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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

2018 RESULTS HIGHLIGHTS

- Contracted sales for the year was RMB91.28 billion (attributable to the Company: 85%), representing a year-on-year increase of 100%; Compound annual growth rate from 2016 to 2018 was approximately 89%.
- Revenue for the year was RMB31.01 billion, representing a year-on-year increase of 62%.
- Gross profit for the year was RMB9.63 billion, representing a year-on-year increase of 88%; gross profit margin was 31.1%.
- Net profit for the year was RMB2.94 billion, representing a year-on-year increase of 51%; Basic earnings per share was RMB89.91 cents, and diluted earnings per share was RMB89.90 cents.
- Core net profit for the year[Note 1] was RMB3.07 billion, representing a year-on-year increase of 63%.
- As at 31 December 2018, total bank balances and cash were RMB39.62 billion, and net gearing ratio was 58.9%.
- The Board proposed a final dividend of RMB36 cents (equivalent to HK42 cents) per share for the year ended 31 December 2018.

Note 1: Core net profit for the year ended excludes non-recurring profits and loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange differences, gain on change in fair value of derivative financial instruments, etc.

The board of directors (the "Board") of China Aoyuan Group Limited (formerly known as China Aoyuan Property Group Limited) (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	3	**31,005,834**	19,115,255
Cost of sales		**(21,371,683)**	(14,003,778)
Gross profit		**9,634,151**	5,111,477
Other income, gains and losses	5	**(222,971)**	291,823
Change in fair value of investment properties		**544,467**	336,543
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**320,741**	–
Gain (loss) on disposal of subsidiaries		**222,012**	(4,201)
Selling and distribution expenses		**(1,432,227)**	(926,166)
Administrative expenses		**(1,736,008)**	(799,638)
Share of results of joint ventures		**36,558**	(116,390)
Share of results of associates		**(1,872)**	3
Finance costs	6	**(410,559)**	(267,859)
Profit before tax	7	**6,954,292**	3,625,592
Income tax expense	8	**(4,014,825)**	(1,673,640)
Profit for the year		**2,939,467**	1,951,952
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available-for-sale investments, net of income tax		**–**	19,062
Gain on disposal of available-for-sale investments reclassified to profit and loss		**–**	(21,865)
Exchange differences on translating of foreign operations		**(25,460)**	6,593
		(25,460)	3,790
Profit and total comprehensive income for the year		**2,914,007**	1,955,742

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Profit for the year attributable to:			
– Owners of the Company		**2,408,877**	1,639,928
– Non-controlling interests		**530,590**	312,024
		2,939,467	1,951,952
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**2,389,573**	1,641,946
– Non-controlling interests		**524,434**	313,796
		2,914,007	1,955,742
Earnings per share			
Basic (RMB cents)	*10*	**89.91**	61.35
Diluted (RMB cents)	*10*	**89.90**	61.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	NOTES	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,057,192**	718,995
Prepaid lease payments		**337,977**	80,735
Investment properties		**8,833,493**	6,360,204
Goodwill		**3,491**	28,755
Intangible assets		**3,600**	4,698
Interests in joint ventures		**1,721,376**	43,749
Interests in associates		**217,131**	170,003
Equity instruments at fair value through other comprehensive income		**31,465**	–
Deferred tax assets		**676,948**	305,272
Deposits paid for acquisitions of subsidiaries		**1,531,947**	928,222
Deposit paid for acquisition of a joint venture		**40,941**	39,229
Deposit paid for acquisition of property, plant and equipment		–	278,367
Amount due from a non-controlling shareholder of a subsidiary		–	92,383
Amounts due from joint ventures		**1,118,809**	152,029
Trade and other receivables	*11*	**476,296**	492,996
		17,050,666	9,695,637
CURRENT ASSETS			
Properties for sale		**114,894,214**	77,069,025
Inventories		**66,834**	138,227
Trade and other receivables	*11*	**12,274,166**	7,407,313
Deposits paid for acquisitions of land use rights and property projects		**177,065**	1,114,490
Amounts due from non-controlling shareholders of subsidiaries		**1,924,264**	1,579,937
Amounts due from related parties		–	71,381
Amounts due from joint ventures		**294,064**	868,846
Amounts due from associates		**48,292**	73,525
Financial assets at fair value through profit or loss ("FVTPL")		**524,400**	200,000
Tax recoverable		**1,967,938**	1,040,960
Prepaid lease payments		**14,772**	2,080
Derivative financial instruments		–	4,377
Structured deposits		**1,328,000**	–
Restricted bank deposits		**2,281,255**	1,770,880
Bank balances and cash		**36,012,289**	24,769,183
		171,807,553	116,110,224

	NOTES	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and other payables	12	**25,564,843**	14,579,493
Deposits received for sale of properties		**–**	34,760,145
Contract liabilities		**59,966,365**	–
Amounts due to non-controlling shareholders of subsidiaries		**2,352,730**	609,591
Amounts due to joint ventures		**2,402,017**	227,332
Amount due to an associate		**49**	20
Loans from non-controlling shareholders of subsidiaries		**543,330**	632,180
Tax liabilities		**5,534,968**	3,171,912
Bank and other borrowings		**19,261,443**	13,371,376
Obligations under finance leases		**38,821**	–
Senior notes and bonds		**4,470,449**	7,118,223
Provisions		**897,617**	1,102,882
		121,032,632	75,573,154
NET CURRENT ASSETS		**50,774,921**	40,537,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,825,587**	50,232,707
NON-CURRENT LIABILITIES			
Other payables	12	**503,810**	1,042,259
Bank and other borrowings		**21,489,907**	14,422,940
Loans from non-controlling shareholders of subsidiaries		**1,153,300**	1,492,800
Deferred tax liabilities		**1,184,072**	691,196
Obligations under finance leases		**260,940**	–
Senior notes and bonds		**12,499,712**	5,457,222
		37,091,741	23,106,417
NET ASSETS		**30,733,846**	27,126,290
CAPITAL AND RESERVES			
Share capital		**25,343**	25,333
Reserves		**11,846,874**	10,129,703
Equity attributable to owners of the Company		**11,872,217**	10,155,036
Non-controlling interests		**18,861,629**	16,971,254
TOTAL EQUITY		**30,733,846**	27,126,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle

Except as described below, the application of the above amendments to IFRSs and the interpretation in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or disclosures set out in the consolidated financial statements.

2.1 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied IFRS 15 Revenue from Contracts with Customers for the first time in the current year. IFRS 15 Revenue from Contracts with Customers superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 Revenue from Contracts with Customers retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15 Revenue from Contracts with Customers, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

Revenue of the Group mainly consists of revenue derived from the (i) sales of properties, (ii) rental income, and (iii) hotel, property management service income and sales of goods.

Summary of effects arising from initial application of IFRS 15 Revenue from Contracts with Customers

The following table summarises the impacts of transition to IFRS 15 Revenue from Contracts with Customers on retained profits at 1 January 2018.

	Note	*RMB'000*
Retained profits		5,228,599
Recognition of contract costs	(a)	86,606
Tax effects	(a)	(22,005)
As at 1 January 2018		5,293,200

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**Carrying amounts under IFRS 15 at 1 January 2018** ***RMB'000***
Current assets					
Trade and other receivables	(a)	7,407,313	–	88,718	**7,496,031**
Non-current assets					
Deferred tax assets	(a)	305,272	–	(22,005)	**283,267**
Capital and reserves					
Retained profits		5,228,599	–	64,601	**5,293,200**
Non-controlling interests		16,971,254	–	2,112	**16,973,366**
Current liabilities					
Deposits received for sale of properties		34,760,145	(34,760,145)	–	**–**
Contract liabilities		–	34,760,145	–	**34,760,145**

Note:

(a) The Group incurred incremental agency commission to intermediaries in connection with obtaining sales of properties contracts with customers. These amounts were previously expensed as incurred. At the date of initial application of IFRS 15 Revenue from Contracts with Customers, incremental costs of obtaining contracts and the related deferred tax of RMB22,005,000 were recognised with corresponding adjustments to retained profits and non-controlling interests.

The following tables summarise the impacts of applying IFRS 15 Revenue from Contracts with Customers on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade and other receivables	12,274,166	(663,815)	11,610,351
Non-current assets			
Deferred tax assets	676,948	165,953	842,901
Capital and reserves			
Retained profits	6,707,704	(468,143)	6,239,561
Non-controlling interests	18,861,629	(29,719)	18,831,910
Current liabilities			
Deposits received for sale of properties	–	59,966,365	59,966,365
Contract liabilities	59,966,365	(59,966,365)	–

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Selling and distribution expenses	(1,432,227)	(575,097)	(2,007,324)
Profit before tax	6,954,292	(575,097)	6,379,195
Income tax expense	(4,014,825)	143,948	(3,870,877)
Profit for the year	2,939,467	(431,149)	2,508,318

2.2 IFRS 9 FINANCIAL INSTRUMENTS AND THE RELATED AMENDMENTS

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 Financial Instruments introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 Financial Instruments in accordance with the transition provisions set out in IFRS 9 Financial Instruments, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of IFRS 9 Financial Instruments

No impacts of transition to IFRS 9 Financial Instruments on retained profits and classification and measurement of financial assets and financial liabilities of 1 January 2018.

2.3 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON AMENDMENTS TO IAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

The amendments clarify that a transfer to or from investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 Transfer of Investment Property may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date. There is no impact to the classification at 1 January 2018.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

3. REVENUE

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Property development				
Residential apartments	**18,458,948**	**–**	**–**	**18,458,948**
Commercial apartments	**5,293,476**	**–**	**–**	**5,293,476**
Retail shops and others	**4,755,335**	**–**	**–**	**4,755,335**
Low-density residential	**1,231,967**	**–**	**–**	**1,231,967**
	29,739,726	**–**	**–**	**29,739,726**
Property investment				
Commercial and retail shops	**–**	**185,770**	**–**	**185,770**
Others				
Property management	**–**	**–**	**375,716**	**375,716**
Sales of goods	**–**	**–**	**379,768**	**379,768**
Others	**–**	**–**	**324,854**	**324,854**
	–	**–**	**1,080,338**	**1,080,338**
Total	**29,739,726**	**185,770**	**1,080,338**	**31,005,834**
Timing of revenue recognition				
At a point of time	**29,739,726**	**–**	**449,143**	**30,188,869**
Recognised over time	**–**	**–**	**631,195**	**631,195**
	29,739,726	**–**	**1,080,338**	**30,820,064**
Rental income	**–**	**185,770**	**–**	**185,770**
Total	**29,739,726**	**185,770**	**1,080,338**	**31,005,834**

B. For the year ended 31 December 2017

The Group is principally engaged in property development and property investment. An analysis of the Group's revenue for the year is as follows:

	2017 *RMB'000*
Sale of properties	17,960,391
Rental income	119,032
Hotel, property management services income and sale of goods	1,035,832
	19,115,255

4. SEGMENT INFORMATION

Information regularly reported to the Group's chief executive officer (the chief operating decision maker) for the purposes of resource allocation and assessment of performance focuses on the type of operation. The Group's reportable and operating segments under IFRS 8 Operating Segments are as follows:

Property development – development and sale of properties
Property investment – lease of investment properties
Others – hotel operation, provision of property management services and sale of goods

No operating segments have been aggregated in arriving at the reportable segments of the Group. The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Year ended 31 December 2018			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
External segment revenue	**29,739,726**	**185,770**	**1,080,338**	**31,005,834**
Segment profit	**6,321,120**	**916,491**	**193,899**	**7,431,510**
Other income, gains and losses				**(198,097)**
Gain on disposal of subsidiaries				**222,012**
Unallocated corporate expenses				**(125,260)**
Share of results of joint ventures				**36,558**
Share of results of associates				**(1,872)**
Finance costs				**(410,559)**
Profit before tax				**6,954,292**

	Year ended 31 December 2017			
	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
External segment revenue	17,960,391	119,032	1,035,832	19,115,255
Segment profit	3,117,062	325,864	384,784	3,827,710
Other income, gains and losses				291,823
Loss on disposal of subsidiaries				(4,201)
Unallocated corporate expenses				(105,494)
Share of results of joint ventures				(116,390)
Share of results of associates				3
Finance costs				(267,859)
Profit before tax				3,625,592

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit generated or loss incurred by each segment without allocation of central administration costs including directors' salaries, head office operating expenses, certain amount of other income, gains and losses, gain (loss) on disposal of subsidiaries, share of results of associates and joint ventures and finance costs. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and performance assessment.

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

Segment assets

	2018 *RMB'000*	2017 *RMB'000*
Property development	**131,226,532**	89,105,766
Property investment	**8,886,419**	6,399,989
Others	**1,473,303**	699,561
Total segment assets	**141,586,254**	96,205,316
Unallocated assets:		
Interests in joint ventures	**1,721,376**	43,749
Interests in associates	**217,131**	170,003
Equity instruments at fair value through other comprehensive income	**31,465**	–
Deferred tax assets	**676,948**	305,272
Amounts due from joint ventures	**1,412,873**	1,020,875
Amounts due from associates	**48,292**	73,525
Tax recoverable	**1,967,938**	1,040,960
Financial assets at FVTPL	**524,400**	200,000
Derivative financial instruments	**–**	4,377
Structured deposits	**1,328,000**	–
Restricted bank deposits	**2,281,255**	1,770,880
Bank balances and cash	**36,012,289**	24,769,183
Others	**1,049,998**	201,721
Consolidated assets	**188,858,219**	125,805,861

Segment liabilities

	2018	2017
	RMB'000	*RMB'000*
Property development	**90,461,280**	53,868,630
Property investment	**60,863**	53,873
Others	**459,852**	296,847
Total segment liabilities	**90,981,995**	54,219,350
Unallocated liabilities:		
Bank and other borrowings	**40,751,350**	27,794,316
Senior notes and bonds	**16,970,161**	12,575,445
Amounts due to joint ventures	**2,402,017**	227,332
Amount due to an associate	**49**	20
Tax liabilities	**5,534,968**	3,171,912
Deferred tax liabilities	**1,184,072**	691,196
Obligations under finance leases	**299,761**	–
Consolidated liabilities	**158,124,373**	98,679,571

For the purposes monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable and operating segments other than certain amount of property, plant and equipment, interests in associates and joint ventures, equity instruments at fair value through other comprehensive income, deferred tax assets, amounts due from joint ventures and associates, tax recoverable, financial asset at FVTPL, derivative financial instruments, structured deposits, restricted bank deposits, bank balances and cash and other assets not attributable to respective segment.

- all liabilities are allocated to reportable and operating segments other than bank and other borrowings, senior notes and bonds, amounts due to joint ventures and an associate, tax liabilities, deferred tax liabilities and obligations under finance lease not attributable to respective segment.

Other segment information

	Year ended 31 December 2018				
	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	**368,748**	**–**	**69,845**	**500,391**	**938,984**
Additions of investment properties	**–**	**206,412**	**–**	**–**	**206,412**
Depreciation of property, plant and equipment	**41,889**	**–**	**53,164**	**23,296**	**118,349**
Amortisation of intangible assets	**–**	**–**	**1,098**	**–**	**1,098**
Release of prepaid lease payments	**–**	**–**	**435**	**7,168**	**7,603**
Gain on disposal of property, plant and equipment	**7,374**	**–**	**226**	**36**	**7,636**
Change in fair value of investment properties	**–**	**544,467**	**–**	**–**	**544,467**
Recognition of increase in fair value of completed properties upon transfer to investment properties	**–**	**320,741**	**–**	**–**	**320,741**

	Year ended 31 December 2017				
	Property development *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	43,966	–	50,495	29,931	124,392
Additions of investment properties	–	647,993	–	–	647,993
Depreciation of property, plant and equipment	26,736	–	21,492	5,100	53,328
Amortisation of intangible assets	–	–	656	–	656
Release of prepaid lease payments	–	–	478	–	478
Loss on disposal of property, plant and equipment	3,246	–	913	–	4,159
Change in fair value of investment properties	–	336,543	–	–	336,543

Geographical information

The Group's operations and location of non-current assets are substantially in the People's Republic of China (the "PRC"). Information about the Group's revenue from continuing operations from external customers is presented based on location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers for the year ended 31 December		Non-current assets as at 31 December	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**30,529,394**	19,092,379	**16,981,589**	9,688,353
Hong Kong	**–**	–	**22,435**	4,508
Australia	**433,220**	1,158	**28,602**	1,710
Canada	**43,220**	21,718	**18,040**	1,066
	31,005,834	19,115,255	**17,050,666**	9,695,637

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the years ended 31 December 2018 and 2017.

5. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Other income, gains and losses comprise of:		
Exchange (loss) gain	**(605,329)**	407,402
Gain (loss) on change in fair value of derivative financial instruments	**46**	(78,484)
Gain on disposal of avaliable-for-sale investments	**–**	29,153
Gain from changes in fair value of financial assets at FVTPL	**24,400**	–
Loss on early redemptions of senior notes	**–**	(198,808)
Bank interest income	**179,231**	75,130
Other interest income	**78,902**	19,681
Government subsidy	**47,144**	2,894
Others *(note)*	**67,605**	34,855
Gain on disposal of property, plant and equipment	**7,636**	–
Dividend income from equity instruments at fair value through other comprehensive income	**2,268**	–
Impairment losses on trade and other receivables	**(24,874)**	–
	(222,971)	291,823

Note: Others mainly include the forfeited deposits from customers.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**2,584,411**	1,024,337
Loans from non-controlling shareholders of subsidiaries	**150,139**	134,732
Senior notes and bonds	**1,140,333**	916,077
Amount due to a joint venture	**64,800**	–
Other payables	**29,587**	25,105
Others	**–**	34,804
Obligations under finance leases	**6,644**	–
Total borrowing costs	**3,975,914**	2,135,055
Less: amounts capitalised to properties under development for sale	**(3,515,793)**	(1,848,773)
amounts capitalised to investment properties under construction	**(49,562)**	(18,423)
	410,559	267,859

Interest capitalised arose on the general borrowing pool of the Group was calculated by applying a capitalisation rate of approximately 6.95% (2017: 6.52%) per annum to expenditure on the qualifying assets.

7. PROFIT BEFORE TAX

	2018	2017
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**5,300**	4,800
Directors' emoluments	**15,758**	12,734
Staff salaries	**1,452,888**	763,943
Retirement benefit scheme contributions	**81,494**	34,423
Share-based payments	**7,830**	1,100
Total staff costs	**1,557,970**	812,200
Less: amounts capitalised to properties under development for sale	**(590,624)**	(166,511)
	967,346	645,689
Cost of inventories recognised as an expense	**20,921,785**	13,857,771
Release of prepaid lease payments	**7,603**	478
Depreciation of property, plant and equipment	**118,349**	53,328
Amortisation of intangible assets (included in administrative expenses)	**1,098**	656
(Gain) loss on disposal of property, plant and equipment	**(7,636)**	4,159
Rental expenses in respect of rented premises under operating leases	**66,015**	38,686
Gross rental income in respect of investment properties	**(185,770)**	(119,032)
Less: direct operating expenses from investment properties that generated rental income during the year	**47,520**	33,778
	(138,250)	(85,254)

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Income tax expense recognised comprises of:		
Current tax:		
Enterprise Income Tax ("EIT")	**2,067,166**	972,040
Land Appreciation Tax ("LAT")	**1,925,216**	727,997
Other jurisdiction	**–**	206
	3,992,382	1,700,243
Deferred tax		
PRC	**16,287**	(16,600)
Other jurisdiction	**6,156**	(10,003)
	22,443	(26,603)
Income tax expense for the year	**4,014,825**	1,673,640

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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 all property development expenditures.

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

Under Australian tax law, the tax rate used for the year is 30% (2017: 30%) on taxable profits on Australian incorporated entities. No tax provision for Australian profits tax has been made in the consolidated financial statements for both years ended as there were no assessable profit arises in Australia. Under Canadian tax law, the tax rate used for the year is 26.5% (2017: 26.5%) on taxable profits on Canadian incorporated entities.

9. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends, recognised as distribution during the year:		
2017 final dividend of RMB25 cents (2017: 2016 final dividend RMB9.7 cents) per share	**670,393**	259,143
2017 special dividend: nil (2017: RMB5.3 cents per share)	**–**	141,593
	670,393	400,736

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB36 cents (equivalent to HK42 cents) per ordinary share, in an aggregate amount of RMB964,038,000 (equivalent to approximately HK$1,124,711,000), taking into account the 2,677,883,354 ordinary shares in issue at the reporting date, have been proposed by the Board of Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period have not been recognised as liabilities in these consolidated financial statements.

10. 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:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**2,408,877**	1,639,928

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,679,195**	2,673,106
Effect of dilutive potential ordinary shares – Share options	**392**	3,086
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,679,587**	2,676,192

11. TRADE AND OTHER RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Trade receivables	(a)	**532,313**	444,556
Less: Allowance for credit losses		**(5,174)**	–
		527,139	444,556
Rental receivables	(b)	**46,058**	36,878
Other receivables		**3,926,064**	3,723,496
Contract assets	(c)	**663,815**	–
Less: Allowance for credit losses		**(19,700)**	–
		4,570,179	3,723,496
Security deposits		**713,185**	479,992
Advances to constructors and suppliers		**1,370,035**	605,700
Deposits paid for potential purchases of land use rights and property projects		**2,588,826**	1,079,379
Other tax prepayments		**2,935,040**	1,530,308
		12,750,462	7,900,309
Analysis for reporting purpose:			
Non-current assets		**476,296**	492,996
Current assets		**12,274,166**	7,407,313
		12,750,462	7,900,309

Notes:

(a) Considerations in respect of properties sold are paid by purchasers in accordance with the terms of the related sale and purchase agreements.

Management and services fee is received in accordance with the terms of the relevant property service agreements, normally within 30 days to 90 days after the issuance of demand note to the residents. Each customer from the property operation services has a designated credit limit.

Payments terms with wholesale customer for purchases of goods are mainly on credit. The wholesale customers are allowed a credit period of 0 to 60 days from date of issuance of the invoices. There is no credit period granted for retail customers.

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

	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**318,460**	248,545
61 to 180 days	**91,168**	47,737
181 to 365 days	**50,534**	45,342
1 to 2 years	**22,853**	33,628
2 to 3 years	**6,671**	33,496
Over 3 years	**42,627**	35,808
	532,313	444,556

Trade receivables mainly represent receivables amounting to RMB442,170,000 (2017: RMB277,473,000) from properties buyers and RMB90,143,000 (2017: RMB167,083,000) from customers for purchases of goods and property owners for property management services.

(b) Rental receivables from tenants are payable on presentation of demand notes.

(c) Contract assets represent the incremental agency commissions to intermediaries in connection with obtaining sale of properties contracts with customers. These costs are charged to profit or loss upon revenue from sales of properties are recognised.

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**11,212,889**	7,294,500
Other payables	**2,957,947**	2,771,313
Project consideration payables	**4,610,082**	3,070,260
Acquisition consideration payables	**2,265,870**	2,070,842
Other taxes payables	**5,021,865**	414,837
	26,068,653	15,621,752
Analysed for reporting purpose:		
Non-current liabilities	**503,810**	1,042,259
Current liabilities	**25,564,843**	14,579,493
	26,068,653	15,621,752

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

	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**6,634,805**	3,215,299
61 to 180 days	**2,943,332**	1,502,680
181 to 365 days	**587,747**	1,709,756
1 to 2 years	**301,008**	440,636
2 to 3 years	**336,429**	122,311
Over 3 years	**409,568**	303,818
	11,212,889	7,294,500

At 31 December 2018, the balance of trade payables with age over 1 year include retention money payable of RMB569,692,000 (2017: RMB495,814,000) to the sub-contractors of property development projects, which represents approximately 5% to 10% of the contract prices.

According to the construction contracts, the retention money is interest-free and would be paid to the subcontractors in 1 to 3 years upon completion of development of the properties.

Trade payables principally comprise amounts outstanding for payments to sub-contractors of property development projects and purchases of construction materials. The average credit period for trade purchases is from 6 months to 1 year. The management closely monitors the payments of the payable to ensure that all payables are paid within the credit timeframe.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB36 cents (equivalent to HK42 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 15 March 2019, i.e. RMB0.85566 equivalent to HK$1.00) (2017: final dividend of RMB25 cents) per ordinary share ("Proposed Final Dividend") to shareholders of the Company for the year ended 31 December 2018. The Proposed Final Dividend will be paid to shareholders whose names appear on the Register of Members of the Company on Thursday, 6 June 2019, of which the aggregate amounts of the Proposed Final Dividend is approximately RMB964,038,000 (equivalent to approximately HK$1,124,711,000), if the Proposal Final Dividend is approved by the shareholders of the Company at the forthcoming Annual General Meeting ("2019 AGM").

The Proposed Final Dividend shall be paid in Hong Kong dollars on Friday, 12 July 2019.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Wednesday, 29 May 2019 and the notice of 2019 AGM will be published and despatched to the shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed during the following periods:

i) from Friday, 24 May 2019 to Wednesday, 29 May 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM which is scheduled on Wednesday, 29 May 2019, the Register of Members of the Company will be closed. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 23 May 2019; and

ii) from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend, the Register of Members of the Company will be closed. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 3 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. The China Property Market

In 2018, the world economy slowed but continued to grow moderately. As the year also marked the 40th anniversary of China's reform and opening up, the government introduced new steps to develop a moderately prosperous society. With the adjustment of macro-control policies completed, attention has shifted to supply-side structural reform and handling the China-US trade war. China's economy effectively responded to profound changes in the external environment and maintained sustainable and healthy development.

Under the government principles of "no speculation of residential properties" and categorized regulations for different cities, cities' real estate policies continued to tighten in 2018, making the year the most intense in history in terms of real estate regulation. The real estate market in China has transitioned from overheated to cooling. Control measures made a positive impact on the market and achieved immediate results. Real estate prices in China are still high, but the rapid growth momentum has basically ended.

II. Review of Group Business

In 2018, the Group's willingness to innovate and diversify its business models and competitive product strategies led it to exceed its full-year sales target ahead of schedule and continue its steady advance. Principal business growth has reached a new high, increasing by 100% in 2017; the value of the Guangdong-Hong Kong-Macao Greater Bay Area becomes notable. The Group's strategic models have been highly praised by the capital market. The Group now appears on Forbes' and Fortune's lists. The cultural tourism segment achieved strong overall growth; the e-commerce segment created an O2O shopping model and achieved significant growth in a number of indicators; and the general health and wellness segment will be spun off and listed separately.

Details of contracted sales breakdown of the Group by major projects are as follows:

Project	Contracted Sales (RMB million)	Contracted GFA Sold (sq.m.)
Chengdu Chenghua Aoyuan Plaza	2,837	180,757
Shenzhen Aoyuan Jade Bay	2,659	81,571
Yangzhou Aoyuan Peach City	2,134	176,677
Guangzhou Aoyuan Lianfeng State	2,068	121,600
Bengbu Aoyuan Ginza	1,863	203,420
Chengdu Aoyuan Parkview Mansion	1,607	113,701
Ningbo Aoyuan Scenery Bay	1,603	113,215
Zhuhai Aoyuan Bay Area	1,544	39,080
Zhuhai Aoyuan Seaview Moutain	1,398	66,249
Aoyuan Culture Tourism City Shaoguan Lingnan Impression	1,396	213,925
Huizhou Aoyuan Lingyu	1,376	106,736
Dongguan Aoyuan Guanlan Glorious Mansion	1,286	55,975
Guangzhou Aoyuan Glorious Mansion	1,224	64,895
Esplanade Sydney	1,154	24,375
Huizhou Aoyuan Yushan Lake	1,073	82,603
Others	66,058	7,218,720
Total	91,280	8,863,499

Outstanding Performance from the Principal Business with a Record-High Growth

As of 31 December 2018, the Group achieved total contracted sales of approximately RMB91,280 million, representing a substantial 100% increase compared with the year 2017 and accounting for 125% of the full-year target (RMB73,000 million). Contracted sales area for the year was approximately 8.863 million sq-m, representing a substantial year-on-year increase of approximately 98%; average selling price was approximately RMB10,300 per sq-m, representing a year-on-year increase of 1.4%. The Greater Bay Area generated an excellent contracted sales performance of approximately RMB28,000 million, representing approximately 31% of total contracted sales.

All-round Development according to the National Policy

As a member of Hang Seng Stock Connect Big Bay Area Composite Index, China Aoyuan focuses on the Guangdong-Hong Kong-Macao Greater Bay Area and achieved a full coverage of "9+2" cities in the Greater Bay Area. The value of China Aoyuan in terms of land reserve and urban strategy was further increased when the PRC government implemented development strategies regarding the Guangdong-Hong Kong-Macao Greater Bay Area.

Market Recognition of the Group's Diversified Business Model

Aoyuan was widely recognized by the capital market and among the public for its outstanding performance and rapid high quality development. It was named as "Forbes Asia's Fab 50", "Fortune China Top 100 Board of Directors" and "Fortune China Top 500", and was ranked 27th among the "2018 China TOP 100 Real Estate Enterprises". It also received "2018 The Asset Corporate Gold Awards in Corporate Governance and Investor Relations". In August 2018, Fitch Ratings updated the Group's credit rating outlook to "Positive". In the same year, Aoyuan's diversified business models led it to become an international corporation with diversified businesses under the motto "centering around one primary business and diversifying it vertically". In November 2018, China Aoyuan Property Group Limited was renamed as "China Aoyuan Group Limited", marking a new step in the Group's industrial planning.

Integrated Development Creates Strong Growth Momentum in Cultural Tourism

In 2018, the Aoyuan Group built Yingde Chocolate Town (英德巧克力小鎮), China's first cultural and sports town. Expected to open in 2019, the town offers natural hot springs, British tea culture, a ranch, off-road racing, luxury hotels and theme parks.

An Innovative Model Leads Aomaijia to Achieve Significant Growth in Various Indicators

In 2018, Aomaijia group implemented an O2O shopping model and opened a new horizon for cross-border e-commerce. Multiple business segments showed an increasing trend of growth and fulfilled additional growth indicators in areas such as number of visitors, registrations and new customers. Aomaijia group was a pioneer in matters such as its participation in the first China International Import Expo, its opening of the first retail store with a global tracking monitor for cross-border e-commerce, and its launch of the first endorsement scheme with Huang Lei. It was also named as one of "2018 China Top 50 e-Commerce Enterprises", as an "Outstanding Participant in China International Import Expo" and a "Authorized Economic Operator (AEO)" by the Customs department, and was accredited as a "National High-Tech Enterprise".

The Group will spin off the Aoyuan Healthy Life Group, through a separate listing on 18 March 2019.

III. Land Bank

The Group's ample quality land reserve guarantees continuous growth and future performance. Aoyuan is based in Guangdong, with a focus on the Guangdong-Hong Kong-Macao Greater Bay Area and its city clusters, and other development areas in South, East, core Central and Western China, as well as the Bohai Rim. As of 31 December 2018, Aoyuan has 198 projects located in 70 domestic and overseas cities. The land bank's total GFA was 34.10 million sq.m. (attributable: 80%). The Group's land bank has sufficient reserves for about three years' development. Besides, China Aoyuan has a lot of urban redevelopment projects, with potential saleable resources which are mostly located in cities in the Greater Bay Area amounting to approximately RMB56 billion.

As of 31 December 2018, the Group's average land cost was approximately RMB2,167 per sq.m.. 3.24 million sq.m. of properties were completed, 15.05 million sq.m. of properties were under construction, and 15.81 million sq.m. were reserved for future development.

IV. Future Outlook

The year 2019 marks the 70th anniversary of the PRC establishment. China's economy will still seek growth while maintaining stability. At the end of last year, the Central Economic Work Conference emphasized the need to "build a long-term mechanism that is effective for the healthy development of the real estate market and insist that houses are built to be inhabited, not for speculation. We need to consolidate the major responsibility of the city governments and exercise different real estate policies in different cities, improving the housing market system and housing security system". For developers, it is necessary to grasp structural opportunities and achieve steady development. Developers should conduct land acquisitions with care, cultivating those regions and cities which hold potential while searching for opportunities in other cities. At the same time, they should enhance their management efficiency and brand reputation by using their own complete operating systems, standardized operating models, mature product lines and comprehensive service capabilities, so that they may rapidly respond to environmental changes in the market.

FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In 2018, the Group's total revenue was RMB31,006 million, representing an increase of RMB11,891 million or 62.2% over RMB19,115 million in 2017. Property development revenue, other revenue such as hotel operation and property investment revenue accounted for 95.9%, 3.5% and 0.6% respectively.

In 2018, the Group's revenue generated from property development amounted to RMB29,740 million, representing an increase of RMB11,780 million or 65.6% over RMB17,960 million in 2017. The GFA of delivered properties increased by 35.8% to 3.30 million sq.m. from 2.43 million sq.m. in 2017, while the average selling price increased by 21.8% to approximately RMB9,007 per square meter from approximately RMB7,397 per sq.m. in 2017. This was mainly attributable to the increase in the proportion of commercial apartments with higher selling price from 5.3% in 2017 to 17.8% in 2018.

Breakdown of property development revenue in 2018 by product type:

	Sold and Delivered	
Product	**Revenue**	**Area**
	(RMB million)	*('000 sq.m.)*
Residential apartments	18,459	2,574
Commercial apartments	5,294	342
Retail shops and others	4,755	302
Low-density residential	1,232	84
Total	29,740	3,302

Gross Profit and Margin

In 2018, the gross profit of the Group was RMB9,634 million, representing an increase of 88.5% over RMB5,111 million in 2017, and the gross profit margin was 31.1% because the average selling price of property development recognized revenue increased to approximately RMB9,007 from approximately RMB7,397 per sq.m. in 2017, mainly due to the increase in the proportion of revenue generated from commercial apartments.

Other Income, Gains and Losses

In 2018, the other income, gains and losses of the Group recorded approximately RMB223 million net loss, which mainly included exchange loss of approximately RMB605 million, interest income of approximately RMB258 million, government subsidy received of approximately RMB47 million, and other income of approximately RMB77 million.

Selling and Distribution and Administrative Expenses

In 2018, total selling and distribution expenses of the Group were approximately RMB1,432 million, representing an increase of 54.6% from approximately RMB926 million in 2017, which was mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in contracted sales amount during the year, caused by the increase in the number of pre-sales properties during the year. Total administrative expenses increased by 117.1% from approximately RMB800 million in 2017 to approximately RMB1,736 million.

Taxation

Income tax expense comprised of EIT, LAT and deferred taxation. The effective tax rate of 58% is higher than the standard PRC EIT rate of 25%, mainly attributable to LAT of approximately RMB1,925 million.

Profit Attributable to Owners of the Company

In 2018, profit attributable to owners of the Company was approximately RMB2,409 million, representing an increase of 46.9% over approximately RMB1,640 million in 2017. Core net profit (excluding non-recurring profits and loss items and their related tax expenses, comprising fair value gain on investment properties, net exchange differences and gain on change in fair value of derivative financial instruments, etc.) for the year amounted to approximately RMB3,074 million.

Financial Position

As at 31 December 2018, the Group's total assets amounted to approximately RMB188,858 million (as at 31 December 2017: RMB125,806 million) and total liabilities were approximately RMB158,124 million (as at 31 December 2017: RMB98,680 million).

Current ratio was 1.4 as at 31 December 2018 (as at 31 December 2017: 1.5).

Financial Resources and Liquidity

In 2018, the Group's sources of fund primarily included income generated from business operations, cash from bank and other borrowings and issuance of senior notes in US dollar and Singapore dollar, and corporate bonds in RMB, which were used in our business operations and investment and development of projects.

The Group expects that income generated from business operations and borrowings will continue to be the main source of funds in the coming year. Therefore, the Group will continue to strengthen out cash flow management, improve the efficiency of capital returns of projects and strictly 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 31 December 2018, the Group had cash, bank deposits and structured deposits of approximately RMB36,013 million and RMB1,328 million respectively (as at 31 December 2017: approximately RMB24,769 million and nil). As at 31 December 2018, the Group had restricted bank deposits of approximately RMB2,281 million (as at 31 December 2017: approximately RMB1,771 million) which were mainly reserved for obtaining bank loans.

As at 31 December 2018, cash, bank deposits, structured deposits and restricted bank deposits of the Group mentioned above totaled RMB39,622 million, of which 98% was denominated in Renminbi and 2% was denominated in other currencies (mainly in HK dollar, Australian dollar and Canadian dollar).

In 2018, cash collection ratio (total sales proceeds received in 2018 divided by the annual contracted sales amount) for the Group's contracted sales was approximately 78%.

Borrowings, Senior Notes, Corporate Bonds and Net Gearing Ratio

Borrowings, Senior Notes and Corporate Bonds

As at 31 December 2018, the Group had bank and other borrowings of approximately RMB40,752 million (as at 31 December 2017: approximately RMB27,795 million) and senior notes and corporate bonds of approximately RMB16,970 million (as at 31 December 2017: approximately RMB12,575 million) as follows:

	31 December 2018 ***(RMB million)***	31 December 2017 *(RMB million)*
Repayment period		
Repayable on demand and within one year	**23,732**	20,490
More than one year, but not exceeding two years	**21,172**	10,741
More than two years, but not exceeding five years	**12,818**	9,139
	57,722	40,370

The majority of 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 fair value interest rate risk. As at 31 December 2018, the effective interest rate on borrowings, senior notes and corporate bonds was 7.4%, which was higher than 7.2% in 2017. The Group has implemented certain interest rate management policies which included, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

In May 2018, the Group successfully issued 3-year offshore senior notes of US$425 million in total for the Group's refinancing and general corporate purposes.

In July 2018, the Group successfully further issued offshore senior notes of US$175 million due 2020 for the Group's refinancing and general corporate purposes.

In August 2018, the Group successfully issued 3-year dual currency offshore senior notes of US$225 million and Singapore dollars 100 million for the Group's refinancing and general corporate purposes.

As at 31 December 2018, the Group had credit facilities of approximately RMB94,924 million (as at 31 December 2017: approximately RMB51,893 million) for short-term and long-term borrowings, of which approximately RMB31,783 million (as at 31 December 2017: approximately RMB16,901 million) were unutilized.

Net Gearing Ratio

Net gearing ratio is measured by the net borrowings (total amount of bank and other borrowings, senior notes and corporate bonds net of cash and cash equivalents, structured deposits and restricted bank deposits) over the total equity. As at 31 December 2018, the Group's net gearing ratio was 58.9%. The Group has implemented certain loan management policies, which mainly include close monitoring of the gearing ratio and any changes in net gearing ratio, and optimization of the bank credit structure when good pricing opportunities arise.

Contingent Liabilities

As at 31 December 2018, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities provided by banks to purchasers and banking facilities granted to joint ventures of the Group amounting to approximately RMB53,604 million (as at 31 December 2017: RMB31,092 million).

The Group acted as guarantor to the banks in respect of the mortgage bank loans granted to certain property purchasers of the Group's property and agreed to repay the outstanding mortgage loans upon the purchasers' default on the repayment of the outstanding mortgage loans and the loan interest accrual thereon. In the opinion of the director, the fair value of the financial guarantee contracts is not significant at the initial recognition and provision has not been made as the default rate is low.

The Group had provided guarantees in respect of banking facilities granted by banks to Zhuzhou Jinye and Degangjian. In the opinion of the directors, the fair value of guarantee contracts are insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

Commitments

As at 31 December 2018, the Group had construction cost, land payments, acquisition of subsidiaries and a joint venture contracted but not provided for of approximately RMB23,322 million (as at 31 December 2017: RMB18,182 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 RMB843 million (2017: RMB386 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 are denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, senior notes denominated in US dollar, Singapore dollar and bank loans denominated in US dollars and HK dollars, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As at 31 December 2018, the Group pledged its properties for sales, property, plant and equipment, investment properties, prepaid lease payment and restricted bank deposit of approximately RMB29,979 million (as at 31 December 2017: approximately RMB16,546 million) to various banks to secure project loans and general banking facilities granted to the Group.

Events After the Reporting Period

Subsequent to the reporting date, the Group had following significant events took place:

(a) On 3 January 2019, the Company issued senior notes (the "2019 Note 1") in an aggregate principal amount of US$275,000,000 (equivalent to approximately RMB1,887 million) (to be consolidated and form a single series with the US$225,000,000 7.95% senior note issued on 7 September 2018) carries interest at 7.95% per annum and due in 2021. Details of the terms and conditions are set out in the announcement issued by the Company on 3 January 2019. Up to the date of issuance of these consolidated financial statements, the net proceeds of approximately US$278,000,000 (equivalent to approximately RMB1,908 million) from the issuance of the 2019 Note 1 have been fully received.

(b) On 15 January 2019, the Company issued senior notes (the "2019 Note 2") in an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,377 million) carries interest at 8.50% per annum and due in 2022. Details of the terms and conditions are set out in the announcement issued by the Company on 15 January 2019. Up to the date of issuance of these consolidated financial statements, the net proceeds of approximately US$493,000,000 (equivalent to approximately RMB3,330 million) from the issuance of the 2019 Note 2 have been fully received.

(c) During the period from 1 January 2019 to the date of these consolidated financial statements, the Group has entered into agreements to acquire certain subsidiaries in the PRC engaging in property development. In addition, the Group also entered into agreements to acquire certain equity interest in a company listed in the Hong Kong Stock Exchange. These acquisitions had not been completed at the date of these consolidated financial statements and the directors of the Company expected they will be completed before 31 December 2019.

(d) On 11 February 2019, the Company issued senior notes (the "2019 Note 3") in an aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,519 million) carries interest at 7.95% per annum and due in 2023. Details of the terms and conditions are set out in the announcement issued by the Company on 11 February 2019. Up to the date of issuance of these consolidated financial statements, the net proceeds of approximately US$221,000,000 (equivalent to approximately RMB1,492 million) from the issuance of the 2019 Note 3 have been fully received.

(e) On 28 February 2019, the prospectus in connection with the proposed spin-off and separate listing and global offering of Aoyuan Healthy Life Group Company Limited ("Aoyuan Healthy Life"), a subsidiary of the Group, on the Main Board of the Stock Exchange has been published. The global offering is conditional upon a number of factors, details of the transaction are set out in at the announcement issued by the Company on 28 February 2019.

    Furthermore, upon completion of the transaction, the Group's interest in Aoyuan Healthy Life will reduce from 75.50% to 56.63% without losing control and the difference between the consideration to be received and the attributable equity interests in Aoyuan Healthy Life to be disposed will be directly recognised in equity.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had 12,040 employees (31 December 2017: 7,211 employees). 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.

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

During the year ended 31 December 2018, the Company repurchased a total of 3,688,000 shares of the Company on the Stock Exchange for enhancing net asset value and earnings per share of the Company. All the repurchased shares were cancelled. Details of the repurchases of shares are as follows:

Month	Number of shares repurchased	Purchase consideration per share Highest	Purchase consideration per share Lowest	Aggregate consideration paid (before expenses)
		HK$	*HK$*	*HK$*
July	3,688,000	5.42	5.10	19,512,000

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirm that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Cheung Kwok Keung as chairman, Mr. Tsui King Fai and Mr. Hu Jiang as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

CORPORATE GOVERNANCE CODE

The Board periodically reviews the corporate governance practices of the Company to ensure that the practices continue to meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has applied the principles of the CG Code. For the year ended 31 December 2018, the Company has complied with the code provisions of the CG, except that:

Pursuant to code provision F.1.2, a board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. For the appointment of Ms. Wong Mei Shan as the joint company secretary on 1 August 2018, such appointment has been approved by the Board by way of written resolutions, through which all Directors have fully considered the proposal and have not raised any issue of concern that requires further discussion at a physical meeting. Nevertheless, the Board took the opportunity to review and re-confirm the company secretary arrangement at its meeting held on 17 August 2018.

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") as set out in Appendix 10 to the Listing Rules. The Model Code is sent to each director of the Company on his/her initial appointment and from time to time which is amended or restated.

Upon specific enquiry by the Company Secretaries of the Company, all directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuan.com.cn). The annual report of the Company for the year ended 31 December 2018 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.

BOARD OF DIRECTORS

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

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

Hong Kong, 15 March 2019