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 2019

2019 RESULTS HIGHLIGHTS

- Property contracted sales for the year was RMB118.06 billion (attributable to the Company: 83%), representing a year-on-year increase of 29%; compound annual growth rate from 2016 to 2019 was approximately 66%.

- Revenue for the year was RMB50.53 billion, representing a year-on-year increase of 63%.

- Gross profit for the year was RMB15.02 billion, representing a year-on-year increase of 56%; gross profit margin was 29.7%.

- Net profit for the year was RMB5.22 billion, representing a year-on-year increase of 78%; net profit margin was 10.3%.

- Core net profit for the year[Note 1] was RMB5.12 billion, representing a year-on-year increase of 67%; core net profit margin was 10.1%.

- Basic earnings per share was RMB156.48 cents, and diluted earnings per share was RMB156.16 cents, representing a year-on-year increase of 74%.

- As at 31 December 2019, total bank balances and cash were RMB68.06 billion.

- The Board proposed a final dividend of RMB55 cents (equivalent to HK60.1 cents) per share for the year ended 31 December 2019.

Note 1: Core net profit for the year excluded non-recurring profits or loss items and their related tax effects, comprising fair value gain on investment properties and exchange differences, etc.

The board of directors (the "Board") of China Aoyuan Group Limited ("China Aoyuan" or "Aoyuan" or the "Company") announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	3		
Contracts with customers		**50,258,139**	30,820,064
Leases		**273,011**	185,770
Total revenue		**50,531,150**	31,005,834
Cost of sales		**(35,509,984)**	(21,371,683)
Gross profit		**15,021,166**	9,634,151
Other income, gains and losses	5	**337,789**	(222,971)
Change in fair value of investment properties		**393,912**	544,467
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**3,392**	320,741
Gains on disposal of subsidiaries		**174,726**	222,012
Selling and distribution expenses		**(2,138,052)**	(1,432,227)
Administrative expenses		**(2,434,697)**	(1,736,008)
Share of results of joint ventures		**(45,235)**	36,558
Share of results of associates		**(5,332)**	(1,872)
Finance costs	6	**(718,177)**	(410,559)
Profit before tax	7	**10,589,492**	6,954,292
Income tax expense	8	**(5,367,662)**	(4,014,825)
Profit for the year		**5,221,830**	2,939,467
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(3,983)**	(25,460)
Profit and total comprehensive income for the year		**5,217,847**	2,914,007

	NOTES	2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
– Owners of the Company		**4,200,780**	2,408,877
– Non-controlling interests		**1,021,050**	530,590
		5,221,830	2,939,467
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**4,196,347**	2,389,573
– Non-controlling interests		**1,021,500**	524,434
		5,217,847	2,914,007
Earnings per share (RMB cents)			
Basic	*10*	**156.48**	89.91
Diluted	*10*	**156.16**	89.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,686,443**	2,057,192
Right-of-use assets		**1,552,814**	–
Prepaid lease payments		**–**	337,977
Investment properties		**10,072,375**	8,833,493
Goodwill		**3,491**	3,491
Intangible assets		**4,320**	3,600
Interests in joint ventures		**4,280,364**	1,721,376
Interests in associates		**1,584,516**	217,131
Equity instruments at fair value through other comprehensive income		**245,777**	31,465
Deferred tax assets		**998,444**	676,948
Deposits paid for acquisitions of subsidiaries		**4,110,308**	1,531,947
Deposit paid for acquisition of joint ventures		**44,377**	40,941
Amount due from a non-controlling shareholder of a subsidiary		**363,920**	–
Amounts due from joint ventures		**1,167,161**	1,118,809
Trade and other receivables	*11*	**308,596**	476,296
		27,422,906	17,050,666
CURRENT ASSETS			
Properties for sale		**158,931,481**	114,894,214
Inventories		**83,530**	66,834
Trade and other receivables	*11*	**26,258,864**	12,274,166
Deposits paid for acquisitions of land use rights and property projects		**266,454**	177,065
Amounts due from non-controlling shareholders of subsidiaries		**3,588,439**	1,924,264
Amounts due from joint ventures		**1,316,451**	294,064
Amounts due from associates		**464,419**	48,292
Financial assets at fair value through profit or loss ("FVTPL")		**574,400**	524,400
Tax recoverable		**2,913,645**	1,967,938
Prepaid lease payments		**–**	14,772
Structured deposits		**704,500**	1,328,000
Restricted bank deposits		**9,312,790**	2,281,255
Bank balances and cash		**58,042,554**	36,012,289
		262,457,527	171,807,553

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	12	**36,837,682**	25,564,843
Contract liabilities		**86,056,335**	59,966,365
Amounts due to non-controlling shareholders of subsidiaries		**9,991,460**	2,352,730
Amounts due to joint ventures		**12,713,851**	2,402,017
Amounts due to associates		**116,632**	49
Loans from non-controlling shareholders of subsidiaries		**–**	543,330
Tax liabilities		**8,081,061**	5,534,968
Bank and other borrowings		**33,809,040**	19,261,443
Lease liabilities/Obligations under finance leases		**242,844**	38,821
Senior notes and bonds		**8,064,013**	4,470,449
Provisions		**934,406**	897,617
		196,847,324	121,032,632
NET CURRENT ASSETS		**65,610,203**	50,774,921
TOTAL ASSETS LESS CURRENT LIABILITIES		**93,033,109**	67,825,587
NON-CURRENT LIABILITIES			
Other payables	12	**–**	503,810
Bank and other borrowings		**35,151,698**	21,489,907
Loans from non-controlling shareholders of subsidiaries		**–**	1,153,300
Deferred tax liabilities		**1,441,881**	1,184,072
Lease liabilities/Obligations under finance leases		**703,743**	260,940
Senior notes and bonds		**18,739,179**	12,499,712
		56,036,501	37,091,741
NET ASSETS		**36,996,608**	30,733,846
CAPITAL AND RESERVES			
Share capital		**25,453**	25,343
Reserves		**15,004,428**	11,846,874
Equity attributable to owners of the Company		**15,029,881**	11,872,217
Non-controlling interests		**21,966,727**	18,861,629
TOTAL EQUITY		**36,996,608**	30,733,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

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

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "PRC") and properties in Hong Kong was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities is ranging from 3.8% to 9.55%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**405,391**
Lease liabilities discounted at relevant incremental borrowing rates	**301,259**
Less: Recognition exemption – short-term leases	**(16,782)**
Less: Recognition exemption – low value assets	**(140)**
Lease liabilities relating to operating leases recognised upon application of IFRS 16 Leases	**284,337**
Add: Obligations under finance leases recognised at 31 December 2018	**299,761**
Lease liabilities as at 1 January 2019	**584,098**
Analysed as	
Current	**125,974**
Non-current	**458,124**
	584,098

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating lease recognised upon application of IFRS 16		284,337
Reclassified from prepaid lease payments	(a)	352,749
Amounts included in property, plant and equipment as at 31 December 2018 previously under finance leases	(b)	482,952
		1,120,038

By class:

Land	362,969
Buildings	271,554
Office equipment	2,563
Transportation vehicles	482,952
	1,120,038

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB14,772,000 and RMB337,977,000 respectively were reclassified to right-of-use assets.

(b) Upon application of IFRS 16, the transportation vehicles purchased under finance lease terms amounting to RMB482,952,000 was reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Effective on 1 January 2019, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under IFRS 16 1 January 2019** ***RMB'000***
Non-current assets			
Property, plant and equipment	2,057,192	(482,952)	**1,574,240**
Prepaid lease payments	337,977	(337,977)	**–**
Right-of-use assets	–	1,120,038	**1,120,038**
Current assets			
Prepaid lease payments	14,772	(14,772)	**–**
Current liabilities			
Lease liabilities	–	125,974	**125,974**
Obligation under finance lease	38,821	(38,821)	**–**
Non-current liabilities			
Lease liabilities	–	458,124	**458,124**
Obligation under finance lease	260,940	(260,940)	**–**

2.2 Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 Financial Instruments ("IFRS 9"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

As at 31 December 2019, amounts due from joint ventures of RMB1,167,161,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant joint ventures. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

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 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 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.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

3. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019			
	Property development *RMB'000*	**Property investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Property development				
Residential apartments	**38,188,179**	**–**	**–**	**38,188,179**
Commercial apartments	**3,193,774**	**–**	**–**	**3,193,774**
Retail shops and others	**4,954,601**	**–**	**–**	**4,954,601**
Low-density residential	**1,754,271**	**–**	**–**	**1,754,271**
	48,090,825	**–**	**–**	**48,090,825**
Others				
Property management	**–**	**–**	**562,435**	**562,435**
Sales of goods	**–**	**–**	**1,230,922**	**1,230,922**
Others	**–**	**–**	**373,957**	**373,957**
	–	**–**	**2,167,314**	**2,167,314**
Revenue from contracts with customers	**48,090,825**	**–**	**2,167,314**	**50,258,139**
Property investment				
Commercial and retail shops	**–**	**273,011**	**–**	**273,011**
Total	**48,090,825**	**273,011**	**2,167,314**	**50,531,150**
Timing of revenue recognition				
At a point of time	**48,090,825**	**–**	**1,344,571**	**49,435,396**
Recognised over time	**–**	**–**	**822,743**	**822,743**
	48,090,825	**–**	**2,167,314**	**50,258,139**
Rental income	**–**	**273,011**	**–**	**273,011**
Total	**48,090,825**	**273,011**	**2,167,314**	**50,531,150**

__Disaggregation of revenue from contracts with customers__

	For the 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
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
Revenue from contracts with customers	29,739,726	–	1,080,338	30,820,064
Property investment				
Commercial and retail shops	–	185,770	–	185,770
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

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 2019			
	Property development	**Property investment**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
External segment revenue	**48,090,825**	**273,011**	**2,167,314**	**50,531,150**
Segment profit (loss)	**10,578,281**	**441,168**	**(10,123)**	**11,009,326**
Other income, gains and losses				**428,973**
Gain on disposal of subsidiaries				**174,726**
Unallocated corporate expenses				**(254,789)**
Share of results of joint ventures				**(45,235)**
Share of results of associates				**(5,332)**
Finance costs				**(718,177)**
Profit before tax				**10,589,492**

	Year ended 31 December 2018			
	Property development	Property investment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

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, finance costs, share of results of associates and joint ventures and gain on disposal of subsidiaries. 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

	2019	2018
	RMB'000	*RMB'000*
Property development	**194,626,996**	131,226,532
Property investment	**10,136,687**	8,886,419
Others	**2,250,766**	1,473,303
Total segment assets	**207,014,449**	141,586,254
Unallocated assets:		
Interests in joint ventures	**4,280,364**	1,721,376
Interests in associates	**1,584,516**	217,131
Equity instruments at fair value through other comprehensive income	**245,777**	31,465
Deferred tax assets	**998,444**	676,948
Amounts due from joint ventures	**2,483,612**	1,412,873
Amounts due from associates	**464,419**	48,292
Tax recoverable	**2,913,645**	1,967,938
Financial assets at FVTPL	**574,400**	524,400
Structured deposits	**704,500**	1,328,000
Restricted bank deposits	**9,312,790**	2,281,255
Bank balances and cash	**58,042,554**	36,012,289
Others	**1,260,963**	1,049,998
Consolidated assets	**289,880,433**	188,858,219

Segment liabilities

	2019	2018
	RMB'000	*RMB'000*
Property development	**133,685,265**	90,461,280
Property investment	**82,955**	60,863
Others	**737,593**	459,852
Total segment liabilities	**134,505,813**	90,981,995
Unallocated liabilities:		
Bank and other borrowings	**68,960,738**	40,751,350
Senior notes and bonds	**26,803,192**	16,970,161
Amounts due to joint ventures	**12,713,851**	2,402,017
Amounts due to associates	**116,632**	49
Tax liabilities	**8,081,061**	5,534,968
Deferred tax liabilities	**1,441,881**	1,184,072
Others	**260,657**	299,761
Consolidated liabilities	**252,883,825**	158,124,373

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 right-of-use assets, 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 assets at FVTPL, 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 associates, tax liabilities, deferred tax liabilities and lease liabilities/obligations under finance leases not attributable to respective segment.

Geographical information

The Group's operations and location of non-current assets are substantially in 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**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**48,687,593**	30,529,394	**24,141,505**	14,701,017
Hong Kong	**–**	–	**163,006**	22,435
Australia	**1,837,039**	433,220	**6,876**	5,656
Canada	**6,518**	43,220	**27,621**	18,040
	50,531,150	31,005,834	**24,339,008**	14,747,148

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 2019 and 2018.

5. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Exchange losses, net	**(151,073)**	(605,329)
Gain on change in fair value of financial assets designated as at FVTPL	**–**	24,400
Investment return from financial assets through profit or loss and structured deposits	**86,504**	–
Bank interest income	**360,465**	179,231
Other interest income	**83,049**	78,902
Government subsidy	**11,480**	47,144
(Loss) gain on disposal of property, plant and equipment	**(417)**	7,636
Gain on disposal of a joint venture	**4,328**	–
Dividend income from equity instruments at fair value through other comprehensive income	**–**	2,268
Impairment losses on trade and other receivables	**(91,184)**	(24,874)
Others *(note)*	**34,637**	67,651
	337,789	(222,971)

Note: Others mainly include the forfeited deposits from customers.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**5,094,512**	2,584,411
Loans from non-controlling shareholders of subsidiaries	**118,576**	150,139
Senior notes and bonds	**2,076,100**	1,140,333
Amount due to a joint venture	**52,471**	64,800
Other payables	**32,518**	29,587
Lease liabilities/Obligations under finance leases	**77,462**	6,644
Total borrowing costs	**7,451,639**	3,975,914
Less: amounts capitalised to properties under development for sale	**(6,697,978)**	(3,515,793)
amounts capitalised to investment properties under construction	**(35,484)**	(49,562)
	718,177	410,559

7. PROFIT BEFORE TAX

	2019	2018
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**8,610**	7,180
Directors' emoluments	**34,789**	15,758
Staff salaries	**1,878,128**	1,452,888
Retirement benefit scheme contributions	**112,364**	81,494
Share-based payments	**3,222**	7,830
Total staff costs	**2,028,503**	1,557,970
Less: amounts capitalised to properties under development for sale	**(565,462)**	(590,624)
	1,463,041	967,346
Cost of inventories recognised as an expense	**34,696,000**	20,921,785
Release of prepaid lease payments	**–**	7,603
Depreciation of property, plant and equipment	**170,840**	118,349
Depreciation of right-of-use assets	**168,351**	–
Amortisation of intangible assets (included in administrative expenses)	**1,175**	1,098
Loss (gain) on disposal of property, plant and equipment	**417**	(7,636)
Rental expenses in respect of rented premises under operating leases	**–**	102,524
Gross rental income in respect of investment properties	**(273,011)**	(185,770)
Less: direct operating expenses from investment properties that generated rental income during the year	**159,631**	47,520
	(113,380)	(138,250)

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Income tax expense recognised comprises of:		
Current tax:		
PRC		
Enterprise Income Tax ("EIT")	**3,395,346**	2,067,166
LAT	**1,941,866**	1,925,216
Other jurisdiction	**99,192**	–
	5,436,404	3,992,382
Deferred tax		
PRC	**(46,700)**	16,287
Other jurisdictions	**(22,042)**	6,156
	(68,742)	22,443
Income tax expense for the year	**5,367,662**	4,014,825

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 relevant 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% (2018: 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 single entity. Under Canadian tax law, the tax rate used for the year is 26.5% (2018: 26.5%) on taxable profits on Canadian incorporated entities. Tax provision for Australian and Canadian profits tax has been made in the consolidated financial statements for the year ended 31 December 2019 as there were assessable profits arises in both jurisdictions (2018: nil).

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends, recognised as distribution during the year:		
2018 final dividend of RMB36 cents (2018: 2017 final dividend RMB25 cents) per share	**990,794**	670,393

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB55 cents (equivalent to HK60.1 cents) per ordinary share, in an aggregate amount of RMB1,479,711,000 (equivalent to approximately HK$1,616,920,000), taking into account the 2,690,383,354 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**4,200,780**	2,408,877
Adjustment to over-allotment option issued by a subsidiary	**(28)**	–
Earnings for the purposes of diluted earnings per share	**4,200,752**	–

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,684,558**	2,679,195
Effect of dilutive potential ordinary shares:		
– Share options	**5,514**	392
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,690,072**	2,679,587

11. TRADE AND OTHER RECEIVABLES

	Notes	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	*(a)*	**916,937**	532,313
Less: Allowance for credit losses		**(8,721)**	(5,174)
		908,216	527,139
Rental receivables	*(b)*	**54,030**	46,058
Other receivables		**11,618,829**	3,926,064
Contract costs	*(c)*	**637,195**	663,815
Less: Allowance for credit losses		**(107,337)**	(19,700)
		12,148,687	4,570,179
Security deposits		**2,475,112**	713,185
Advances to constructors and suppliers		**3,440,030**	1,370,035
Deposits paid for potential purchases of land use rights and property projects		**3,621,624**	2,588,826
Other tax prepayments		**3,919,761**	2,935,040
		26,567,460	12,750,462
Analysis for reporting purpose:			
Non-current assets		**308,596**	476,296
Current assets		**26,258,864**	12,274,166
		26,567,460	12,750,462

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 60 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:

	2019	2018
	RMB'000	*RMB'000*
0 to 60 days	**502,909**	318,460
61 to 180 days	**71,980**	91,168
181 to 365 days	**226,764**	50,534
1 to 2 years	**63,870**	22,853
2 to 3 years	**8,326**	6,671
Over 3 years	**43,088**	42,627
	916,937	532,313

Trade receivables mainly represent receivables amounting to RMB730,473,000 (2018: RMB442,170,000) from properties buyers and RMB186,464,000 (2018: RMB90,143,000) from customers for purchases of goods and property owners for property management services.

As at 31 December 2019, receivables amounting to RMB414,028,000 (2018: RMB213,853,000) that were past due. Out of the past due balances, RMB338,192,000 (2018: RMB129,767,000) has been past due for 90 days or more and is not considered as in default based on the Group's historical credit loss experience from those corresponding creditors whose outstanding trade liabilities due to the Group have been past due 90 days or more.

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

(c) Contract costs 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. As at 1 January 2018, contract costs amounted to RMB 88,718,000.

12. TRADE AND OTHER PAYABLES

	Note	**2019**	2018
		RMB'000	*RMB'000*
Trade payables	*(a)*	**18,074,095**	11,212,889
Other payables		**5,185,100**	2,957,947
Project consideration payables		**3,440,341**	4,610,082
Acquisition consideration payables		**2,286,898**	2,265,870
Other taxes payables		**7,851,248**	5,021,865
		36,837,682	26,068,653
Analysed for reporting purpose:			
Non-current liabilities		**–**	503,810
Current liabilities		**36,837,682**	25,564,843
		36,837,682	26,068,653

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

	2019	2018
	RMB'000	*RMB'000*
0 to 60 days	**9,522,774**	6,634,805
61 to 180 days	**6,174,922**	2,943,332
181 to 365 days	**982,462**	587,747
1 to 2 years	**416,058**	301,008
2 to 3 years	**362,979**	336,429
Over 3 years	**614,900**	409,568
	18,074,095	11,212,889

At 31 December 2019, the balance of trade payables with age over 1 year include retention money payable of RMB666,640,000 (2018: RMB596,692,000) 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 sub-contractors 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 RMB55 cents (equivalent to HK60.1 cents, according to the central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on 24 March 2020, i.e. RMB0.91556 equivalent to HK$1.00) (2018: final dividend of RMB36 cents) per ordinary share ("Proposed Final Dividend") to shareholders of the Company (the "Shareholders") for the year ended 31 December 2019. The Proposed Final Dividend will be paid to Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Thursday, 11 June 2020, of which the aggregate amounts of the Proposed Final Dividend is approximately RMB1,479,711,000 (equivalent to approximately HK$1,616,920,000), if the Proposal Final Dividend is approved by the Shareholders at the forthcoming Annual General Meeting ("2020 AGM").

The Proposed Final Dividend shall be paid in Hong Kong dollars on Friday, 17 July 2020.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 22 May 2020 and the notice of 2020 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 will be closed during the following periods:

i) from Tuesday, 19 May 2020 to Friday, 22 May 2020, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2020 AGM which is scheduled on Friday, 22 May 2020, the Register of Members will be closed. In order to be eligible to attend and vote at the 2020 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 Monday, 18 May 2020; and

ii) from Tuesday, 9 June 2020 to Thursday, 11 June 2020, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to the Proposed Final Dividend, the Register of Members 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, 8 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. The China Property Market

In 2019, despite the complicated and volatile international economic and political environment, China insisted on making steady progress, with GDP growing by 6.1% on a year-on-year basis and the total GDP per capita exceeding US$10,000. China's economic development has continually shown resilience with major new progress in building a moderately prosperous society.

Key policies of China's property market remain as "housing is for living in, not for speculation; and implementation of city-specific policies". The characteristics of two-way precision control have shown in various places with both supportive and tightened policies. According to the National Bureau of Statistics, area of commercial units sold nationwide in 2019 decreased by 0.1% from last year to 1.72 billion sq.m. The sales volume of commercial units sold nationwide increased by 6.5% to approximately RMB16.0 trillion. The real estate market operated in overall stability.

II. Review of Business

The Group recorded approximately RMB118.06 billion of property contracted sales with a year-on-year increase of 29%, exceeding its full-year sales target of RMB114 billion and rendering Aoyuan among the top 30 PRC developers. During 2016 to 2019, the compound annual growth rate for property contracted sales reached 66%, outpacing the industry average.

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

Province or city	Property Contracted sales amount *(RMB million)*	Contracted GFA Sold *(sq.m.'000)*
Guangdong	33,260	3,008
Guangxi	7,510	1,028
Hainan	1,630	104
Chongqing	5,340	704
Sichuan	10,720	1,113
Hunan	5,850	911
Hubei	2,800	303
Shaanxi	2,790	199
Jiangxi	1,900	299
Yunnan	950	99
Guizhou	390	71
Zhejiang	10,440	751
Jiangsu	6,950	632
Anhui	6,640	754
Fujian	3,280	376
Liaoning	1,770	302
Beijing	660	31
Tianjin	1,250	90
Hebei	4,870	569
Shandong	4,000	238
Offshore	5,060	103
Total	118,060	11,685

Following in lockstep with national strategies and policies, the Group completed its three-stage development of "Layout-Focus-Cultivation" on the basis of its niche focus on the Guangdong-Hong Kong-Macao Greater Bay Area. With a strategic layout in South China, core region of Central & Western China, East China and Bohai Rim, the Group has grown from a regional property developer to a developer with nationwide presence. At the same time, Aoyuan carried our comprehensive management reforms including product research and development, customer management, and marketing systems. Through delicacy management, application of new construction techniques and process, etc., the engineering quality and safety level of projects have continued to improve, and the development cycle has shortened year by year to an industry-leading level. The Group constantly attracts professionals with background in leading property developers and strengthens its professional management team as well as its core competitiveness, so as to ensure that Aoyuan can maintain resilience and outperform in complex environments while achieving sustainable and high-quality development.

During the year, the Group completed the formulation of a three-year product strategy, established a regional design middle-end platform and built Aoyuan's A+ Product Universe. Through synergies between the digital design and management platforms and the physical product research and development base – A+ Workshop, the Group achieved continued innovation on the basis of standardisation. Aoyuan A+ Workshop is located in Panyu, Guangzhou with a site area of 5,000 sq.m.. It showcases Aoyuan's standardised product suites, craftsmanship and procured materials collection. Research & development results of showflats, types of flats and new materials are tested and demonstrated to ensure the finished product quality in an executed manner. In 2019, Aoyuan won various onshore and offshore industry awards. Onshore projects were awarded 13 Kinpan Awards, ranking No. 15 among PRC property developers, Sydney One30 Hyde Park won the "Best High Density Residential Development Project" from UDIA, while Toronto M2M won the "Most Popular Award" from BILD, demonstrating that Aoyuan's product competitiveness has enhanced comprehensively.

On 18 March 2019, the Company's sub-group, Aoyuan Healthy Life Group Company Limited (3662. HK) ("Aoyuan Healthy") was spun off and listed on the Main Board of Stock Exchange, further enriching its "one core business with vertical development" business structure and deepening its strategic layout. As of 31 December 2019, Aoyuan Healthy provided property management services at 94 properties in 38 cities across 13 provinces, municipalities and autonomous regions in the PRC, with a total GFA under management of approximately 15.1 million sq.m.. Aoyuan Healthy was contracted to provide commercial operational services to 37 shopping malls with a contracted GFA of approximately 1.8 million sq.m.. Among them, contracts provided for post-opening commercial operation and management services to 28 shopping malls represented a contracted GFA of approximately 1.5 million sq.m. It also provided commercial operational services at 17 shopping malls in operation in 11 cities in the PRC, with approximately 775,000 sq.m. of GFA under management. Total revenue recorded a year-on-year increase of 45.6% to approximately RMB900.8 million. Meanwhile, Aoyuan Healthy has proactively expanded its business from property management services and commercial operational services to health and wellness-related businesses, achieving a breakthrough in businesses scope. In 2019, Aoyuan Healthy was included as a constituent stock of MSCI China Small Cap Index and was named as the "Newly Listed Enterprises of the Year 2019" by Bloomberg Businessweek Chinese Edition. In less than one year since listing, Aoyuan Healthy has rapidly gained wide acceptance and recognition by the capital markets.

During the year, the Group's share price consistently set new record highs, rendering Aoyuan one of the best-performing PRC property stocks. Aoyuan is included as a constituent in MSCI China Index, Hang Seng Composite LargeCap & MidCap Index, Hang Seng Stock Connect and Hang Seng Stock Connect Greater Bay Area Composite Index. At the same time, Aoyuan opened the Asia USD bond market and subsequently launched the first fully marketed 3-year PRC property high yield issuance since end-2018. Aoyuan also topped three tables in "Global Fixed Income Executive Team 2019" by Institutional Investor, specifically in "Global Fixed-Income Executive Team" overall weighted score, "Best Investor Relations-High Yield" and "Best Use of Debt-High Yield" in global real estate and construction sectors, with growing reputation in the capital markets.

In 2019, Aoyuan received rating upgrades with "positive" rating outlooks from Moody's and S&P and received a "BB+" global scale long-term issuer credit rating from Lianhe Ratings Global. United Credit Ratings upgraded Aoyuan's domestic credit rating to "AAA", the highest credit rating in PRC, demonstrating that the Group's comprehensive strength is well-recognized across the capital markets.

In 2019, in addition to achieving outstanding business results, the Group was widely recognized across sectors for its excellence in corporate governance and brand value, earning prestigious honours including "Fortune China Top 50 Board of Directors" and 279th place on "Fortune China 500" (up 103 places), "ESG Corporate Awards 2019-Gold Award" and "Best Investor Relation Team Award" by the Asset, 272nd place on "China Top 500 Private Enterprises" (up 223 places), 25th place on "China Property Developers with Comprehensive Strength", 78th place on "Top 100 Most Valuable Chinese Brands", "China Best Employer", "Contract-Honouring and Creditworthy Enterprise" for 20 years in a row, and "Top 20 Most Credit-worthy Property Developer" for 18 years in a row.

III. Land Bank

The Group's high quality land bank provides a solid foundation for its sustainable growth and development. In 2019, Aoyuan acquired 87 projects with newly added GFA of approximately 16.09 million sq.m. with newly added saleable resources of over RMB186.1bn, maintaining reasonable land cost and stable margins to weather market downturn. As at 31 December 2019, Aoyuan's 280 projects span 85 onshore and offshore cities with total GFA of approximately 45.03 million sq.m. (attributable: 79%) and total saleable resources of approximately RMB458.5 billion. Total saleable resources including urban redevelopment projects amounted to RMB684.5 billion.

With sufficient urban redevelopment projects in reserve, the Group has full achieved coverage of "Three Olds" urban redevelopment – old towns, old villages and old factories. As at the end of 2019, the Group has over 30 urban redevelopment projects with planned total GFA of 14.25 million sq.m., estimated saleable GFA of approximately 8.45 million sq.m., and estimated saleable resources of approximately RMB226 billion, 89% of which are located in the Guangdong, Hong Kong and Macao Greater Bay Area, providing additional land bank resources which allows the Group to continue to benefit from the favourable policies of the Greater Bay Area.

IV. Outlook

Since the outbreak of novel coronavirus disease ("COVID-19") epidemic at the beginning of 2020, Aoyuan has actively and rapidly shouldered its corporate social responsibility, procuring over 1.1 million medical masks, ventilators, protective coveralls, etc. via global channels in full support of medical workers battling the epidemic at the frontline in Wuhan, Guangzhou, etc. Not only is Aoyuan among the first batch of property companies providing support to Wuhan, but also the first company to directly procure medical supplies and deliver them to frontline hospitals in urgent need. With the epidemic gradually under control, currently, approximately 99% sales centres of Aoyuan has resumed business, approximately 94% construction projects has obtained approval from local government and resumed construction. The projects are progressing as planned and scheduled.

Through effective joint prevention and control measures, the COVID-19 epidemic has been basically curbed in China, while it is still spreading outside China. Global economic growth is under pressure while low interest rate and quantitative easing environment will continue. Stability remained as the main policy tone of the real estate market in China. Industry and credit policies are expected to be adjusted in a timely and flexible manner to hedge downside economic risks and promote the long-term and stable development of the real estate market.

While maintaining a measured sales scale, Aoyuan will continue to enhance its overall standardised system requirements in product design, operations and safety management to progress towards delicacy enterprise management, enhance brand competitiveness, improve operational efficiency, elevate customer satisfaction and promote sustainable and high-quality development so as to bring stable and long-term returns to the Shareholders and investors.

FINANCIAL REVIEW

Operating Results

The revenue is primarily generated from property development. In 2019, the Group's total revenue was RMB50,531 million, representing an increase of RMB19,525 million or 63.0% over RMB31,006 million in 2018. Property development revenue, other revenue such as hotel operation/property management and sales of goods and property investment revenue accounted for 95.2%, 4.3% and 0.5% respectively.

In 2019, the Group's revenue generated from property development amounted to RMB48,091 million, representing an increase of RMB18,351 million or 61.7% over RMB29,740 million in 2018. The GFA of delivered properties increased by 57.9% to 5.21 million sq.m. from 3.30 million sq.m. in 2018, while the average selling price increased by 2.4% to approximately RMB9,227 per sq.m. from approximately RMB9,007 per sq.m. in 2018. This was mainly attributable to an increase of approximately 19.7% over 2018 in the average selling price of residential apartments which accounted for the highest proportion of properties delivered.

Breakdown of property development revenue in 2019 by product type:

	Sold and Delivered	
Product	**Revenue**	**Area**
	(RMB million)	*('000 sq.m.)*
Residential apartments	38,188	4,451
Commercial apartments	3,194	270
Retail shops and others	4,955	366
Low-density residential	1,754	125
Total	48,091	5,212

Gross Profit and Margin

In 2019, the gross profit of the Group was RMB15,021 million, representing an increase of 55.9% over RMB9,634 million in 2018, and the gross profit margin was 29.7%.

Other Income, Gains and Losses

In 2019, the other income, gains and losses of the Group recorded approximately RMB338 million net gain, which mainly included exchange loss of approximately RMB151 million, interest income of approximately RMB444 million, and other income of approximately RMB45 million.

Selling and Distribution and Administrative Expenses

In 2019, total selling and distribution expenses of the Group were approximately RMB2,138 million, representing an increase of 49.3% from approximately RMB1,432 million in 2018, which was mainly attributable to the increase in overall sales, marketing and promotional activities owing to the increase in property 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 40.2% from approximately RMB1,736 million in 2018 to approximately RMB2,435 million.

Taxation

Income tax expense comprised of EIT, LAT and deferred taxation. The effective tax rate of 51% is higher than the standard PRC EIT rate of 25%, mainly attributable to LAT of approximately RMB1,942 million.

Profit Attributable to Owners of the Company

In 2019, profit attributable to owners of the Company was approximately RMB4,201 million, representing an increase of 74.4% over approximately RMB2,409 million in 2018. 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, etc.) for the year amounted to approximately RMB5,123 million.

Financial Position

As at 31 December 2019, the Group's total assets amounted to approximately RMB289,880 million (as at 31 December 2018: approximately RMB188,858 million) and total liabilities were approximately RMB252,884 million (as at 31 December 2018: approximately RMB158,124 million).

Current ratio was 1.3 as at 31 December 2019 (as at 31 December 2018: 1.4).

Financial Resources and Liquidity

In 2019, 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 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 2019, the Group had cash and bank deposits, structured deposits of approximately RMB58,043 million and RMB705 million (as at 31 December 2018: approximately RMB36,013 million and RMB1,328 million). As at 31 December 2019, the Group had restricted bank deposits of approximately RMB9,313 million (as at 31 December 2018: approximately RMB2,281 million) which were mainly reserved for obtaining bank loans.

As at 31 December 2019, cash, bank deposits, structured deposits and restricted bank deposits of the Group mentioned above totaled approximately RMB68,061 million, of which 86% was denominated in Renminbi and 14% was denominated in other currencies (mainly in HK dollar, Australian dollar and Canadian dollar).

In 2019, cash collection ratio (total sales proceeds received in 2019 divided by the annual property contracted sales amount) for the Group's property contracted sales was approximately 78%.

Borrowings, Senior Notes, Corporate Bonds and Net Gearing Ratio

Borrowings, Senior Notes and Corporate Bonds

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB68,961 million (as at 31 December 2018: approximately RMB40,752 million) and senior notes and corporate bonds of approximately RMB26,803 million (as at 31 December 2018: approximately RMB16,970 million) as follows:

	31 December 2019 ***(RMB million)***	31 December 2018 *(RMB million)*
Repayment period		
Repayable on demand and within one year	**41,873**	23,732
More than one year, but not exceeding two years	**30,698**	21,172
More than two years, but not exceeding five years	**22,538**	12,818
More than five years	**655**	–
	95,764	57,722

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 fair value interest rate risk. 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 January 2019, the Group successfully further issued offshore senior notes of US$275 million due 2021 for the Group's refinancing purposes.

In January 2019, the Group successfully issued offshore senior notes a total of US$500 million due 2022 for the Group's refinancing and general corporate purposes.

In February 2019, the Group successfully issued offshore senior notes a total of US$225 million due 2023 for the Group's refinancing and general corporate purposes.

In June 2019, the Group successfully issued offshore senior notes a total of US$200 million due 2023 for the Group's refinancing purposes.

In July 2019, the Group successfully issued offshore senior notes a total of US$250 million due 2023 for the Group's refinancing purposes.

As at 31 December 2019, the Group had credit facilities of approximately RMB183,996 million (as at 31 December 2018: approximately RMB94,924 million) for short-term and long-term borrowings, of which approximately RMB64,666 million (as at 31 December 2018: approximately RMB31,783 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 2019, the Group's net gearing ratio was 74.9%. 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 2019, 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 RMB85,723 million (as at 31 December 2018: approximately RMB53,604 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 joint ventures. In the opinion of the directors, the fair value of guarantee contracts is 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 2019, the Group had construction cost, land payments, acquisition of subsidiaries and a joint venture contracted but not provided for of approximately RMB35,532 million (as at 31 December 2018: approximately RMB23,322 million). In addition, the Group's share of commitments relating to its joint ventures arising from construction cost contracted but not provided for is approximately RMB3,480 million (2018: RMB843 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 2019, the Group pledged its properties for sales, property, plant and equipment, investment properties, right-of-use assets and restricted bank deposit of approximately RMB59,692 million (as at 31 December 2018: approximately RMB29,979 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 the following significant events taken place:

On 27 February 2020, Aoyuan Corporation (Group) Limited ("Aoyuan Corporation"), a wholly-owned subsidiary of the Company issued domestic bonds (the "2020 Corporate Bonds") in an aggregate principal amount of RMB2,540 million carries interest at 5.5% per annum for a term of 5 years, with Aoyuan Corporation's option to adjust the coupon rate and the investors have the option to sell back the 2020 Corporate Bonds at the end of the third year. Details of the terms and conditions are set out in at the announcement issued by the Company on 2 March 2020. Up to the date of issuance of this annual results announcement, the net proceeds of approximately RMB2,520 million from the issuance of the 2020 Corporate Bonds have been fully received.

On 19 July 2019, the Company proposed acquisition of 13.86% shares in Aeon Life Insurance Company, Ltd. at a consideration of RMB3,261,600,000. On 20 January 2020, the Board announced that the conditions precedent to the acquisition had not been fulfilled within the prescribed schedule, the share transfer agreements were terminated accordingly and the vendors shall refund relevant amount to the Company in accordance with the terms and conditions thereof.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had 16,504 employees (31 December 2018: 12,040 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 2019, 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.

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 2019, the Company has complied with all of 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") 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 secretary 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 2019.

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 Board, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 December 2019.

FURTHER ANNOUNCEMENT

Due to the outbreak of the COVID-19 epidemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the annual results for the year ended 31 December 2019. Following the completion of the audit process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results published herein. In addition, the Company will issue further announcement as and when necessary if there any other material developments in the completion of the audit process. The Company expects the audit process will be completed not later than 31 March 2020.

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 2019 containing all the information required by the Listing Rules will be despatched to the 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, Mr. Ma Jun and Mr. Chan Ka Yeung Jacky; 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, 24 March 2020