | <u>–</u> | <u>7,645</u> |
| OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD | | <u>(33,614)</u> | <u>(15,263)</u> |
| Total comprehensive (expenses)/income for the period | | <u>(3,550,809)</u> | <u>2,827,294</u> |
| (Loss)/Profit for the period attributable to: | | | |
| Owners of the Company | | (2,920,649) | 2,088,644 |
| Non-controlling interests | | <u>(596,546)</u> | <u>753,913</u> |
| | | <u>(3,517,195)</u> | <u>2,842,557</u> |
| Total comprehensive (expenses)/income for the period attributable to: | | | |
| Owners of the Company | | (2,955,654) | 2,075,132 |
| Non-controlling interests | | <u>(595,155)</u> | <u>752,162</u> |
| | | <u>(3,550,809)</u> | <u>2,827,294</u> |
| (Loss)/Earnings per share (<i>RMB cents</i>) | | | |
| Basic | 9 | <u>(98.49)</u> | <u>77.44</u> |
| Diluted | 9 | <u>(98.49)</u> | <u>77.43</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

| | <i>Note</i> | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|--|-------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,895,999 | 4,121,069 |
| Right-of-use assets | | 989,237 | 1,122,439 |
| Investment properties | | 12,999,519 | 14,147,700 |
| Goodwill | | 875,737 | 875,737 |
| Intangible assets | | 85,375 | 91,932 |
| Interests in joint ventures | | 1,545,883 | 2,696,282 |
| Interests in associates | | 1,375,581 | 1,667,386 |
| Equity instruments at fair value through profit or loss ("FVTPL") | | 214,727 | 214,727 |
| Equity instruments designated at FVTOCI | | 461,305 | 479,317 |
| Deferred tax assets | | 4,155,399 | 4,011,528 |
| Deposits paid for acquisitions of property, plant and equipment | | 7,198 | 31,289 |
| | | 26,605,960 | 29,459,406 |
| CURRENT ASSETS | | | |
| Properties for sale | | 152,658,248 | 152,482,119 |
| Inventories | | 170,938 | 208,066 |
| Trade and other receivables | <i>10</i> | 37,443,878 | 34,664,054 |
| Amounts due from non-controlling shareholders of subsidiaries | | 2,829,770 | 4,783,687 |
| Amounts due from joint ventures | | 11,371,328 | 13,555,280 |
| Amounts due from associates | | 549,310 | 447,528 |
| Financial assets at FVTPL | | 65,967 | 52,342 |
| Tax recoverable | | 5,175,978 | 5,104,409 |
| Restricted bank deposits | | 9,438,784 | 9,152,960 |
| Bank balances and cash | | 3,196,189 | 9,262,210 |
| | | 222,900,390 | 229,712,655 |
| Assets classified as held for sale | | 2,245,740 | 2,250,746 |
| | | 225,146,130 | 231,963,401 |
| Total current assets | | 225,146,130 | 231,963,401 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

| | <i>Note</i> | 30.6.2022 | 31.12.2021 |
|--|-------------|---------------------|---------------------|
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (audited) |
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>11</i> | 49,659,593 | 50,431,777 |
| Contract liabilities | | 69,508,152 | 70,954,970 |
| Amounts due to non-controlling shareholders of subsidiaries | | 3,269,762 | 3,863,048 |
| Amounts due to joint ventures | | 13,662,381 | 12,300,210 |
| Amounts due to associates | | 1,267,243 | 1,185,393 |
| Tax liabilities | | 9,256,810 | 10,280,800 |
| Bank and other borrowings | | 72,716,839 | 83,295,322 |
| Lease liabilities | | 108,964 | 196,733 |
| Senior notes and bonds | | 31,482,646 | 29,481,330 |
| | | 250,932,390 | 261,989,583 |
| Liabilities directly associated with assets classified as held for sale | | 1,812,950 | 1,725,227 |
| Total current liabilities | | 252,745,340 | 263,714,810 |
| NET CURRENT LIABILITIES | | (27,599,210) | (31,751,409) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (993,250) | (2,292,003) |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings | | 6,498,008 | 1,632,119 |
| Deferred tax liabilities | | 2,063,595 | 1,570,996 |
| Lease liabilities | | 1,357,725 | 1,447,449 |
| Deferred income | | 585,255 | 587,222 |
| Total non-current liabilities | | 10,504,583 | 5,237,786 |
| NET LIABILITIES | | (11,497,833) | (7,529,789) |
| CAPITAL AND RESERVES | | | |
| Share capital | | 27,726 | 27,726 |
| Reserves | | (18,518,812) | (15,532,523) |
| Equity attributable to owners of the Company | | (18,491,086) | (15,504,797) |
| Non-controlling interests | | 6,993,253 | 7,975,008 |
| TOTAL EQUITY | | (11,497,833) | (7,529,789) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of China Aoyuan Group Limited and its subsidiaries (collectively “the Group”) for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and 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”).

Going concern basis

During the six months ended 30 June 2022, the Group recorded a net loss of approximately RMB3,517 million and a net operating cash outflow. As at 30 June 2022, the Group’s current liabilities (after reclassifying certain bank and other borrowings and senior notes and bonds with scheduled repayment dates beyond one year after 30 June 2022 as current liabilities due to defaults and cross defaults in repayment) exceeded its current assets by approximately RMB27,599 million. At the same date, the Group’s total bank and other borrowings and senior notes and bonds amounted to RMB110,698 million, out of which RMB104,199 million will be due for repayment within the next twelve months from the end of the reporting period. Further, the Group has commitments including its share of commitments made jointly with investors relating to its joint ventures in aggregate of approximately RMB24,466 million, while the Group has total bank balances and cash (including restricted bank deposits) of approximately RMB12,635 million.

As at 30 June 2022, the Group had defaulted the repayment of certain bank and other borrowings of approximately RMB16,672 million and senior notes and bonds of approximately RMB26,833 million. Such events triggered default and cross-default clauses in several other bank borrowings and senior notes and bonds of the Group. As a result of such, the relevant banks and financial institutions have the rights to request the Group to immediately repay bank and other borrowings of approximately RMB32,571 million and senior notes and bonds of approximately RMB4,649 million. Subsequent to 30 June 2022 and up to the date of these condensed consolidated financial statements, apart from the aforesaid bank and other borrowings and senior notes and bonds, the Group had not repaid bank and other borrowings of approximately RMB10,119 million that are due for repayment. Furthermore, as at 30 June 2022 and up to the date of these condensed consolidated financial statements, the Group has been and is being sued by various parties for various reasons. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern and the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements. In order to improve the Group’s liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

- (a) The Group, together with its financial and legal advisors, have maintained active communication with the offshore creditors to formulate and agree a practical and feasible offshore holistic debt restructuring plan (the “Holistic Restructuring”) aimed at addressing the current liquidity issue, enhancing credit profile of the Group and protecting the interests of all stakeholders.

The Group and an ad-hoc group comprising holders of certain offshore senior bond and notes issued by the Company (the “AHG”), together with respective advisors, have been engaged in constructive discussion towards a consensual Holistic Restructuring that would provide the Group with a sustainable capital structure to deliver long-term value for all of its stakeholders. As at the date of approval of these consolidated financial statements, the Group has agreed the key commercial terms of the Holistic Restructuring with the AHG. Directors are confident that the Holistic Restructuring will ultimately reach a conclusion based on recently successful outcomes that have been completed.

- (b) The Group has been actively negotiating with onshore open market bond investors on the extension of debts. As at the date of approval of these condensed consolidated financial statements, a modified repayment arrangement was made in respect of the principal and related interests amounting to approximately RMB6,834 million in aggregate, where the repayment period has been extended to 2026 with the interest rates remaining unchanged.

The Group has been also actively negotiating with other onshore lenders on the extension of borrowings. As at the date of approval of these condensed consolidated financial statements, the Group has entered into contract all arrangements with certain onshore financial institutions to extend the maturity of existing onshore financing arrangements involving borrowings of approximately RMB19,751 million in principal amount.

The Directors believe that the Group will be able to extend the repayment period for its other onshore open market bonds and onshore financing arrangements.

- (c) The Group has been actively exploring and will continue to explore potential opportunities of asset disposal to create liquidity for, and alleviate or resolve debt issues.
- (d) To ensure the stability and sustainable operation of the Group’s business, the Group has consolidated and optimised resources to revitalise the construction and sales of its properties, reducing its operating expenses and make every effort to improve the Group’s liquidity position.
 - (I) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables.
 - (II) The Group has prioritised delivery of property development projects. As at the date of approval of these consolidated financial statements, majority of the Group’s property development projects are progressing according to schedule, and the Group continues to ensure the completion and delivery of its property development projects.
 - (III) The Group has adjusted organisational structure to reduce the management levels, enhance management efficiency and effectively control costs and expenses. The Group will continue to actively assess additional measures to further reduce discretionary spending.
 - (IV) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group is confident that it will be able to reach an amicable solution to address claims and disputes where the outcome is not certain at this stage.

Taking into account the above plans and measures, and the Group's cash flow projections prepared by the management covering a period of not less than twelve months from 30 June 2022, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the Directors considered that it is appropriate to prepare the condensed consolidated financial statements of the Group for the six months ended 30 June 2022 on a going concern basis.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, it might not be able to operate as a going concern, and, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their realisable amounts, to provide for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of all these potential adjustments have not been reflected in the condensed financial statements of the Group for the period ended 30 June 2022.

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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs, 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 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> |
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| Amendments to IFRSs | <i>Annual Improvements to IFRSs 2018 – 2020 cycle</i> |

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.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The Group's existing accounting policy is to account for sale proceeds on samples produced during testing as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such sale proceeds and the related costs will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. The amendments did not have any significant impact on the financial position or performance of the Group.

3. REVENUE

Disaggregation of revenue from contracts with customers

| | For the six months ended 30 June 2022 | | | |
|---------------------------------------|---|--|--------------------------|-------------------------|
| | 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 | 5,754,902 | – | – | 5,754,902 |
| Commercial apartments | 32,932 | – | – | 32,932 |
| Retail shops and others | 913,111 | – | – | 913,111 |
| Low-density residential | 792,782 | – | – | 792,782 |
| | <u>7,493,727</u> | <u>–</u> | <u>–</u> | <u>7,493,727</u> |
| Others | | | | |
| Property management services | – | – | 565,105 | 565,105 |
| Others | – | – | 636,045 | 636,045 |
| | <u>–</u> | <u>–</u> | <u>1,201,150</u> | <u>1,201,150</u> |
| Revenue from contracts with customers | 7,493,727 | – | 1,201,150 | 8,694,877 |
| Property investment | | | | |
| Commercial and retail shops | – | 50,307 | – | 50,307 |
| Total | <u>7,493,727</u> | <u>50,307</u> | <u>1,201,150</u> | <u>8,745,184</u> |
| Timing of revenue recognition | | | | |
| At a point of time | 7,493,727 | – | 633,392 | 8,127,119 |
| Recognised over time | – | – | 567,758 | 567,758 |
| | <u>7,493,727</u> | <u>–</u> | <u>1,201,150</u> | <u>8,694,877</u> |
| Rental income | – | 50,307 | – | 50,307 |
| Total | <u>7,493,727</u> | <u>50,307</u> | <u>1,201,150</u> | <u>8,745,184</u> |

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> |
| Others | | | | |
| Property management services | – | – | 757,906 | 757,906 |
| Others | – | – | 1,957,822 | 1,957,822 |
| | <u>–</u> | <u>–</u> | <u>2,715,728</u> | <u>2,715,728</u> |
| Revenue from contracts with customers | 29,674,453 | – | 2,715,728 | 32,390,181 |
| Property investment | | | | |
| Commercial and retail shops | – | 119,486 | – | 119,486 |
| Total | <u>29,674,453</u> | <u>119,486</u> | <u>2,715,728</u> | <u>32,509,667</u> |
| Timing of revenue recognition | | | | |
| At a point of time | 29,674,453 | – | 1,751,542 | 31,425,995 |
| Recognised over time | – | – | 964,186 | 964,186 |
| | <u>29,674,453</u> | <u>–</u> | <u>2,715,728</u> | <u>32,390,181</u> |
| Rental income | – | 119,486 | – | 119,486 |
| Total | <u>29,674,453</u> | <u>119,486</u> | <u>2,715,728</u> | <u>32,509,667</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 2022 (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>7,493,727</u> | <u>50,307</u> | <u>1,201,150</u> | <u>8,745,184</u> |
| Segment result | <u>(1,028,982)</u> | <u>(14,731)</u> | <u>(71,110)</u> | (1,114,823) |
| Other income, gains and losses, net | | | | (1,267,850) |
| Loss on disposal of subsidiaries | | | | (407,498) |
| Unallocated corporate expenses | | | | (497,585) |
| Share of results of joint ventures | | | | (303,907) |
| Share of results of associates | | | | 9,188 |
| Finance costs | | | | <u>(153,730)</u> |
| Loss before tax | | | | <u>(3,736,205)</u> |

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>29,674,453</u> | <u>119,486</u> | <u>2,715,728</u> | <u>32,509,667</u> |
| Segment result | <u>4,994,846</u> | <u>334,748</u> | <u>221,536</u> | 5,551,130 |
| Other income, gains and losses, net | | | | 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> |

5. OTHER INCOME, GAINS AND LOSSES, NET

| | Six months ended | |
|--|--|--|
| | 30.6.2022 <i>RMB'000</i> (unaudited) | 30.6.2021 <i>RMB'000</i> (unaudited) (restated) |
| Bank interest income | (32,118) | (418,463) |
| Other interest income | – | (37,963) |
| Government subsidy | (12,753) | – |
| Loss on disposal of property, plant and equipment | 3,353 | 31,593 |
| Gain on disposal of joint ventures | (202,047) | (20,543) |
| Loss on disposal of associates | 107,505 | – |
| Investment return from financial assets at FVTPL | (2,414) | – |
| Exchange loss/(gain), net | 1,535,847 | (228,843) |
| Loss on change in fair value of financial assets at FVTPL | 8,480 | 97,650 |
| Reversal of Impairment losses on trade and other receivables | (83,190) | 107,499 |
| Others | (72,984) | (143,080) |
| | <u>1,249,679</u> | <u>(612,150)</u> |

6. INCOME TAX (CREDIT)/EXPENSE

| | Six months ended | |
|--|--|--|
| | 30.6.2022 <i>RMB'000</i> (unaudited) | 30.6.2021 <i>RMB'000</i> (unaudited) |
| Income tax (credit)/expense recognised comprises of: | | |
| Current tax: | | |
| PRC | | |
| Enterprise Income Tax (“EIT”) | 313,339 | 1,980,508 |
| Land Appreciation Tax | (190,721) | 1,133,325 |
| Other jurisdictions | 1,494 | 1,773 |
| | <u>124,112</u> | <u>3,115,606</u> |
| Deferred tax: | | |
| PRC | (338,237) | 127,792 |
| Other jurisdiction | (4,885) | (1,579) |
| | <u>(343,122)</u> | <u>126,213</u> |
| | <u>(219,010)</u> | <u>3,241,819</u> |

Under the Law of the People's Republic of China of EIT (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods, subject to certain preferential income tax policies.

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% (six months ended 30 June 2021: 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% (six months ended 30 June 2021: 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 periods ended 30 June 2022 and 30 June 2021 as there were assessable profits arises in both jurisdictions for both periods.

7. (LOSS)/PROFIT FOR THE PERIOD

| | Six months ended | |
|--|-------------------------|-------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| (Loss)/Profit for the period has been arrived at after charging/(crediting) the following items: | | |
| Interest on: | | |
| Bank and other borrowings | 3,119,685 | 3,141,313 |
| Senior notes and bonds | 952,191 | 1,194,041 |
| Amount due to a joint venture | 9,000 | 8,867 |
| Other payables | 38,396 | 13,416 |
| Lease liabilities | 68,962 | 33,002 |
| | 4,188,234 | 4,390,639 |
| Less: amounts capitalised to properties under development for sale | (4,012,075) | (4,016,408) |
| amounts capitalised to investment properties under construction | (22,429) | (30,313) |
| | 153,730 | 343,918 |
| Staff costs | 842,063 | 1,358,994 |
| Depreciation of property, plant and equipment | 177,888 | 196,367 |
| Depreciation of right-of-use assets | 133,203 | 61,639 |
| Amortisation of intangible assets (included in administrative expenses) | 6,537 | 30,377 |

8. DIVIDENDS

| Six months ended | |
|------------------|-------------|
| 30.6.2022 | 30.6.2021 |
| RMB'000 | RMB'000 |
| (unaudited) | (unaudited) |

No final dividend for 2021 (six months ended 30 June 2021: 2020 final dividend of RMB66 cents and a special dividend of RMB11 cents) per share

| | |
|---|-----------|
| – | 2,075,830 |
|---|-----------|

The directors of the Company do not recommend or declare any payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

9. (LOSS)/EARNINGS PER SHARE

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

| Six months ended | |
|------------------|-------------|
| 30.6.2022 | 30.6.2021 |
| RMB'000 | RMB'000 |
| (unaudited) | (unaudited) |

(Loss)/Earnings:

| | | |
|---|--------------------|------------------|
| (Loss)/Earnings for the purposes of basic (loss)/earnings per share, being (loss)/profit for the period attributable to owners of the Company | (2,920,649) | 2,088,644 |
| Effect of dilutive potential ordinary shares on adjustment to the share of profit of subsidiaries based on dilution of their earnings per share | – | (170) |
| (Loss)/Earnings for the purposes of diluted (loss)/earnings per share | <u>(2,920,649)</u> | <u>2,088,474</u> |

| | |
|-----------|-----------|
| 30.6.2022 | 30.6.2021 |
| '000 | '000 |

Number of shares:

| | | |
|---|------------------|------------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share | <u>2,965,571</u> | <u>2,697,214</u> |
|---|------------------|------------------|

Notes:

(a) Period ended 30 June 2021

The computation of diluted earnings per share of the Company 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 of shares. Therefore, their assumed exercise has resulted in a decrease in earnings per share of Company for the period.

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

There are no potential dilutive events for the Company for the period.

(b) **Period ended 30 June 2022**

For the purpose of computation of diluted loss per share of the Company, the Company had taken into consideration the effects of the share options issued by the non-wholly-owned listed subsidiaries of the Company while there are no potential dilutive events for the Company for the period. The diluted loss per share of the Company is the same as its basic loss per share.

No share options of the Company have been outstanding during the six months ended 30 June 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|--|--|--|
| Trade receivables | 1,605,330 | 1,104,271 |
| Less: Allowance for credit losses | (481,945) | (443,450) |
| | 1,123,385 | 660,821 |
| | | |
| Rental receivables | 79,532 | 98,795 |
| | | |
| Other receivables | 28,804,180 | 22,382,500 |
| Security deposits | 2,199,065 | 1,959,937 |
| Less: Allowance for credit losses | (6,018,386) | (6,140,071) |
| | 24,984,859 | 18,202,366 |
| | | |
| Contract assets | 996,941 | 357,084 |
| Contract costs | 4,089 | 814,730 |
| Advance to constructors and suppliers | 1,505,726 | 4,531,471 |
| Deposits paid for potential purchases of land use rights and property projects | 4,961,288 | 5,242,599 |
| Other tax prepayments | 3,788,058 | 4,756,188 |
| | 37,443,878 | 34,664,054 |

The following is an aging analysis of gross trade receivables, determined based on the date of the properties were delivered and sales were recognised and services were provided:

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|----------------|--|--|
| 0 – 60 days | 221,905 | 164,958 |
| 61 – 180 days | 160,892 | 133,861 |
| 181 – 365 days | 338,037 | 501,321 |
| 1 – 2 years | 664,413 | 174,802 |
| 2 – 3 years | 117,497 | 82,868 |
| Over 3 years | 102,586 | 46,461 |
| | 1,605,330 | 1,104,271 |

11. TRADE AND OTHER PAYABLES

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|--|--|--|
| Trade and bills payables | 20,622,586 | 20,034,796 |
| Other payables | 20,368,426 | 22,001,063 |
| Consideration payables for acquisition of subsidiaries | 1,513,137 | 1,529,802 |
| Other taxes payables | 7,155,444 | 6,866,116 |
| | 49,659,593 | 50,431,777 |

The following is an aging analysis of trade and bill payables determined based on the invoice date:

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|----------------|--|--|
| 0 – 60 days | 5,004,250 | 5,647,757 |
| 61 – 180 days | 10,181,062 | 10,180,844 |
| 181 – 365 days | 3,046,782 | 1,907,225 |
| 1 – 2 years | 1,219,178 | 1,146,930 |
| 2 – 3 years | 785,231 | 739,930 |
| Over 3 years | 386,083 | 412,110 |
| | 20,622,586 | 20,034,796 |

12. COMPARATIVE FIGURES

Comparative figures have been restated by reclassifying impairment loss on properties for sale amounting to RMB298 million from other income, gains and losses, net to cost of sales in order to conform with current period's presentation in the condensed consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2022, there were recurring outbreaks of the COVID-19 pandemic in China. The economy was still under pressure while the property market weakened. According to the National Bureau of Statistics, from January to June 2022, the gross floor area (GFA) sold of commodity housing was 689.23 million sq.m., down by 22.2% year-on-year. The sales amounted to RMB6,607.2 billion, representing a decrease of 28.9%. Aiming to stabilise land prices, housing prices and market expectations, the government specifies to support the reasonable housing needs and to promote the healthy development of the real estate industry.

During the Reporting Period, the Group realized property contracted sales of approximately RMB14.93 billion with contracted GFA sold of approximately 1.416 million sq.m.. Details of property contracted sales breakdown by region are as follow:

| Region | Property Contracted sales amount (RMB billion) | Contracted GFA Sold (’000 sq.m.) |
|--|---|---|
| South China | 6.74 | 596.0 |
| Core Region of Central & Western China | 2.96 | 382.9 |
| East China | 3.73 | 318.9 |
| Bohai Rim | 1.20 | 92.0 |
| Offshore | 0.3 | 26.6 |
| Total | <u>14.93</u> | <u>1,416.4</u> |

The Group continued to focus on urban redevelopment. As at 30 June 2022, all the urban redevelopment projects of the Group were situated in Guangdong-Hong Kong-Macao Greater Bay Area with a planned total GFA of 33.58 million sq.m. and a planned saleable area of approximately 14.33 million sq.m..

As at 30 June 2022, the Group had 275 projects in landbank with a total GFA of approximately 32.23 million sq.m., and attributable GFA of approximately 25.92 million sq.m..

II. FUTURE OUTLOOK

In the second half of the year, the international environment remains complex, and pressure from contracting domestic demand, shock on supply chain and weakening expectations is still emerging. However, with the implementation of supportive policies and the weakening impact of the pandemic, a healthy development will eventually be the keynote of the property industry's development.

In the future, the Group will continue to deepen its efforts in the Greater Bay Area and accelerate conversion of urban redevelopment projects. It continues to prioritize the delivery and improve the sales, so as to resume the operation. The Group is dedicated to a quality and sustainable development, creating more value for our shareholders, investors as well as the society.

III. FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2022, the Group's total revenue was approximately RMB8,745 million, representing an decrease of approximately RMB23,765 million or 73.1% over approximately RMB32,510 million in the same period of 2021. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 85.7%, 13.7% and 0.6% respectively.

In the first half of 2022, the Group's revenue generated from sales of properties amounted to approximately RMB7,494 million, representing an decrease of approximately RMB22,180 million or 74.7% over approximately RMB29,674 million in the same period of 2021. The GFA of delivered properties decreased by 70.1% to 1.10 million sq.m. from 3.68 million sq.m. in the same period of 2021.

Gross Profit and Margin

In the first half of 2022, the gross profit of the Group was approximately RMB157 million, representing a decrease of 98.0% from approximately RMB7,832 million in the same period of 2021. The Group's gross profit margin decreased from 24.1% in the same period of 2021 to 1.8%.

Other Income, Gains and Losses

In the first half of 2022, the Group's other income, gains and losses mainly included net exchange loss of approximately RMB1,536 million, interest income of approximately RMB32 million, and other gain of approximately RMB254 million.

Selling and Administrative Expenses

In the first half of 2022, total selling and distribution expenses of the Group were approximately RMB687 million, representing a decrease of 39.2% from approximately RMB1,130 million in the same period of 2021, which was mainly attributable to the decrease in overall sales, marketing and promotional activities owing to the decrease in property contracted sales amount during the period. Total administrative expenses decrease by 21.9% from approximately RMB1,528 million in the same period of 2021 to approximately RMB1,193 million.

Loss Attributable to Owners of the Company

In the first half of 2022, loss attributable to owners of the Company was approximately RMB2,921 million, representing a decrease of 239.8% from profit attributable to the Company of approximately RMB2,089 million in the same period of 2021.

Financial Position

As at 30 June 2022, the Group's total assets amounted to approximately RMB251,752 million (31 December 2021: approximately RMB261,423 million) and total liabilities were approximately RMB263,250 million (31 December 2021: approximately RMB268,953 million).

Current ratio was 0.9 as at 30 June 2022 (31 December 2021: 0.9).

Cash Position

As at 30 June 2022, the Group had cash and bank deposits of approximately RMB3,196 million (31 December 2021: approximately RMB9,262 million). As at 30 June 2022, the Group had restricted bank deposits of approximately RMB9,439 million (31 December 2021: approximately RMB9,153 million) which were mainly reserved for obtaining bank loans.

As at 30 June 2022, cash and bank deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB12,635 million, of which 90.5% was denominated in Renminbi and 9.5% was denominated in other currencies (mainly HK dollar, Australian dollar, Canadian dollar and US dollar).

Borrowings, Senior Notes and Bonds

As at 30 June 2022, the Group had bank and other borrowings of approximately RMB79,215 million (31 December 2021: approximately RMB84,927 million) and senior notes and corporate bonds of approximately RMB31,483 million (31 December 2021: approximately RMB29,481 million) as follows:

| Repayment Period | 30 June 2022 <i>(RMB million)</i> | 31 December 2021 <i>(RMB million)</i> |
|---|---|---|
| Repayment on demand or within one year | 104,199 | 112,777 |
| More than one year, but not exceeding two years | 3,788 | 1,563 |
| More than two years, but not exceeding five years | 2,711 | 68 |
| | 110,698 | 114,408 |

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.

Contingent Liabilities

As at 30 June 2022, 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 RMB101,286 million (31 December 2021: approximately RMB100,523 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.

Commitments

As at 30 June 2022, the Group's construction cost, contracted but not provided for amounted to approximately RMB20,469 million (31 December 2021: approximately RMB23,951 million). In addition, the Group's share of commitments relating to its joint ventures arising from construction cost contracted but not provided for is approximately RMB3,997 million (2021: RMB4,938 million).

The Group expects to fund these commitments principally from sale proceeds of properties 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 2022, the Group pledged its properties for sale, property, plant and equipment, investment properties, right-of-use assets and restricted bank deposits amounting to approximately RMB46,151 million (31 December 2021: approximately RMB48,562 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER REPORTING PERIOD

For the events after the reporting period, please refer to the section headed "EVENTS AFTER THE REPORTING PERIOD" in the announcement of annual results for the year ended 31 December 2022 of the Company published on the same day for details.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2022 (For the six months ended 30 June 2021: nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles 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 2022, 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 2022.

EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2022, the Group had about 10,120 employees (31 December 2021: 13,032). 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 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, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick as members, has reviewed, together with the participation of the Board, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company. The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

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

By order of the Board
China Aoyuan Group Limited
Guo Zi Wen
Chairman

Hong Kong, 30 June 2023

As at the date of this announcement, the executive directors of the Company are Mr. Guo Zi Wen, Mr. Ma Jun, Mr. Chen Zhi Bin and Mr. Tan Yi; and the independent non-executive directors of the Company are Mr. Cheung Kwok Keung, Mr. Lee Thomas Kang Bor and Mr. Wong Wai Keung Frederick.