中國恒大集團
CHINA EVERGRANDE GROUP

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. Revenue increased by 49.9% to RMB466.20 billion for the year ended 31 December 2018 (the Year) as compared with 2017.

2. Gross profit increased by 50.5% to RMB168.95 billion for the Year as compared with 2017. Gross profit margin was 36.2%, an increase of 0.1 percentage point.

3. Net profit excluding exchange gains or losses increased by 106.4% to RMB72.21 billion for the Year as compared with 2017. Net profit margin excluding exchange gains or losses was 15.5%, an increase of 4.2 percentage points.

4. Core business profit[1] increased by 93.3% to RMB78.32 billion for the Year as compared with 2017. Core business profit margin was 16.8%, an increase of 3.8 percentage points.

5. Profit attributable to shareholders increased by 53.4% to RMB37.39 billion for the Year as compared with 2017.

6. Contracted sales during the Year amounted to RMB551.34 billion, representing an increase of 10.1% as compared with 2017. The gross floor area of contracted sales was 52.435 million square meters, representing a growth of 4.2% as compared with 2017. The average price of contracted sales was RMB10,515 per square meter, representing an increase of 5.6% as compared with 2017.

1 Core business profit represents net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, gains or losses on disposal of financial instruments, donation and certain non-property development businesses losses.

The board of directors (the "**Board**") of China Evergrande Group (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***RMB million***	*RMB million*
Revenue	*4*	**466,196**	311,022
Cost of sales	*7*	**(297,249)**	(198,760)
Gross profit		**168,947**	112,262
Fair value gains on investment properties, net	*4*	**1,343**	8,513
Other gains/(losses), net	*5*	**2,645**	(6,022)
Other income	*6*	**6,694**	5,547
Selling and marketing costs	*7*	**(18,086)**	(17,210)
Administrative expenses	*7*	**(14,813)**	(12,176)
Impairment losses on financial assets	*4*	**(137)**	(70)
Other operating expenses	*7*	**(5,179)**	(5,599)
Operating profit		**141,414**	85,245
Share of (losses)/gains of investments accounted for using equity method	*4*	**(874)**	1,402
Fair value gains/(losses) on financial assets at fair value through profit or loss	*4*	**51**	(437)
Fair value gains/(losses) on derivative financial liabilities	*4*	**797**	(820)
Finance costs, net	*8*	**(14,623)**	(7,917)
Profit before income tax		**126,765**	77,473
Income tax expenses	*9*	**(60,218)**	(40,424)
Profit for the year		**66,547**	37,049

		Year ended 31 December	
		2018	2017
	Note	***RMB million***	*RMB million*
Other comprehensive income			
(Item that may be reclassified to profit or loss)			
Change in fair value of available-for-sale financial assets, net of tax		**—**	2,165
Share of other comprehensive income of investments accounted for using the equity method		**81**	2,391
Currency translation differences		**457**	(695)
(Item that may not be reclassified to profit or loss)			
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**(383)**	—
Other comprehensive income for the year, net of tax		**155**	3,861
Total comprehensive income for the year		**66,702**	40,910
Profit attributable to:			
Shareholders of the Company		**37,390**	24,372
Non-controlling interests		**29,157**	12,677
		66,547	37,049
Total comprehensive income attributable to:			
Shareholders of the Company		**37,502**	27,432
Non-controlling interests		**29,200**	13,478
		66,702	40,910
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	*10*	**2.849**	1.833
— Diluted earnings per share	*10*	**2.765**	1.795

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2018**	31 December 2017
		RMB million	*RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,794**	32,898
Land use rights		**9,466**	7,935
Investment properties		**162,322**	151,950
Goodwill		**1,595**	1,402
Intangible assets		**424**	253
Trade and other receivables	*12*	**6,029**	4,352
Prepayments	*13*	**1,677**	1,202
Investments accounted for using equity method		**67,046**	30,376
Financial assets at fair value through other comprehensive income		**1,570**	—
Financial assets at fair value through profit or loss		**8,965**	—
Available-for-sale financial assets		**—**	4,565
Deferred income tax assets		**4,389**	3,872
		304,277	238,805
Current assets			
Inventories		**—**	126
Available-for-sale financial assets		**—**	1,520
Properties under development		**971,802**	851,363
Completed properties held for sale		**121,971**	102,158
Trade and other receivables	*12*	**123,141**	120,782
Contract costs		**3,587**	—
Prepayments	*13*	**138,752**	146,923
Income tax recoverable		**11,116**	9,203
Financial assets at fair value through profit or loss		**1,173**	3,150
Restricted cash		**74,845**	135,714
Cash and cash equivalents		**129,364**	152,008
		1,575,751	1,522,947
Total assets		**1,880,028**	1,761,752

	Note	**31 December 2018** *RMB million*	31 December 2017 *RMB million*
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**1,205**	1,270
Other reserves		**65,998**	57,292
Retained earnings		**65,792**	56,210
		132,995	114,772
Non-controlling interests		**175,631**	127,436
Total equity		**308,626**	242,208
LIABILITIES			
Non-current liabilities			
Borrowings		**354,857**	376,244
Derivative financial liabilities		**5,647**	2,840
Other payables	*14*	**1,543**	4,049
Deferred income tax liabilities		**49,899**	51,556
		411,946	434,689
Current liabilities			
Borrowings		**318,285**	356,381
Trade and other payables	*14*	**554,313**	399,459
Contract liabilities		**185,586**	—
Receipt in advance from customers		**—**	267,555
Current income tax liabilities		**101,272**	61,460
		1,159,456	1,084,855
Total liabilities		**1,571,402**	1,519,544
Total equity and liabilities		**1,880,028**	1,761,752

CASH FLOWS INFORMATION

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Profit for the year	**66,547**	37,049
Adjustments for non-cash items/income tax expense/other items with investing or financing cash flows effects/changes in working capital	**68,800**	(116,951)
Net cash generated from/(used in) operations	**135,347**	(79,902)
Income tax paid	**(25,510)**	(16,999)
Interest paid	**(55,088)**	(54,072)
Net cash generated from/(used in) operating activities	**54,749**	(150,973)
Net cash used in investing activities	**(60,363)**	(47,482)
Net cash (used in)/generated from financing activities	**(17,651)**	152,913
Net decrease cash and cash equivalents	**(23,265)**	(45,542)
Cash and cash equivalents at beginning of year	**152,008**	198,420
Exchange gains/(losses) on cash and cash equivalents	**621**	(870)
Cash and cash equivalents at end of year	**129,364**	152,008

Notes :

1 GENERAL INFORMATION

China Evergrande Group (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the property development, property investment, property management, hotel operations, finance business, internet business and health industry business in the People's Republic of China (the "PRC"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 26 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) ***New standards and amendments to standards adopted by the Group as at 1 January 2018***

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2018 for the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRS 40 (Amendment)	Investments in Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 disclosed in note 3, the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

(ii) ***New standards and amendments to standards that have been issued but are not effective***

HKAS 19 (Amendments)	Employee Benefits[1]
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture[3]
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS[1]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[1]

1 Effective for periods beginning on or after 1 January 2019.
2 Effective for periods beginning on or after 1 January 2021.
3 Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

HKFRS 16

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments on the equity of the Group as at 1 January 2018.

The effects of the adoption of HKFRS 9 are as follows:

Classification and measurement of financial instruments

The adjustments to the Group's equity due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

At 1 January 2018	**Reserves**	**Retained earnings**	**Non-controlling interests**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Opening balance — HKAS 39	57,292	56,210	127,436	240,938
Increase in provision for trade and other receivables, net of tax	—	(534)	(229)	(763)
— Increase in provision for trade and other receivables	—	(712)	(305)	(1,017)
— Increase in deferred tax assets relating to impairment provisions	—	178	76	254
Reclassify from available-for-sale investments to financial assets at fair value through profit or loss	82	(82)	—	—
Opening balance — HKFRS 9	57,374	55,594	127,207	240,175

Management has assessed the business models and the contractual terms of the cash flows as applied to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2018	**Available-for-sale financial assets ("AFS")**	**Financial asset at fair value through other comprehensive income ("FVOCI")**	**Financial asset at fair value through profit or loss ("FVPL")**	**Other receivables**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Opening balance — HKAS 39	6,085	—	—	—
Reclassify listed equity securities from AFS to FVOCI	(2,362)	2,362	—	—
Reclassify listed equity securities from AFS to FVPL	(279)	—	279	—
Reclassify unlisted equity securities from AFS to FVOCI	(1,278)	1,278	—	—
Reclassify unlisted investments from AFS to FVOCI	(2,146)	2,146	—	—
Reclassify unlisted investments from AFS to other receivables	(20)	—	—	20
Opening balance — HKFRS 9	—	5,786	279	20

The main effects resulting from this reclassification on the Group's equity is as follows:

At 1 January 2018	**AFS reserve**	**FVOCI reserve**	**Retained earnings**
	RMB million	*RMB million*	*RMB million*
Opening balance — HKAS 39	(838)	—	—
Reclassify listed equity securities from AFS to FVOCI	733	(733)	—
Reclassify listed equity securities from AFS to FVPL	82	—	(82)
Reclassify unlisted equity securities from AFS to FVOCI	6	(6)	—
Reclassify unlisted investments from AFS to FVOCI	17	(17)	—
Opening balance — HKFRS 9	—	(756)	(82)

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities except for derivative financial instruments. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to new expected credit loss model of HKFRS 9:

- Trade receivables
- Other receivables

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

(i) *Trade receivables*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

RMB108 million was recognised in retained earnings as at 1 January 2018 for those trade receivables whose credit risk has been assessed as other than low.

(ii) *Other receivables*

Other receivables at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

RMB909 million was recognised in retain earnings as at 1 January 2018 for those other receivables whose credit risk has been assessed as other than low.

(c) HKFRS 9 Financial Instruments — accounting policies

Investment and other financial assets

Classification

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classificaton will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

- Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at financial assets at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss accounts and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

- Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss accounts and is not part of a hedging relationship is recognised in profit or loss and presented as a separate line item in the consolidated statement of comprehensive income within "Fair value gain or loss on financial assets at fair value through profit or loss" in the period in which it arises. Interest income from these financial assets is included in the other income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss accounts as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group applies the 12 months expected losses method to assess the expected credit losses.

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction contracts" that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- The incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract costs.

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced receipt in advance from customers.

Accounting for sales of properties

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

For the year ended 31 December 2018, the Group has assessed that there is no enforceable right to payment from the customers for performance completed to date. Thus, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition for sales of properties.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the year ended 31 December 2018, the Group has assessed and considered that the financing component effect is insignificant.

Accounting for costs incurred to obtain a contract

Under HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract costs.

(e) HKFRS 15 Revenue from Contracts with Customers — accounting policies

Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include hotel operations, internet business and health industry business. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Impairment losses on financial assets, fair value gains or losses on FVPL, fair value gains or losses on derivative financial liabilities, dividend income of FVOCI/AFS, gains or losses on disposal of FVOCI/AFS and finance cost and income are not included in the result for each operating segment.

Revenue for the year ended 31 December 2018 consists of sales of properties, rental income, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Sales of properties	**452,764**	302,384
Rental income	**1,178**	811
Property management services	**4,067**	3,024
Other businesses	**8,187**	4,803
	466,196	311,022

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2018 are as follows:

	Property development *RMB million*	Property investment *RMB million*	Property management services *RMB million*	Other businesses *RMB million*	Group *RMB million*
Gross segment revenue	**452,764**	**1,510**	**5,710**	**34,871**	**494,855**
Inter-segment revenue	**—**	**(332)**	**(1,643)**	**(26,684)**	**(28,659)**
Revenue	**452,764**	**1,178**	**4,067**	**8,187**	**466,196**
Revenue from contracts with customers					
— Recognised at a point in time	**452,764**	**—**	**—**	**5,227**	**457,991**
— Recognised over time	**—**	**—**	**4,067**	**2,960**	**7,027**
Revenue from other sources					
— Rental income	**—**	**1,178**	**—**	**—**	**1,178**
Share of post-tax profits of associates	**163**	**—**	**—**	**93**	**256**
Share of post-tax losses of joint ventures	**(337)**	**—**	**—**	**(793)**	**(1,130)**
Segment results	**139,347**	**2,528**	**712**	**(1,910)**	**140,677**
Impairment losses on financial assets					**(137)**
Gains on FVPL					**51**
Gains on derivative financial liabilities					**797**
Finance costs, net					**(14,623)**
Profit before income tax					**126,765**
Income tax expenses					**(60,218)**
Profit for the year					**66,547**
Depreciation and amortisation	**1,216**	**—**	**14**	**1,383**	**2,613**
Fair value gains on investment properties	**—**	**1,343**	**—**	**—**	**1,343**

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2017 are as follows:

	Property development *RMB million*	Property investment *RMB million*	Property management services *RMB million*	Other businesses *RMB million*	Group *RMB million*
Gross segment revenue	302,384	1,019	4,395	25,712	333,510
Inter-segment revenue	—	(208)	(1,371)	(20,909)	(22,488)
Revenue	302,384	811	3,024	4,803	311,022
Share of post-tax profits of associates	4	—	—	1,198	1,202
Share of post-tax profits of joint ventures	26	—	—	174	200
Segment results	83,496	9,353	559	66	93,474
Fair value loss on financial assets at fair value through profit or loss					(437)
Fair value loss on derivative financial liabilities					(820)
Dividend income of available-for-sale financial assets					364
Loss on disposal of available-for-sale financial assets					(7,191)
Finance costs, net					(7,917)
Profit before income tax					77,473
Income tax expense					(40,424)
Profit for the year					37,049
Depreciation and amortisation	1,097	—	12	885	1,994
Fair value gains on investment properties	—	8,513	—	—	8,513

Segment assets and liabilities as at 31 December 2018 are as follows:

	Property development *RMB million*	**Property investment** *RMB million*	**Property management services** *RMB million*	**Other businesses** *RMB million*	**Group** *RMB million*
Segment assets	**1,602,712**	**162,322**	**2,868**	**84,913**	**1,852,815**
Unallocated assets					**27,213**
Total assets					**1,880,028**
Segment assets include:					
Interest in associates	**2,256**	**—**	**—**	**29,447**	**31,703**
Interest in joint ventures	**14,816**	**—**	**—**	**20,527**	**35,343**
Segment liabilities	**700,634**	**—**	**4,214**	**36,594**	**741,442**
Unallocated liabilities					**829,960**
Total liabilities					**1,571,402**
Capital expenditure	**212**	**12,241**	**25**	**11,721**	**24,199**

Segment assets and liabilities as at 31 December 2017 are as follows:

	Property development *RMB million*	Property investment *RMB million*	Property management services *RMB million*	Other businesses *RMB million*	Group *RMB million*
Segment assets	1,492,472	151,950	2,816	92,204	1,739,442
Unallocated assets					22,310
Total assets					1,761,752
Segment assets include:					
Interest in associates	1,943	—	—	11,429	13,372
Interest in joint ventures	874	—	—	16,130	17,004
Segment liabilities	617,493	—	2,556	51,014	671,063
Unallocated liabilities					848,481
Total liabilities					1,519,544
Capital expenditure	3,645	15,689	24	6,169	25,527

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, FVOCI, AFS and FVPL.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets.

Reportable segments' assets are reconciled to total assets as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
Segment assets	**1,852,815**	1,739,442
Unallocated:		
Income tax recoverable	**11,116**	9,203
Deferred income tax assets	**4,389**	3,872
FVOCI	**1,570**	—
AFS	**—**	6,085
FVPL	**10,138**	3,150
Total assets per consolidated balance sheet	**1,880,028**	1,761,752

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
Segment liabilities	**741,442**	671,063
Unallocated:		
Current income tax liabilities	**101,272**	61,460
Deferred income tax liabilities	**49,899**	51,556
Borrowings	**673,142**	732,625
Derivative financial liabilities	**5,647**	2,840
Total liabilities per consolidated balance sheet	**1,571,402**	1,519,544

No material revenues are derived from any single external customer (2017: none).

5 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Gains/(losses) on disposal of subsidiaries	**2,198**	(1)
(Losses)/gains on disposal of joint ventures and associates	**(138)**	121
Losses on disposal of available-for-sale financial assets *(note a)*	**—**	(7,191)
Net foreign exchange gains	**585**	1,049
	2,645	(6,022)

(a) On 9 June 2017, the Group disposed of its entire investment in China Vanke Co., Ltd at an aggregated consideration of approximately RMB29,200 million, which incurred a loss of RMB7,176 million.

6 OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Interest income	**3,884**	4,078
Forfeited customer deposits	**766**	592
Gain on disposal of investment properties	**106**	168
Dividend income of FVOCI	**320**	—
Dividend income of AFS	**—**	364
Management and consulting service income	**1,100**	—
Others	**518**	345
	6,694	5,547

7 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Cost of properties sold — including construction costs, land costs and interest costs	**285,890**	189,311
Tax and other levies	**2,590**	4,701
Employee benefit expenses	**16,649**	11,593
Employee benefit expenditure — including directors' emoluments	**24,221**	17,259
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(7,572)**	(5,666)
Advertising expenses	**7,943**	10,011
Sales commissions	**3,401**	1,615
Depreciation	**2,120**	1,772
Amortisation	**493**	222
Auditors' remuneration	**38**	32
— Audit services	**35**	29
— Non-audit services	**3**	3
Operating lease expenses	**617**	498
Write-down of properties held for sale	**462**	350
Impairment losses on financial assets	**137**	70
Donations	**3,793**	4,181

8 FINANCE COSTS, NET

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Interest expenses		
— Bank and other borrowings	**(48,381)**	(44,443)
— Senior notes	**(5,105)**	(4,511)
— Convertible bonds	**(1,097)**	—
— PRC bonds	**(3,344)**	(3,825)
— Less: interest capitalised	**49,935**	45,053
	(7,992)	(7,726)
Exchange (losses)/gains from borrowings	**(6,244)**	1,010
Other finance costs	**(387)**	(1,201)
	(14,623)	(7,917)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Current income tax		
— Hong Kong profits tax	**18**	33
— PRC corporate income tax	**36,232**	22,633
— PRC land appreciation tax	**27,267**	18,811
	63,517	41,477
Deferred income tax		
— PRC corporate income tax	**(2,417)**	(393)
— PRC land appreciation tax	**(882)**	(660)
	60,218	40,424

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2017: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax

PRC land appreciation tax 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 land use rights and property development expenditures.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
Profit attributable to shareholders of the Company *(RMB million)*	**37,390**	24,372
Weighted average number of ordinary shares in issue *(millions)*	**13,125**	13,296
Basic earnings per share *(RMB)*	**2.849**	1.833

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company *(RMB million)*	**37,390**	24,372
Profit adjustments for Convertible bond *(RMB million)*	**300**	—
	37,690	24,372
Weighted average number of ordinary shares in issue *(millions)*	**13,125**	13,296
Adjustments for share options and Convertible bond *(millions)*	**506**	284
Weighted average number of ordinary shares for diluted earnings per share *(millions)*	**13,631**	13,580
Diluted earnings per share *(RMB)*	**2.765**	1.795

11 DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2018 on 26 March 2019, and plans to convene another meeting to evaluate the payment of a final dividend for the year ended 31 December 2018 in July 2019.

A dividend in respect of the years ended 31 December 2017 and 2016 of RMB1.13 per share totaling RMB14,802 million was paid on 19 October 2018.

12 TRADE AND OTHER RECEIVABLES

	31 December	
	2018	2017
	RMB million	*RMB million*
Trade receivables *(a)*	**37,239**	27,406
Other receivables *(b)*	**91,931**	97,728
	129,170	125,134
Less: non-current portion of trade receivables and other receivables	**(6,029)**	(4,352)
Current portion	**123,141**	120,782

(a) Trade receivables

	31 December	
	2018	2017
	RMB million	*RMB million*
Trade receivables	**37,413**	27,437
Less: allowance provision for impairment	**(174)**	(31)
Trade receivables — net	**37,239**	27,406
Less: non-current portion	**(4,722)**	(4,352)
Current portion	**32,517**	23,054

During the year ended 31 December 2018, loss of provision of RMB35 million (2017: RMB23 million) was made against the gross amount of trade receivables.

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables based on revenue recognition date as at the respective balance sheet dates is as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
Within 90 days	**22,339**	6,500
Over 90 days and within 180 days	**3,023**	4,039
Over 180 days and within 365 days	**4,193**	4,477
Over 365 days	**7,858**	12,390
	37,413	27,406

The ageing analysis of past due trade receivables is as follows:

	31 December 2018 RMB million	2017 RMB million
Within 90 days	**233**	198
Over 90 days and within 180 days	**141**	146
Over 180 days and within 365 days	**226**	419
Over 365 days	**642**	360
	1,242	1,123

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers before the trade receivables are settled.

(b) Other receivables

	31 December 2018 RMB million	2017 RMB million
Other receivables		
— associates	**—**	20
— joint ventures	**17,470**	5,494
— non-controlling interests *(note (a))*	**10,060**	9,350
— loans to third parties facilitated through internet finance platform *(note (b))*	**10,862**	40,043
— other amount due from third parties *(note (c))*	**55,077**	43,348
	93,469	98,255
Less: allowance provision for impairment	**(1,538)**	(527)
Other receivables — net	**91,931**	97,728
Less: non-current portion	**(1,307)**	—
Other receivables — net	**90,624**	97,728

(a) Amounts are unsecured, interest free and repayable on demand.

(b) Amounts represented loans to certain third parties which were facilitated through the internet finance platform.

(c) Amounts mainly represented the deposits for acquisition of land use rights, deposits for construction projects and borrowings, and receivables of cooperation parties.

As at 31 December 2018, impairment provision of RMB102 million (2017: RMB47 million) was made against the gross amount of other receivables.

The carrying amounts of the Group's other receivables are denominated in RMB.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above.

As at 31 December 2018 and 2017, the fair value of trade and other receivables approximated their carrying amounts.

13 PREPAYMENTS

	31 December	
	2018	2017
	RMB million	*RMB million*
Prepaid value added taxes and other taxes	**13,436**	10,906
Prepayments and advances to third parties	**126,993**	137,219
— for acquisition of land use rights	**97,556**	104,674
— for acquisition of subsidiaries	**25,371**	27,065
— others	**4,066**	5,480
	140,429	148,125
Less: non-current portion		
— prepayments for acquisition of property, plant and equipment	**(1,677)**	(1,202)
	138,752	146,923

14 TRADE AND OTHER PAYABLES

	31 December 2018	2017
	RMB million	*RMB million*
Trade payables — third parties	**423,648**	257,459
Other payables:	**104,111**	131,994
— joint ventures	**11,204**	485
— shareholders of the company	**141**	—
— non-controlling interests *(note a)*	**9,731**	19,301
— unit holders of consolidated investment entities *(note b)*	**697**	3,333
— holders of internet finance business products	**10,062**	41,060
— payables for acquisition of land use rights	**31,516**	38,211
— payables for acquisition of subsidiaries	**9,191**	12,670
— payables for acquisition of an associate *(note c)*	**4,034**	—
— third parties *(note d)*	**27,535**	16,934
Accrued expenses	**7,066**	3,603
Payroll payable	**2,558**	2,212
Other taxes payable	**18,473**	8,240
	555,856	403,508
Less: non-current portion		
Other payables:	**(1,543)**	(4,049)
— non-controlling interests *(note a)*	**—**	(615)
— unit holders of consolidated investment entities *(note b)*	**—**	(3,333)
— payables for acquisition of an associate	**(1,543)**	—
— third parties	**—**	(101)
Current portion	**554,313**	399,459

(a) Amounts included certain cash advances from non-controlling interests of approximately RMB257 million (2017: RMB211 million) which bear average interest at 10.4% per annum (2017: 10%) and are repayable according to respective agreements.

(b) Amounts represented cash advances from the unit holders of consolidated investment entities of approximately RMB697 million (2017: RMB3,333 million) which bear average interest rate at 9.6% per annum (2017: 9.6%) and are repayable in 2019.

(c) Amounts represented payable for acquisition of an associate which bear average interest rate at 8.0% per annum and are repayable according the relevant agreement.

(d) Amounts mainly represented deposits and temporary receipts.

The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	31 December 2018 *RMB million*	2017 *RMB million*
Within one year	**378,322**	226,564
Over one year	**45,326**	30,895
	423,648	257,459

The trade and other payables are denominated in the following currencies:

	31 December 2018 *RMB million*	2017 *RMB million*
— Denominated in RMB	**549,935**	402,881
— Denominated in other currencies	**5,921**	627
	555,856	403,508

BUSINESS REVIEW

Amidst the volatilities of the world economic conditions, the Chinese economy maintained a steady and growing momentum in 2018, demonstrating strong resilience and tremendous potential. The Chinese GDP exceeded RMB90 trillion in 2018, ranking second largest in the world, and its growth of 6.6% contributed around 30% of the global GDP growth.

Under the overall guidelines to maintain steady economic growth and deepen supply-side structural reform, the Chinese Central Government continued to implement "different policies according to specific situations in different cities" and category-based policy guidelines in order to gradually establish long-term regulation mechanisms for the real estate industry and to curb irrational demand. During the second half of 2018, the previously robust growth trends in the real estate market largely disappeared and markets in different tiers of cities witnessed mixed performances. Nonetheless, the overall Chinese real estate market continued its growth and achieved another record year in terms of transaction value. Contracted sales volume of commodity housing in 2018 increased by 12.2% year-on-year to reach RMB15 trillion with contracted sales volume of residential housing reaching RMB12.6 trillion, a year-on-year growth of 14.7%. Inventory levels continued to decline, with 520 million square meters of properties available for sale at the end of the year, down by 11.0% year-on-year from the previous year-end, and residential housing inventory decreased to 250 million square meters, down by 16.8%. At the same time, industry consolidation continued and the market share of top 100 real estate companies amounted to 58.1%, a year-on-year increase of 10.6 percentage points.[1]

Faced with the complexities in the economic environment domestically and abroad as well as intense industry competition, the Board developed a strategic framework for the Group entitled "New Evergrande, Grand Strategy, Grand Perspectives". The Group remained committed to implementing the development model of "scale + profitability" and the operating model of "three-low, one-high", namely low debt, low leverage, low cost and high turnover and delivered remarkable results. During 2018, the Group achieved significant profitability growth while retaining moderate scale expansion, and meaningfully reduced total debt levels and gearing ratio. In 2018 the Group was ranked 230th in the Fortune Global 500, improving by 108 positions. In the meantime, the Group has completed its strategic diversification after years of planning and exploration, and has established an overall industry layout of having real estate development as foundation, developing cultural tourism and health and wellbeing management industries as complementary pillars, and focusing on high technology as leading growth driver.

Steady growth in contracted sales with strong execution and flexible and progressive strategies

In 2018, the Group achieved contracted sales of RMB551.34 billion, a year-on-year increase of 10.1%. The contracted sales GFA was 52.435 million square meters, a year-on-year increase of 4.2%; and the average selling price was RMB10,515 per square meter, a year-on-year increase of 5.6%. In 2018, the Group launched 173 new projects for sale in several dozens of cities including Shenzhen, Chongqing, Chengdu, Hefei, Tianjin, Changsha, Kunming, Guiyang, Shijiazhuang, Shenyang, Foshan, Wuxi and Dongguan; and had a total of 829 projects for sale located in 227 cities.

[1] *Source: China Index Academy*

The Group's steady growth in sales was mainly attributable to the significant increase in the added value of products under the development model of "scale + profitability", the large number of projects for sale and available for sale. In addition, the Group implemented flexible and progressive marketing strategies, effectively shielding itself against the recurring market volatility during the year and achieving average selling price growth, which laid a solid foundation for the Group to maintain its profit margin.

Dedicated to standardised operation with significant improvement in profitability

In 2018, the Group generated strong profitability. Net profit excluding exchange gains or losses increased by 106.4% to RMB72.21 billion for the Year as compared with 2017, with a net profit margin excluding exchange gains or losses at 15.5%, an increase of 4.2 percentage points.

The above results were mainly due to the Group's dedication to its standardised operation and intensive procurement. On the one hand, the Group made consistent improvements in cost control and product quality through refined large-scale production, which resulted in continuous increase in the price of contract sales; on the other hand, with stronger brand recognition and cost control measures, the Group continued to keep its costs under control at the initial stage of land purchasing, while further controlling procurement costs and engineering costs through strategic alliance with suppliers, centralized procurement and centralized bidding.

Emphasis on growth efficiency and quality and moderate replenishment of high-quality land reserves

In 2018, the Group adhered to the development model of "scale + profitability" and reduced gearing ratio, and acquired new land reserves in a more prudent and pragmatic manner. In 2018, the Group acquired 105 new pieces of land and further acquired land surrounding 22 existing projects, recording a year-on-year decrease in land purchase. New land reserves acquired are mainly distributed in first-tier, second-tier and third-tier cities, such as Hangzhou, Chengdu, Chongqing, Zhengzhou, Taiyuan, Shijiazhuang, Shenyang, Lanzhou, Nanning, Urumqi, Wuxi, Foshan, Qingyuan and Huizhou. The newly acquired land reserves had a total GFA of 49.93 million square meters at an average land cost of RMB1,611 per square meter.

As at 31 December 2018, the Group's total land reserves comprised of 811 projects located in 228 cities across China, covering almost all first-tier cities, municipalities and provincial capitals, as well as a majority of economically developed prefecture-level cities with high growth potential. The land reserves of the Group had a total planned GFA of 303 million square meters with an original value of RMB496.2 billion and the average land cost of RMB1,635 per square meter. The original value of land reserves in first-tier and second-tier cities amounted to RMB328.5 billion, representing 66% of the total value with an average land cost of RMB2,040 per square meter. The original value of land reserves in third-tier cities amounted to RMB167.7 billion, representing 34% of the total value with an average cost of RMB1,178 per square meter.

Among the abovementioned land reserves, approximately RMB95.5 billion remained outstanding, of which approximately RMB45.5 billion, RMB28.6 billion and RMB21.4 billion would be due in 2019, 2020 and in and after 2021 respectively.

For projects such as urban redevelopments and others which were not included in the current land reserve, the total planned GFA was 77.77 million square meters, with 45 projects located in Shenzhen with the planned GFA amounting to 29.03 million square meters.

Precise and scientific construction planning and proper coordination among demands for sales, completion and delivery

The Group strives to optimize its construction planning scientifically and emphasize the precise coordination among plans of sales, completion and delivery. The Group had new construction start GFA of 75.67 million square meters during the Year. As at 31 December 2018, the Group had 714 projects under construction with GFA of 135 million square meters, an increase of 2.6% year on year. During the Year, a total of 598 projects were partially or fully completed with GFA of 72.25 million square meters, an increase of 60.1% year on year.

In 2018, the Group had a total of 666 delivered projects with total revenue of RMB452.76 billion. The Board believes that the large scale of development and construction has not only ensured ample saleable resources to further support sales, but has also boosted the completion and delivery in the next phase with corresponding increase in overall revenue.

Significant reduction in total debt levels and gearing ratio through comprehensive measures

The Group fully implemented the operating model of "three-low, one-high" and achieved a significant year-on-year reduction in its total debt levels and gearing ratio primarily through controlling new land reserves purchase, controlling costs, increasing equity by expanding profitability and using its own funds to pay off some high interest loans earlier.

As at the end of the year, the Group's net assets increased to RMB308.63 billion, representing an increase of 27.4% as compared to the end of 2017; the net gearing ratio decreased to 151.9%, which was 31.8 percentage points lower as compared to the end of 2017; and total loan levels decreased by RMB59.5 billion or 8.1% from the end of 2017.

Completion of strategic industry diversification provides new growth engines for the Group

After nine years of research and exploration, Evergrande Tourism Group has narrowed its focus to developing two flagship theme-park products that are the first of their kind in the world, namely Evergrande Fairyland and Evergrande Water World. Evergrande Fairyland is developed specifically for children aged 2-15 years old and is the only large-scale mythical-themed parks in the world that is entirely indoor and can operate year-round through all weather conditions, or "all-indoor, all-weather, all-season". Currently there are 15 Evergrande Fairyland projects underway which are expected to begin operations starting in 2021. Each Evergrande Fairyland project targets a regional market with a radius of 500 kilometers and a population of approximately 80 million people. Evergrande Water World is designed to be the world's largest "all-indoor, all-weather, all-season" hot-spring water theme park and each component park offers over 120 most popular water park rides selected from around 170 over the world. Evergrande Tourism Group expects to develop 20–30 Evergrande Water World projects in the next 2-3 years. Ocean Flower Island, located in Hainan, has already completed its exterior facade construction work and is currently undergoing interior decoration and equipment installation. It is expected to open for operation in 2020.

After almost five years of exploration, Evergrande Health Group now focuses on developing its flagship health management product entitled Evergrande Elderly Care Valley, a first of its kind in China. Evergrande Elderly Care Valley integrates first-class resources in medical services, health management, wellness living, elderly care, insurance and tourism and intends to build a comprehensive membership platform. It provides whole-lifecycle, high-quality and multi-dimensional healthcare services to its members through its unique "four major gardens", "five major innovations" and "four major services". Currently there are 12 Evergrande Elderly Care Valley projects under development and over 50 more are being planned over the next three years, to provide services for Evergrande Health members. Boao Evergrande International Hospital is the first Evergrande international hospital and the only overseas affiliated hospital of Brigham and Women's Hospital (an affiliated teaching hospital of Harvard Medical School), which has officially opened for operation.

Evergrande has completed the layout of a new energy vehicle production chain, and strives to become one of the world's largest new energy vehicle makers within 3-5 years. With regard to vehicle research & development and manufacturing, we acquired a controlling stake in National Electric Vehicle Sweden AB (NEVS), and obtained the core technology of Saab Automobile AB. We formed a joint venture with world-class luxury automobile manufacturer Koenigsegg (with 65% shareholding by NEVS) and obtained strong manufacturing capability of super luxury automobiles. In terms of power batteries, we acquired a controlling stake of CENAT, and obtained Japan's leading technology and possessed the industry's top 3 power battery production capacity. In terms of electric in-wheel powertrain, we acquired a controlling stake of e-Traction from the Netherlands, and obtained the world's most advanced electric in-wheel powertrain technology, with operational production capability and application globally. In terms of automobile sales, the Group invested in Guanghui Group, and have access to the world's largest automobile distribution network. Evergrande new energy automobile base in Tianjin is scheduled to be fully operational in June this year.

Health industry and new energy vehicle industry are planned and operated by Evergrande Health Industry Group Limited (00708.HK), a subsidiary of the Group.

BUSINESS OUTLOOK

Looking forward, the Board believes that current global economic growth lacks momentum, while increasing uncertainties and instabilities, downside risks, the rise of trade protectionism are intensifying the risk of reduced growth rate in global GDP. Under the new norm of economic development, China will strive to promote supply-side reforms, foster new development momentum and enhance sustainable growth drivers, at the same time adhering to the principle of "seeking growth amid stability".

The Board firmly believes the new economy and consumption upgrading in China will create benefits both at home and abroad in a more extensive sense. The stable and sustainable development of China's economy will enable steady and sound development of the real estate industry. The Chinese government is expected to maintain the continuity and stability of its regulatory policy for the real estate market, and continue to differentiate policy measures to accelerate the establishment and improvement of a robust long-term mechanism for the market, preventing and mitigating risks in the real estate market.

Based on the analysis of the trends of the global economy, the Chinese economy and the real estate industry, the Board will continue to implement the development model of "scale + profitability" and the operating model of "three-low, one-high", solidify the foundation of real estate business, accelerate the business expansion of Evergrande Tourism Group and Evergrande Health, as well as accelerate the industrialization of major initiatives such as new energy vehicles and new energy technologies.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

During the Year, the revenue was RMB466.20 billion (2017: RMB311.02 billion), representing a year-on-year growth of 49.9%. Gross profit was RMP168.95 billion (2017: RMB112.26 billion), representing a year-on-year growth of 50.5%.

Core business profit for the Year was RMB78.32 billion, which is based on the net profit excluding fair value gains on investment properties, exchange gains or losses, fair value gains or losses on financial instruments, gains or losses on disposal of financial instruments, donations and certain non-property development business losses. Core business profit margin for the Year was 16.8%, representing an increase of 3.8 percentage points as compared with 13.0% of 2017.

Revenue

During the Year, the revenue was RMB466.20 billion, representing a growth rate of 49.9% as compared with 2017. Revenue generated from the property development segment increased by 49.7% to RMB452.76 billion. The increase was mainly due to the property area of recognized sales, which increased by 50.7% as compared with 2017 and the average selling price of the properties, which remained stable as compared with 2017. Revenue generated from property management amounted to RMB4,067 million, an increase of 34.5% from 2017, mainly attributable to the increase in area under the Group's management services in 2018. Revenue generated from investment properties amounted to RMB1,178 million, up by 45.3%, mainly due to more investment properties under rental arrangement during 2018, generating more rental income as a result.

Gross Profit

Gross profit of the Group was RMB168.95 billion for 2018, representing a 50.5% growth as compared with 2017. Increase in gross profit this year was mainly attributable to 50.7% growth in the delivered property area compared to the delivered area in 2017. The average selling price of the properties per square meter and the average cost per square meter remained stable as compared with 2017. Therefore, gross profit margin of 2018 was 36.2%, up by 0.1 percentage point comparing to 2017.

Fair Value Gain on Investment Properties

Fair value gain on investment properties of the Group for the Year was RMB1.34 billion, representing a drop of 84.2% as compared with 2017, primarily attributable to a slower appreciation in 2018 in fair value of investment properties held by the Group over the years. Investment properties of the Group mainly include commercial podiums in residential communities, office buildings with gross floor area of about 9.05 million square meters and approximately 0.38 million car parking spaces.

Other Gains/(Losses), Net

Other net gains were RMB2.65 billion for the Year, primarily including gains on disposal of subsidiaries. Other net losses of 2017 was RMB6.02 billion, mainly attributable to the combined results of the disposal loss of the Vanke A shares, amounting to RMB7.18 billion, exchange gain and the gain on disposal of associates.

Selling and Marketing Costs

During the Year, selling and marketing costs of the Group increased from RMB17.21 billion in 2017 to RMB18.09 billion, mainly attributable to the increase in contract sales by 10.1% and advertisement and promotion expenses in 2018 exceeding that of 2017. The 3.3% ratio of selling and marketing expenses to contracted sales represented a drop of 0.1 percentage point as compared to 2017, which was mainly due to the Group continuing to adopt a series of cost-controlling measures in 2018 to prevent an overrun over its budgets on basis of contract sales amount. At the same time, the Group further saved costs by carrying out more promotion activities through internet sales channel and making full use of its in-house developed mobile phone application, named "Hengfangtong" or "恒房通", to promote property sales.

Administrative Expenses

Administrative expenses of the Group increased to RMB14.81 billion in 2018 from RMB12.25 billion in 2017 primarily due to the Group's continuous expansion in business scope in the PRC. Total staff remuneration for administrative staff also increased.

Borrowings

As at 31 December 2018, the borrowings of the Group amounted to RMB673.14 billion, with the following maturities:

	31 December 2018 *(RMB billion)*	**As percentage of total borrowings**	31 December 2017 *(RMB billion)*	As percentage of total borrowings
Less than 1 year	**318.3**	**47.3%**	356.4	48.6%
1–2 years	**181.5**	**27.0%**	184.8	25.2%
2–5 years	**128.0**	**19.0%**	145.5	19.9%
More than 5 years	**45.3**	**6.7%**	45.9	6.3%
	673.1	**100.0%**	732.6	100.0%

A portion of the borrowings were secured by a pledge of properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. The average effective interest rate of borrowings in 2018 was 8.18% per annum (2017: 8.09%).

Foreign Exchange Exposure

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. However, there are 21.3% of borrowings denominated in US dollar and HK dollar.

We estimate the Renminbi exchange rate to continue its two-way volatility as the Renminbi exchange mechanism becomes more market-oriented. We incurred exchange losses during the Year due to RMB depreciation. However, there is still uncertainty on the actual exchange losses or gains relating to borrowings in foreign currencies, when they were repaid on due dates.

The Group will closely monitor its exchange risk exposure and will adjust its debt profile when necessary based on market changes. The Group has not entered into any forward exchange contracts to hedge its exposure to any such currency risk.

Liquidity

As at 31 December 2018, the total balance of cash and cash equivalents and restricted cash of the Group was RMB204.21 billion. The abundant working capital ensured normal operation of the Group, while providing adequate support for the Group as it explores best business opportunities.

Contracted sales

In 2018, the Group's accumulated contracted sales increased by 10.1% year on year to RMB551.34 billion; contracted sales GFA reached 52.435 million square meters, representing a year-on-year increase of 4.2%; contracted ASP amounted to RMB10,515 per square meter, with a year-on-year increase of 5.6%. During the Year, the Group launched 173 new projects for sale, and had a total of 829 projects for sale, covering 30 provinces, regions and cities in China.

The following table sets out the geographical distribution of contracted sales amount of the Group in 2018.

No.	**Province**	**Sales amount** *(RMB million)*	**Percentage of sales amount**
1	Guangdong Province	53,254	9.66%
2	Jiangsu Province	38,147	6.92%
3	Sichuan Province	37,171	6.74%
4	Henan Province	32,725	5.94%
5	Shandong Province	31,975	5.80%
6	Chongqing	31,554	5.72%
7	Hunan Province	25,402	4.61%
8	Zhejiang Province	25,388	4.60%
9	Anhui Province	24,839	4.51%
10	Guizhou Province	24,107	4.37%
11	Hubei Province	23,447	4.25%
12	Jiangxi Province	23,368	4.24%
13	Guangxi Zhuang Autonomous Region	18,855	3.42%
14	Liaoning Province	18,115	3.29%
15	Shanxi Province	16,666	3.02%
16	Hebei Province	16,350	2.97%
17	Heilongjiang Province	14,769	2.68%
18	Inner Mongolia Autonomous Region	14,614	2.65%
19	Hainan Province	13,064	2.37%
20	Shaanxi Province	11,458	2.08%
21	Fujian Province	11,216	2.03%
22	Yunnan Province	9,145	1.66%
23	Shanghai	8,449	1.53%
24	Jilin Province	7,785	1.41%
25	Gansu Province	6,816	1.24%
26	Beijing	4,120	0.75%
27	Tianjin	3,664	0.66%
28	Xinjiang Uygur Autonomous Region	3,542	0.64%
29	Ningxia Hui Autonomous Region	1,107	0.20%
30	Qinghai Province	228	0.04%
Total		**551,340**	**100.00%**

PROPERTY DEVELOPMENT

In 2018, the Group had a total of 598 projects completed or partially completed, located in 30 provinces, regions and cities of China, with a total completed GFA of 72.25 million square meters. As at 31 December 2018, the Group had a total of 714 projects under construction, with a total area of 135 million square meters.

The following table sets out the distribution of completed areas of the Group in 2018.

Province	**Completed area in 2018** *('000 m^2)*	**Percentage**
Guangdong Province	8,584	11.88%
Sichuan Province	5,849	8.10%
Henan Province	5,100	7.06%
Jiangsu Province	4,274	5.92%
Shandong Province	3,943	5.46%
Chongqing	3,736	5.17%
Hubei Province	3,590	4.97%
Anhui Province	3,540	4.90%
Hainan Province	3,534	4.89%
Jiangxi Province	3,215	4.45%
Hunan Province	3,127	4.33%
Guangxi Zhuang Autonomous Region	2,807	3.88%
Shaanxi Province	2,189	3.03%
Liaoning Province	2,111	2.92%
Zhejiang Province	1,961	2.71%
Shanxi Province	1,838	2.54%
Heilongjiang Province	1,680	2.32%
Shanghai	1,608	2.23%
Guizhou Province	1,525	2.11%
Fujian Province	1,405	1.94%
Hebei Province	1,311	1.82%
Yunnan Province	1,287	1.78%
Jilin Province	1,143	1.58%
Beijing	885	1.23%
Inner Mongolia Autonomous Region	539	0.75%
Gansu Province	504	0.70%
Tianjin	462	0.64%
Xinjiang Uygur Autonomous Region	243	0.34%
Ningxia Hui Autonomous Region	178	0.25%
Qinghai Province	83	0.11%
Total	72,250	100.00%

In 2018, the Group achieved total delivery of 666 projects, with a delivery amount of RMB452.76 billion, up 49.7% year-on-year.

CORPORATE SOCIAL RESPONSIBILITY

While maintaining focus on its steady and rapid growth, the Group continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, education, environmental protection, sports and others, and fufilled corporate social responsibility by making contributions to the harmony and progression of the society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people and provided high quality and affordable homes to the public. In addition to keeping in place the measure of "return with no reason required" to protect home-buyers' interests, the Group had established strategic cooperation with 7,362 domestic and overseas upstream and downstream companies, fostered the strategic cooperation between leading upstream and downstream companies, integrated strong industry chains and supported the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its poverty alleviation plan for 畢節市 (Bijie City) since December 2015. It committed to make a charitable donation of RMB11 billion and assigned a poverty alleviation team of 2,108 persons to station in Wumeng mountainous areas, in order to take hold of the key link of targeted poverty alleviation, namely industrial poverty alleviation, relocating poverty alleviation, and vocational poverty alleviation, planning to ensure that more than 1.03 million people in poverty in the city will be lifted out of poverty by 2020. Up to now, the Group has cumulatively donated RMB6 billion and helped 521,300 people preliminarily overcome poverty. Among such poverty regions, Qianxi County has officially come off the list of poverty-stricken area in September 2018, while Dafang County has reached the standard to exit such list and is now applying for the competent authority's verification and approval in accordance with relevant procedures. In addition, the Group has also donated RMB500 million to the "2018 Guangdong Poverty Alleviation Day" to help Lianping County and Heping County of Heyuan City, Guangdong.

Regarding education, the Group donated RMB20 million to 西北農林科技大學教育發展基金會 (the Education and Development Foundation of Northwest Agriculture & Forestry University) in January 2018; RMB170 million to 河南省扶貧基金會 (Henan Foundation for Poverty Alleviation) and RMB10 million to 中國科學院大學 (the University of Chinese Academy of Sciences) in April 2018; RMB100 million to 廣東省中山大學教育發展基金會 (Sun Yat-Sen University Education Development Foundation (Guangdong)) and RMB100 million to 陝西省慈善協會 (Shaanxi Charity Association) in May 2018; and RMB100 million to 武漢科技大學 (Wuhan University of Science and Technology) in October 2018. Furthermore, the Group has also continued to deepen its cooperation with top institutions around the world such as Harvard University and Tsinghua University to encourage the research, application and promotion of green architecture.

As for sports, the Group continued to make contributions to China's sports development. Evergrande Football School won 19 champions in various competitions in 2018, and took home 8 awards of the year in National Youth Super League. The Group also successfully organized the Evergrande 2018 World Snooker China Championship, which is an A-grade international snooker championship.

AWARDS

In 2018, the Group won multiple awards. It ranked among the Fortune Global 500 for the third consecutive year, ranking 230th, and ranked 22nd in the China Top 500. It secured a place in the Top 100 Global Brands and the Top 20 Most Valuable Chinese Brands. It also ranked first in both the Top 500 China Real Estate Developers and the Top 100 China Real Estate Developers again. With respect to social responsibility, the Group was awarded the Chinese Enterprise with Special Contribution to Social Responsibility, the Most Socially Responsible Enterprise in 2018, the China Real Estate Poverty Alleviation Benchmarking Developers and the Outstanding Contribution Award for Poverty Alleviation, etc. Mr. Hui Ka Yan, the chairman of the Board, was honoured as one of the 100 Outstanding Private Entrepreneurs in the 40 Years of Reform and Opening Up, and was awarded the China Charity Prize for the 8th consecutive year.

HUMAN RESOURCES

As at 31 December 2018, the Group had a total of 131,694 employees, of whom approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high-quality personnel. During the Year, the Group recruited 4,710 fresh graduates through open recruitment, including 693 fresh graduates from top 10 colleges and universities such as Peking University and Tsinghua University.

The Group organized various culture-building activities from multiple dimensions so as to establish channels for training and enhancement, cross-field development and remodeling for its employees. In order to improve the comprehensive quality of employees and strengthen talents pool, the Group continued to organize the postgraduate course for Master of Project Management with Tsinghua University in 2018. The Group organized approximately 103,861 training sessions and professional seminars for staff at headquarters, regional companies and industry groups throughout the Year and trained approximately 1,530,533 staff in aggregate. The total training hours amounted to approximately 225,180 hours with approximately 2.2 hours per session.

The Group firmly believes that talent is the most important corporate resource and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. For the year ended 31 December 2018, total staff costs (including directors' emoluments) of the Group were approximately RMB24.22 billion (for the year ended 31 December 2017: approximately RMB17.26 billion).

FINAL DIVIDEND

For reasons relating to the reorganization of Shenzhen Real Estate, the Board has elected not to declare a final dividend for 2018 at this time. The Company plans to convene another Board meeting in early July to evaluate the payment of a dividend. The Company will publish a further announcement in this regard. The Company's long-term dividend policy remains stable.

REVIEW OF RESULTS

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018 by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers 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.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules.

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

During 2018, the Company repurchased from the market a total of 160,528,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchase of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month	**Number of shares repurchased**	**Highest price per share** *(HK$)*	**Lowest price per share** *(HK$)*	**Aggregate purchase price** *(HK$)*
July	160,528,000	22.05	19.26	3,361,296,720

On 14 February 2018, the Company issued 4.25% secured guaranteed convertible bonds due 2023 in an aggregate principal amount of HK$18.00 billion (the "Bonds"). The Bonds may be converted into shares of the Company at the conversion price of HK$37.05 per share (adjusted as a result of dividend payment) and assuming full conversion of the Bonds at the conversion price, the Bonds will be convertible into 485,829,959 shares. The Bonds are listed and traded on the Singapore Stock Exchange.

On 6 November 2018, Scenery Journey Limited, a subsidiary of the Company, issued (i) 11% senior notes due 2020 with a principal amount of US$565,000,000, (ii) 13% senior notes due 2022 with a principal amount of US$645,000,000, and (iii) 13.75% senior notes due 2023 with a principal amount of US$590,000,000.

On 23 November 2018, Scenery Journey Limited issued an additional US$1,000,000,000 of 11% senior notes due 2020, which formed a single series with the original 11% senior notes due 2020 issued on 6 November 2018.

All of the notes mentioned above are listed and traded on the Singapore Stock Exchange.

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

SUBSEQUENT EVENT

On 25 January 2019, the Company issued (i) additional US$1,100,000,000 7.0% senior notes due 2020 (which were consolidated and form a single series with the US$500,000,000 7.0% senior notes due 2020 issued on 23 March 2017), (ii) additional US$875,000,000 6.25% senior notes due 2021 (which were consolidated and form a single series with the US$598,181,000 6.25% senior notes due 2021 issued on 28 June 2017), and (iii) additional US$1,025,000,000 8.25% senior notes due 2022 (which were consolidated and form a single series with the US$1,000,000,000 8.25% senior notes due 2022 issued on 23 March 2017). All of the notes are listed and traded on the Singapore Stock Exchange.

On 6 March 2019, Scenery Journey Limited issued 9% senior notes due 2021 with a principal amount of US$600,000,000. The notes are listed and traded on the Singapore Stock Exchange.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the year ended 31 December 2018, all directors always abided by the Model Code.

CORPORATE GOVERNANCE

The Directors are of the view that the Company has been in compliance with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 save for the following deviation:

In respect of code provision E.1.2, the chairman of the Board, Professor Hui Ka Yan, did not attend the annual general meeting of the Company held on 8 June 2018 due to his other business commitment. Mr. Pan Darong, an executive Director and the Chief Financial Officer, was appointed chairman of the meeting.

REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee of the Company consists of all of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018.

ANNOUNCEMENT OF FULL YEAR RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The announcement of full year results have been published on the Company's website (http://www.evergrande.com) and the website appointed by the Stock Exchange (http://www.hkexnews.hk).

ACKNOWLEDGEMENT

The steady development of the Group has been blessed with the trust and support of its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I hereby express my heartfelt gratitude towards them.

By Order of the Board
China Evergrande Group
Hui Ka Yan
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the executive Directors are Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Shi Junping, Mr. Pan Darong, and Mr. Huang Xiangui, and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.