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 2023

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 2023 (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 2023

		Six months ended	
		30.6.2023	30.6.2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue			
Contracts with customers	*3*	**10,849,420**	8,694,877
Leases		**91,454**	50,307
Total revenue		**10,940,874**	8,745,184
Cost of sales		**(10,199,293)**	(8,588,428)
Gross profit		**741,581**	156,756
Other income, gains and losses, net	*5*	**(1,337,594)**	(1,249,679)
Change in fair value of investment properties		**–**	93,093
Selling and distribution expenses		**(494,529)**	(686,974)
Administrative expenses		**(882,557)**	(1,193,454)
Loss on disposal of subsidiaries		**(509,598)**	(407,498)
Share of results of joint ventures		**218,745**	(303,907)
Share of results of associates		**(12,938)**	9,188
Finance costs		**(120,300)**	(153,730)

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

	Notes	Six months ended 30.6.2023 RMB'000 (unaudited)	Six months ended 30.6.2022 RMB'000 (unaudited)
Loss before tax		**(2,397,190)**	(3,736,205)
Income tax (expense)/credit	6	**(499,110)**	219,010
Loss for the period	7	**(2,896,300)**	(3,517,195)
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(25,301)**	(13,519)
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**7,999**	(20,095)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD		**(17,302)**	**(33,614)**
Total comprehensive expenses for the period		**(2,913,602)**	**(3,550,809)**
Loss for the period attributable to:			
Owners of the Company		**(2,944,918)**	(2,920,649)
Non-controlling interests		**48,618**	**(596,546)**
		(2,896,300)	**(3,517,195)**
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(2,962,220)**	**(2,955,654)**
Non-controlling interests		**48,618**	**(595,155)**
		(2,913,602)	**(3,550,809)**
Loss per share *(RMB cents)*			
Basic	9	**(99.30)**	(98.49)
Diluted	9	**(99.30)**	(98.49)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**30.6.2023**	31.12.2022
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,494,744**	3,694,201
Right-of-use assets		**785,275**	900,102
Investment properties		**12,509,273**	12,623,124
Goodwill		**678,831**	829,948
Intangible assets		**–**	78,858
Interests in joint ventures		**2,242,255**	1,623,823
Interests in associates		**1,067,102**	1,080,977
Equity instruments at fair value through profit or loss ("FVTPL")		**259,217**	259,217
Equity instruments designated at FVTOCI		**355,868**	490,369
Deferred tax assets		**3,474,037**	3,478,210
Deposits paid for acquisitions of property, plant and equipment		**–**	2,524
		24,866,602	25,061,353
CURRENT ASSETS			
Properties for sale		**137,601,589**	142,718,029
Inventories		**185,984**	200,091
Trade and other receivables	*10*	**30,642,562**	33,237,234
Amounts due from non-controlling shareholders of subsidiaries		**2,248,853**	2,474,933
Amounts due from joint ventures		**11,752,638**	9,826,733
Amounts due from associates		**553,365**	547,480
Financial assets at FVTPL		**30,597**	68,397
Tax recoverable		**5,080,596**	5,098,240
Restricted bank deposits		**3,562,950**	4,231,253
Bank balances and cash		**3,374,480**	5,110,292
		195,033,614	203,512,682
Assets classified as held for sale		**1,920,650**	5,851,850
Total current assets		**196,954,264**	209,364,532

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	**30.6.2023** *RMB'000* **(unaudited)**	31.12.2022 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**55,107,997**	51,734,603
Contract liabilities		**52,221,418**	62,997,380
Amounts due to non-controlling shareholders of subsidiaries		**2,506,034**	2,968,840
Amounts due to joint ventures		**7,786,207**	8,501,038
Amounts due to associates		**1,200,769**	1,209,978
Tax liabilities		**10,170,003**	9,677,345
Bank and other borrowings		**68,698,995**	66,690,263
Lease liabilities		**322,184**	353,571
Senior notes and bonds		**34,400,803**	32,755,541
		232,414,410	236,888,559
Liabilities directly associated with assets classified as held for sale		**1,055,916**	2,345,111
Total current liabilities		**233,470,326**	239,233,670
NET CURRENT LIABILITIES		**(36,516,062)**	(29,869,138)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(11,649,460)**	(4,807,785)
NON-CURRENT LIABILITIES			
Bank and other borrowings		**5,772,380**	9,604,087
Deferred tax liabilities		**1,427,916**	1,484,375
Lease liabilities		**1,106,444**	1,161,505
Deferred income		**576,174**	579,144
Total non-current liabilities		**8,882,914**	12,829,111
NET LIABILITIES		**(20,532,374)**	(17,636,896)
CAPITAL AND RESERVES			
Share capital		**27,726**	27,726
Reserves		**(25,618,730)**	(22,745,141)
Equity attributable to owners of the Company		**(25,591,004)**	(22,717,415)
Non-controlling interests		**5,058,630**	5,080,519
TOTAL EQUITY		**(20,532,374)**	(17,636,896)

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 2023 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 2023, the Group recorded a net loss of approximately RMB2,896 million and a net operating cash outflow. As at 30 June 2023, 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 2023 as current liabilities due to defaults and cross defaults in repayment) exceeded its current assets by approximately RMB36,516 million. At the same date, the Group's total bank and other borrowings and senior notes and bonds amounted to RMB108,872 million, out of which RMB103,100 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 RMB19,444 million, while the Group has total bank balances and cash (including restricted bank deposits) of approximately RMB6,937 million.

As at 30 June 2023, the Group had defaulted the repayment of certain bank and other borrowings of approximately RMB37,044 million and senior notes and bonds of approximately RMB28,540 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 RMB21,811 million and senior notes and bonds of approximately RMB5,861 million. Subsequent to 30 June 2023 and up to 30 August 2023, apart from the aforesaid bank and other borrowings and senior notes and bonds, the Group had not repaid bank and other borrowings of approximately RMB615 million that are due for repayment. Furthermore, as at 30 June 2023 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 condensed consolidated financial statements, the restructuring support agreement (the "RSA") has been agreed between the Company and AHG, with over 75% of senior noteholders subsequently acceding to the RSA. The Directors are confident that the Holistic Restructuring will ultimately reach a successful conclusion based on the progress achieved to date.

(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 RMB7,464 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 contractual 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 condensed 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 2023, 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 2023 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 2023.

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

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 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 and related amendments	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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.

3. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2023			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services				
Sales of properties				
Residential apartments	8,806,853	–	–	8,806,853
Commercial apartments	21,270	–	–	21,270
Retail shops and others	170,457	–	–	170,457
Low-density residential	266,159	–	–	266,159
	9,264,739	–	–	9,264,739
Others				
Property management services	–	–	680,068	680,068
Others	–	–	904,613	904,613
	–	–	1,584,681	1,584,681
Revenue from contracts with customers	9,264,739	–	1,584,681	10,849,420
Property investment				
Commercial and retail shops	–	91,454	–	91,454
Total	9,264,739	91,454	1,584,681	10,940,874
Timing of revenue recognition				
At a point of time	9,264,739	–	866,927	10,131,666
Recognised over time	–	–	717,754	717,754
	9,264,739	–	1,584,681	10,849,420
Rental income	–	91,454	–	91,454
Total	9,264,739	91,454	1,584,681	10,940,874

	For the six months ended 30 June 2022			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	7,493,727	–	–	7,493,727
Others				
Property management services	–	–	565,105	565,105
Others	–	–	636,045	636,045
	–	–	1,201,150	1,201,150
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	7,493,727	50,307	1,201,150	8,745,184
Timing of revenue recognition				
At a point of time	7,493,727	–	633,392	8,127,119
Recognised over time	–	–	567,758	567,758
	7,493,727	–	1,201,150	8,694,877
Rental income	–	50,307	–	50,307
Total	7,493,727	50,307	1,201,150	8,745,184

4. SEGMENT INFORMATION

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

Six months ended 30 June 2023 (unaudited)

	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
External segment revenue	**9,264,739**	**91,454**	**1,584,681**	**10,940,874**
Segment result	**(332,232)**	**36,455**	**(205,968)**	**(501,745)**
Other income, gains and losses, net				**(1,021,686)**
Loss on disposal of subsidiaries				**(509,598)**
Unallocated corporate expenses				**(449,668)**
Share of results of joint ventures				**218,745**
Share of results of associates				**(12,938)**
Finance costs				**(120,300)**
Profit before tax				**(2,397,190)**

Six months ended 30 June 2022 (unaudited)

	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	7,493,727	50,307	1,201,150	8,745,184
Segment result	(1,028,982)	(14,731)	(71,110)	(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				(153,730)
Loss before tax				(3,736,205)

5. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30.6.2023 RMB'000 (unaudited)	Six months ended 30.6.2022 RMB'000 (unaudited)
Bank interest income	**(25,002)**	(32,118)
Government subsidy	**(12,223)**	(12,753)
(Gain)/loss on:		
– disposal of property, plant and equipment	**(2,829)**	3,353
– disposal of joint ventures	**(120,455)**	(202,047)
– disposal of associates	**(938)**	107,505
Investment return from financial assets at FVTPL	**(3,202)**	(2,414)
Exchange loss, net	**1,238,756**	1,535,847
Loss on change in fair value of financial assets at FVTPL	**–**	8,480
Impairment loss/(reversal of impairment loss) on:		
– trade and other receivables	**39,983**	(83,190)
– amounts due from joint ventures	**7,696**	–
– amounts due from non-controlling shareholders of subsidiaries	**13,303**	–
– assets classified as held for sale	**224,665**	–
Others	**(22,160)**	(72,984)
	1,337,594	1,249,679

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30.6.2023 RMB'000 (unaudited)	Six months ended 30.6.2022 RMB'000 (unaudited)
Income tax expense/(credit) recognised comprises of:		
Current tax:		
PRC		
Enterprise Income Tax ("EIT")	**175,449**	313,339
Land Appreciation Tax	**373,655**	(190,721)
Other jurisdictions	**2,291**	1,494
	551,395	124,112
Deferred tax:		
PRC	**(49,861)**	(338,237)
Other jurisdiction	**(2,424)**	(4,885)
	(52,285)	(343,122)
	499,110	(219,010)

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.

Under the Provisional Regulations of the People's Republic of China on LAT (the "LAT Provisional Regulations") and Implementation Regulation of the LAT Provisional Regulations, the tax rate of the PRC subsidiaries is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and relevant property development expenditures.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements 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 2022: 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 2022: 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 2023 and 30 June 2022 as there were assessable profits arises in both jurisdictions for both periods.

7. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting) the following items:		
Interest on:		
Bank and other borrowings	**3,271,797**	3,119,685
Senior notes and bonds	**668,456**	952,191
Amount due to a joint venture	**9,000**	9,000
Other payables	**8,738**	38,396
Lease liabilities	**67,411**	68,962
	4,025,402	4,188,234
Less: amounts capitalised to properties under development for sale	**(3,905,102)**	(4,012,075)
amounts capitalised to investment properties under construction	**–**	(22,429)
	120,300	153,730
Staff costs	**392,519**	842,063
Depreciation of property, plant and equipment	**177,858**	177,888
Depreciation of right-of-use assets	**108,410**	133,203
Amortisation of intangible assets (included in administrative expenses)	**6,557**	6,557

8. DIVIDENDS

The directors of the Company do not recommend or declare any payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. LOSS PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss:		
Loss for the purposes of basic loss per share, being loss for the period attributable to owners of the Company	**(2,944,918)**	(2,920,649)

	30.6.2023	30.6.2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,965,571**	2,965,571

Notes:

For the purpose of computation of diluted loss per share of the Company for the six months period ended 30 June 2023 and 2022, the Company had taken into consideration the effects of the share options issued by the non-wholly-owned listed subsidiaries.

There are no potential dilutive events for the Company during both years.

The diluted loss per share of the Company for the six months period ended 30 June 2023 and 2022 are the same as the basic loss per share for the respective year.

10. TRADE AND OTHER RECEIVABLES

	30.6.2023	31.12.2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**1,211,940**	1,369,723
Less: Allowance for credit losses	**(442,928)**	(521,768)
	769,012	847,955
Rental receivables	**104,185**	106,681
Other receivables	**23,360,724**	23,545,542
Security deposits	**1,398,956**	1,626,143
Less: Allowance for credit losses	**(6,035,337)**	(6,048,996)
	18,724,343	19,122,689
Contract assets	**60,979**	97,789
Contract costs	**808,709**	861,149
Advance to constructors and suppliers	**3,490,252**	3,401,609
Deposits paid for potential purchases of land use rights and property projects	**4,491,780**	4,912,719
Other tax prepayments	**2,193,302**	3,886,643
	30,642,562	33,237,234

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:

	30.6.2023	31.12.2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–60 days	**313,785**	209,420
61–180 days	**116,098**	123,340
181–365 days	**113,190**	222,440
1–2 years	**551,821**	614,921
2–3 years	**86,248**	133,344
Over 3 years	**30,798**	66,258
	1,211,940	1,369,723

11. TRADE AND OTHER PAYABLES

	30.6.2023	31.12.2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and bills payables	**20,333,574**	19,827,754
Other payables	**27,166,647**	23,505,472
Consideration payables for acquisition of subsidiaries	**1,420,095**	1,420,493
Other taxes payables	**6,187,681**	6,980,884
	55,107,997	51,734,603

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

	30.6.2023	31.12.2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–60 days	**7,222,785**	6,175,361
61–180 days	**5,573,237**	9,803,077
181–365 days	**4,838,155**	1,788,539
1–2 years	**1,591,312**	1,010,969
2–3 years	**679,375**	663,287
Over 3 years	**428,710**	386,521
	20,333,574	19,827,754

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group continued to focus on stabilizing operations and debt restructuring, promoted the double-hundred actions of "100% resumption of work and 100% delivery (保復工保交樓)", and took various measures to revitalise sales, while conducting orderly cost saving and the organizational restructure, in order to ensure the steady progress of operation. The Company is conducting the resumption work in an orderly manner in accordance with the resumption guidelines from The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and all work is progressing smoothly.

In the first half of 2023, the Group realized contracted sales of property of approximately RMB7.48 billion with contracted GFA sold of approximately 819,000 sq.m.. Details of property contracted sales by region are as follow:

Region	**Property contracted sales amount** *(RMB billion)*	**Contracted GFA sold** *('000 sq.m.)*
South China	2.84	279
Core Region of Central & Western China	1.69	199
East China	1.24	123
Bohai Rim	1.71	218
Total	7.48	819

As at 30 June 2023, the Group had 259 projects in landbank with a total GFA of approximately 28.22 million sq.m., and attributable GFA of approximately 23.13 million sq.m.; in addition, the Group had urban redevelopment projects with a planned total GFA of approximately 30.66 million sq.m. and a planned saleable GFA of approximately 13.29 million sq.m..

FUTURE OUTLOOK

The real estate market is expected to be stable and the industry will eventually enter a new stage of stable and healthy development as the central government has set the adjustment and optimization to the real estate policies. In the future, the Group will continue to concentrate on the Guangdong-Hong Kong-Macao Greater Bay Area with focus on the nature of real estate, open up the source and regulate the flow, and improve the quality of products and services. The Group is committed to achieving sustainable and robust growth in a challenging environment and contributing value to shareholders, investors and the society.

FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In the first half of 2023, the Group's total revenue was approximately RMB10,941 million, representing an increase of approximately RMB2,196 million or 25.1% over approximately RMB8,745 million in the same period of 2022. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 84.7%, 14.5% and 0.8% respectively.

In the first half of 2023, the Group's revenue generated from sales of properties amounted to approximately RMB9,265 million, representing an increase of approximately RMB1,771 million or 23.6% over approximately RMB7,494 million in the same period of 2022. The GFA of delivered properties increased by 4.5% to 1.15 million sq.m. from 1.10 million sq.m. in the same period of 2022.

Gross Profit and Margin

In the first half of 2023, the gross profit of the Group was approximately RMB742 million, representing an increase of 373.1% from approximately RMB157 million in the same period of 2022. The Group's gross profit margin increased from 1.8% in the same period of 2022 to 6.8%.

Other Income, Gains and Losses

In the first half of 2023, the Group's other income, gains and losses mainly included net exchange loss of approximately RMB1,239 million and other net losses of approximately RMB99 million.

Selling and Administrative Expenses

In the first half of 2023, total selling and distribution expenses of the Group were approximately RMB495 million, representing a decrease of 28.0% from approximately RMB687 million in the same period of 2022. Due to the cost reduction effort, total administrative expenses decrease by 26.1% from approximately RMB1,193 million in the same period of 2022 to approximately RMB883 million.

Loss Attributable to Owners of the Company

In the first half of 2023, loss attributable to owners of the Company was approximately RMB2,945 million, representing an increase of 0.8% from approximately RMB2,921 million in the same period of 2022.

Financial Position

As at 30 June 2023, the Group's total assets amounted to approximately RMB221,821 million (31 December 2022: approximately RMB234,426 million) and total liabilities were approximately RMB242,353 million (31 December 2022: approximately RMB252,063 million).

Current ratio was 0.8 as at 30 June 2023 (31 December 2022: 0.9).

Cash Position

As at 30 June 2023, the Group had cash and bank deposits of approximately RMB3,374 million (31 December 2022: approximately RMB5,110 million). As at 30 June 2023, the Group had restricted bank deposits of approximately RMB3,563 million (31 December 2022: approximately RMB4,231 million) which served as security deposits and mortgage guarantees or with restrictions imposed by judicial freeze and creditors.

As at 30 June 2023, cash and bank deposits and restricted bank deposits of the Group mentioned above totalled approximately RMB6,937 million, of which 85.2% was denominated in Renminbi and 14.8% was denominated in other currencies (mainly HK dollar, Australian dollar, Canadian dollar and US dollar).

Borrowings, Senior Notes and Bonds

As at 30 June 2023, the Group had bank and other borrowings of approximately RMB74,471 million (31 December 2022: approximately RMB76,294 million) and senior notes and corporate bonds of approximately RMB34,401 million (31 December 2022: approximately RMB32,756 million) as follows:

Repayment Period	**30 June 2023** ***(RMB million)***	31 December 2022 *(RMB million)*
Repayment on demand or within one year	**103,100**	99,446
More than one year, but not exceeding two years	**2,345**	5,935
More than two years, but not exceeding five years	**2,982**	3,219
More than five years	**445**	450
	108,872	109,050

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 2023, 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 RMB81,028 million (31 December 2022: approximately RMB95,373 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 2023, the Group's construction cost, contracted but not provided for amounted to approximately RMB15,169 million (31 December 2022: approximately RMB18,868 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 RMB4,275 million (31 December 2022: RMB4,016 million).

The Group expects to fund these commitments principally from sale proceeds of properties.

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 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 2023, the Group pledged its properties for sale, property, plant and equipment, investment properties, right-of-use assets and restricted bank deposits amounting to approximately RMB45,309 million (31 December 2022: approximately RMB45,321 million) to various banks to secure project loans and general banking facilities granted to the Group.

EVENTS AFTER REPORTING PERIOD

Disposal of 29.9% of the issued share capital of Aoyuan Healthy

On 16 February 2023, Main Trend Limited ("Main Trend"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Best Discovery International Limited ("Best Discovery"), an independent third party, pursuant to which Main Trend conditionally agreed to sell, and Best Discovery conditionally agreed to purchase, 29.9% of the issued share capital of Aoyuan Healthy at the consideration of HK$256,000,000 (equivalent to approximately RMB224,168,000).

All the conditions precedent under the Agreement have been fulfilled and completion took place on 17 July 2023. Best Discovery and the Group hold 29.9% and 24.68% of the entire issued share capital of Aoyuan Healthy respectively, and therefore Best Discovery becomes the single largest shareholder of Aoyuan Healthy, and the Group ceased to be the controlling shareholder of Aoyuan Healthy but shall remain as substantial shareholder of Aoyuan Healthy. Aoyuan Healthy and its subsidiaries ceased to be accounted for as subsidiaries of the Group by virtue of the completion.

Progress of the Offshore Debt Restructuring

The Company and its advisors have been engaged in active discussions with certain major offshore creditors to implement a holistic financial restructuring that would provide the Group with a sustainable capital structure to deliver long term value for all of its stakeholders. The Company agreed the key commercial terms of the offshore holistic debt restructuring plan (the "Holistic Restructuring") with the ad-hoc group comprising holders of certain offshore senior notes issued by the Company (representing approximately 33.41% of the outstanding principal amount of certain offshore senior notes issued by the Company (the "Aoyuan Existing Notes")) (the "AHG") on 30 June 2023. Further to the agreement of key commercial terms of the Holistic Restructuring with the AHG, the Company announced the terms of the restructuring support agreement ("RSA") on 11 July 2023. As at the date of the Company's announcement on 10 August 2023, holders of 75.89% of the outstanding principal amount of the Aoyuan Existing Notes have either duly executed or acceded to the RSA. The Company is very encouraged by and grateful for the strong support it has received to date. In light of the requests of the creditors, the Company has decided to extend the RSA Fee Deadline (as defined in the RSA) to 5 p.m. Hong Kong time on 31 August 2023 in order to allow more creditors to avail themselves of the benefit of the RSA Fee (as defined in the RSA). The Company will be grateful if the remaining holders of the Group Financing Instruments (as defined in the RSA) consider the terms of the RSA and enter into the same with the Company as soon as possible. Details of how to accede to the RSA are set out in the Company's announcement dated 10 August 2023.

Once implemented, the Holistic Restructuring will provide the Group with a sustainable capital structure, allowing the Company to focus on its daily operations with a view to enhance stakeholder value.

The Company continues to engage in constructive discussions with all relevant stakeholders with the assistance of KPMG.

Offshore creditors of the Company are encouraged to contact the following representative to facilitate the Company's efforts to implement a potential restructuring plan:

KPMG Advisory (China) Limited

Address: 8/F, Prince's Building, 10 Chater Road, Hong Kong

Email: aoyuan.restructuring@kpmg.com

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023.

COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 20 January 2023. Following the resignation of Mr. Tsui King Fai as independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company on 20 January 2023, the number of independent non-executive Directors and members of the Audit Committee fell below the requirements under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") respectively. As announced by the Company on 24 February 2023, Mr. Wong Wai Keung Frederick was appointed as an independent non-executive director, a member of the Audit Committee, a member of the Remuneration Committee, and a member of the Nomination Committee of the Company with effect from 24 February 2023 ("Mr. Wong's Appointment"). Following Mr. Wong's Appointment, the current number of independent non-executive Directors complies with Rule 3.10(1) of the Listing Rules. The Company also fulfils the requirement of having a minimum of three members in the Audit Committee under Rule 3.21 of the Listing Rules.

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 Listing Rules. For the six months ended 30 June 2023, 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 2023.

EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2023, the Group had about 7,583 employees (31 December 2022: 9,002). 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 management, the accounting principles and practices adopted by the Group and discussed accounting and financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.aoyuan.com.cn). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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 August 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.